

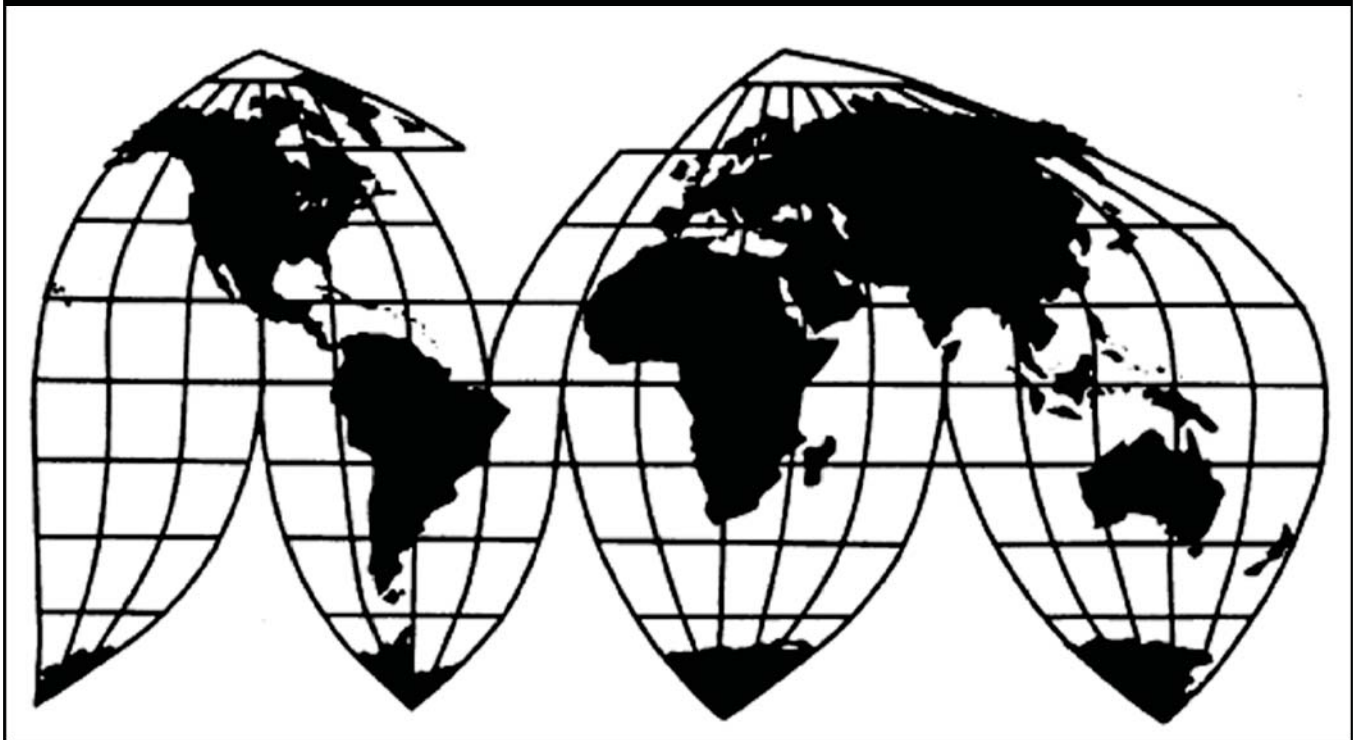
# **Certain Steel Wheels from China**

Investigation Nos. 701-TA-478 and 731-TA-1182 (Final)

**Publication 4319**

**May 2012**

**U.S. International Trade Commission**



Washington, DC 20436

# U.S. International Trade Commission

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**Note.—Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report. Such deletions are indicated by asterisks.**





# UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 701-TA-478 and 731-TA-1182 (Final)

## CERTAIN STEEL WHEELS FROM CHINA

### DETERMINATIONS

On the basis of the record<sup>1</sup> developed in the subject investigations, the United States International Trade Commission (Commission) determines, pursuant to sections 705(b) and 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1671d(b)) and (19 U.S.C. § 1673d(b)) (the Act), that an industry in the United States is not materially injured or threatened with material injury, and the establishment of an industry in the United States is not materially retarded, by reason of imports of certain steel wheels from China, provided for in subheading 8708.70 of the Harmonized Tariff Schedule of the United States, that the U.S. Department of Commerce has determined are subsidized and sold in the United States at less than fair value (“LTFV”).

### BACKGROUND

The Commission instituted these investigations effective March 30, 2011, following receipt of a petition filed with the Commission and Commerce by Accuride Corp. (Evansville, IN) and Hayes Lemmerz International, Inc. (Northville, MI). The final phase of the investigations was scheduled by the Commission following notification of preliminary determinations by Commerce that imports of certain steel wheels from China were subsidized within the meaning of section 703(b) of the Act (19 U.S.C. § 1671b(b)) and dumped within the meaning of 733(b) of the Act (19 U.S.C. § 1673b(b)). Notice of the scheduling of the final phase of the Commission’s investigations and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* on November 23, 2011 (76 FR 72441). The hearing was held in Washington, DC, on March 8, 2012, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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<sup>1</sup> The record is defined in sec. 207.2(f) of the Commission’s Rules of Practice and Procedure (19 CFR § 207.2(f)).



## VIEWS OF THE COMMISSION

Based on the record in the final phase of these investigations, we find that an industry in the United States is not materially injured or threatened with material injury by reason of subject imports of certain steel wheels (“steel wheels”) from China that have been found by the U.S. Department of Commerce (“Commerce”) to be sold in the United States at less than fair value and subsidized by the Government of China.<sup>1</sup>

### I. BACKGROUND

U.S. steel wheel producers Accuride Corp. (“Accuride”) and Hayes Lemmerz International, Inc. (“Hayes Lemmerz”) (collectively “Petitioners”) filed the petitions in these investigations. Petitioners appeared at the hearing and submitted prehearing and posthearing briefs.

Several respondents appeared at the hearing and submitted briefs. The China Chamber of Commerce for Import and Export of Machinery and Electronic Products (“CCCME”), which represents four Chinese producers of steel wheels, participated at the hearing and submitted prehearing and posthearing briefs. Zhejiang Jingu Co., Ltd. (“Jingu”), a producer of subject steel wheels in China, participated at the hearing and submitted prehearing and posthearing briefs. Caterpillar, Inc. (“Caterpillar”), a purchaser and end user of steel wheels, participated at the hearing and submitted a posthearing brief. Ford Motor Company (“Ford”), another purchaser and end user of steel wheels, submitted prehearing and posthearing briefs.

In the final phase of these investigations, the Commission sent questionnaires to five firms identified as potential U.S. producers of steel wheels and received four useable responses.<sup>2</sup> These four responding U.S. producers accounted for \*\*\* percent of U.S. production of steel wheels in 2010.<sup>3</sup>

The Commission sent questionnaires to 178 firms believed to be importers of steel wheels from subject and non-subject countries.<sup>4</sup> Useable questionnaire responses were received from 32 firms.<sup>5</sup> The 21 U.S. importers of subject merchandise from China that submitted questionnaire responses are believed to account for approximately 75 percent of subject wheels imported from China during the period for which data were collected in these investigations.<sup>6</sup> Questionnaire data from the 18 importers of steel wheels from non-subject countries that submitted questionnaire responses are believed to account for 80 percent or more of total U.S. imports of steel wheels from non-subject countries.<sup>7</sup>

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<sup>1</sup> Material retardation of the establishment of an industry in the United States is not at issue in these investigations.

<sup>2</sup> Confidential Report, Memorandum INV-KK-035 (Mar. 30, 2012), as revised by Memorandum INV-KK-041 (Apr. 9, 2012) (“CR”) at III-1; Public Report, Certain Steel Wheels from China, Inv. Nos. 701-TA-478 and 731-TA-1182 (Final), USITC Pub. 4319 (“PR”) at III-1.

<sup>3</sup> CR/PR at Table III-1 (estimating the share of U.S. production accounted for by Accuride, GKN, Hayes Lemmerz, and Topy).

<sup>4</sup> CR/PR at IV-1.

<sup>5</sup> CR/PR at IV-1; CR/PR at Table IV-1.

<sup>6</sup> CR at I-5; PR at I-4.

<sup>7</sup> CR at I-5; PR at I-4.

The Commission also received questionnaire responses from eight Chinese producers of the subject product.<sup>8</sup> These firms are believed to account for \*\*\* percent or more of Chinese exports of subject steel wheels to the United States in 2010.<sup>9</sup>

## II. DOMESTIC LIKE PRODUCT

### A. In General

In determining whether an industry in the United States is materially injured or threatened with material injury by reason of imports of subject merchandise, the Commission first defines the “domestic like product” and the “industry.”<sup>10</sup> Section 771(4)(A) of the Tariff Act of 1930, as amended (“the Tariff Act”), defines the relevant domestic industry as the “producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”<sup>11</sup> In turn, the Tariff Act defines “domestic like product” as “a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation.”<sup>12</sup>

The decision regarding the appropriate domestic like product in an investigation is a factual determination, and the Commission has applied the statutory standard of “like” or “most similar in characteristics and uses” on a case-by-case basis.<sup>13</sup> No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.<sup>14</sup> The Commission looks for clear dividing lines among possible like products and disregards minor variations.<sup>15</sup> Although the Commission must accept Commerce’s determination as to the scope of the imported

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<sup>8</sup> CR at VII-4 to VII-5; PR at VII-3 to VII-4; CR/PR at Table VII-1.

<sup>9</sup> CR at VII-5; PR at VII-4.

<sup>10</sup> 19 U.S.C. § 1677(4)(A).

<sup>11</sup> 19 U.S.C. § 1677(4)(A).

<sup>12</sup> 19 U.S.C. § 1677(10).

<sup>13</sup> See, e.g., Cleo Inc. v. United States, 501 F.3d 1291, 1299 (Fed. Cir. 2007); NEC Corp. v. Department of Commerce, 36 F. Supp. 2d 380, 383 (Ct. Int’l Trade 1998); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int’l Trade 1990), aff’d, 938 F.2d 1278 (Fed. Cir. 1991) (“every like product determination ‘must be made on the particular record at issue’ and the ‘unique facts of each case’”). The Commission generally considers a number of factors, including the following: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. See Nippon, 19 CIT at 455 n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int’l Trade 1996).

<sup>14</sup> See, e.g., S. Rep. No. 96-249 at 90-91 (1979).

<sup>15</sup> Nippon, 19 CIT at 455; Torrington, 747 F. Supp. at 748-49; see also S. Rep. No. 96-249 at 90-91 (1979) (Congress has indicated that the like product standard should not be interpreted in “such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not ‘like’ each other, nor should the definition of ‘like product’ be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.”).

merchandise that is subsidized or sold at less than fair value,<sup>16</sup> the Commission determines what domestic product is like the imported articles Commerce has identified.<sup>17</sup>

## **B. Scope of These Investigations**

Commerce defined the scope of the imported merchandise under investigation as follows:

steel wheels with a wheel diameter of 18 to 24.5 inches. Rims and discs for such wheels are included, whether imported as an assembly or separately. These products are used with both tubed and tubeless tires. Steel wheels, whether or not attached to tires or axles, are included. However, if the steel wheels are imported as an assembly attached to tires or axles, the tire or axle is not covered by the scope. The scope includes steel wheels, discs, and rims of carbon and/or alloy composition and clad wheels, discs, and rims when carbon or alloy steel represents more than fifty percent of the product by weight. The scope includes wheels, rims, and discs, whether coated or uncoated, regardless of the type of coating.<sup>18</sup>

After being attached to an axle and mounted with a rubber tire, steel wheels within the scope of these investigations normally are mounted on vehicles such as trucks, tractors, buses, trailers, fire trucks, ambulances, and tow trucks.<sup>19</sup>

## **C. Like Product Issues**

In the preliminary phase of these investigations, Petitioners asked the Commission to define a single domestic like product consisting of steel wheels ranging from 18 inches to 24.5 inches in diameter.<sup>20</sup> Respondent CCME did not contest the proposed domestic like product definition for purposes of the preliminary phase investigations.<sup>21</sup> Importer Trans-Texas Tire (“TTT”), however, asked the Commission to define the domestic like product more broadly than the scope of the investigations, and include aluminum wheels of 18 inches to 24.5 inches in diameter.<sup>22</sup> The Commission rejected this

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<sup>16</sup> See, e.g., USEC, Inc. v. United States, 34 Fed. Appx. 725, 730 (Fed. Cir. 2002) (“The ITC may not modify the class or kind of imported merchandise examined by Commerce.”); Algoma Steel Corp. v. United States, 688 F. Supp. 639, 644 (Ct. Int’l Trade 1988), aff’d, 865 F.3d 240 (Fed. Cir.), cert. denied, 492 U.S. 919 (1989).

<sup>17</sup> Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (the Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); Cleo, 501 F.3d at 1298 n.1 (“Commerce’s {scope} finding does not control the Commission’s {like product} determination.”); Torrington, 747 F. Supp. at 748-52 (affirming the Commission’s determination defining six like products in investigations in which Commerce found five classes or kinds).

<sup>18</sup> CR at I-10; PR at I-7; 77 Fed. Reg. 17017 (Mar. 23, 2012).

<sup>19</sup> CR at I-3; PR at I-3.

<sup>20</sup> Petitioners’ Postconf. Br. at 9.

<sup>21</sup> See, e.g., CCCME Postconf. Br. at 10; AWS Postconf. Br. at 6.

<sup>22</sup> TTT Postconference Br. at 10-13. Although respondent AWS did not contest the domestic like product for purposes of the Commission’s preliminary determinations, it concurred with TTT that aluminum wheels were part of the same domestic like product as steel wheels. See, e.g., AWS Postconf. Br., Ex. 1.

request, and defined a single domestic like product consisting of all steel wheels ranging from 18 inches to 24.5 inches in diameter, coextensive with the scope of the investigations.<sup>23</sup>

In these final phase investigations, no party argues in favor of defining the domestic like product to include aluminum wheels. However, well into the investigations, after questionnaires were issued and just before the hearing, Chinese producer Jingu and end user Caterpillar asked the Commission to define two domestic like products, arguing that steel wheels used in off-the-road construction and agricultural applications (“OTR steel wheels”) are a separate like product from on-road steel wheels.<sup>24</sup> Petitioners argue that the Commission should find a single domestic like product, coextensive with the scope, as it found in the preliminary phase.<sup>25</sup>

#### **D. Analysis and Conclusion**

The Commission expressly instructed parties to identify potential domestic like product issues on a timely basis during the final phase of these investigations in order to allow adequate data collection.<sup>26</sup> Jingu, however, did not make any domestic like product arguments in its comments on the draft final-phase questionnaires and instead waited to raise this issue until its prehearing brief and at the hearing; Caterpillar addressed this issue only in its hearing testimony and posthearing brief, largely adopting Jingu’s arguments as its own.<sup>27</sup> As a consequence of the failure by Jingu and Caterpillar to raise this issue on a timely basis, we were unable to obtain, through our questionnaires, either separate trade and financial data on the two proposed domestic like products, or information from purchasers and other market participants about possible differences between the two proposed products. Hence, based on the very limited information contained on the record in the final phase of these investigations, we are unable to

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<sup>23</sup> As the Commission explained, aluminum and steel wheels are distributed largely through the same commercial channels to vehicle manufacturers for use as original equipment on trucks and trailers, thus making them operationally interchangeable. On the other hand, the Commission found significant differences between the two products. Aluminum wheels are manufactured from different metal alloys than steel wheels, at different production facilities using entirely different production processes and employees. Purchasers select between the two types of wheels based on differences in price, physical appearance, maintenance needs, and fuel efficiency. Although aluminum wheels may be substituted for steel wheels, aluminum wheels are three times as expensive. Based on these differences in materials, production processes and manufacturing facilities, and prices, the Commission declined to define the domestic like product to include aluminum wheels. Certain Steel Wheels from China, Inv. Nos. 701-TA-478 and 731-TA-1182 (Prelim.), USITC Pub. 4233 at 7-9 (May 2011) (“Preliminary Determination”). Commissioner Pinkert did not make any findings regarding customer and producer perceptions, although he indicated that he would consider this factor in any final investigations after the Commission had the opportunity to issue purchaser questionnaires. Id. at 8 n.39.

<sup>24</sup> See e.g., Jingu Prehearing Br. at 4-8; Caterpillar Posthearing Br. at 2-3.

<sup>25</sup> See e.g., Petitioners’ Prehearing Br. at 4-5.

<sup>26</sup> USITC Pub. 4233 at 7 n.23 (stating: “We remind the parties that, pursuant to rule 19 C.F.R. § 207.20(b), requests for data collection in any final phase investigations should be made at the time written comments on draft questionnaires are made. As the Commission’s notice of rulemaking promulgating this rule stated, this is particularly important with respect to such issues as domestic like product. See 61 Fed. Reg. 37818, 37826 (Jul. 22, 1996).”)

<sup>27</sup> Caterpillar’s Posthearing Br. at 1-2. Caterpillar also asserts that in prior investigations of wheels and tires, the Commission has always differentiated between on-road and off-road products. Id. at 4-5. We note, however, that Commission definitions of the like product are sui generis based on the factual record in each investigation, and the fact that the Commission defined the domestic like product in a particular way in an earlier investigation is not controlling in subsequent investigations. See, e.g., Cleo, 501 F. 3d at 1299 ; Nippon Steel Corp. v. United States, 19 CIT 450, 454-55 (1995).

conclude that a clear line divides OTR steel wheels and on-road steel wheels.<sup>28</sup> Accordingly, in these final phase investigations, we define a single domestic like product consisting of steel wheels ranging from 18 inches to 24.5 inches in diameter, coextensive with the scope of these investigations.

### III. DOMESTIC INDUSTRY

The domestic industry is defined as the domestic “producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”<sup>29</sup> In defining the domestic industry, the Commission’s general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.

In the preliminary phase of these investigations, the Commission found a single domestic industry consisting of all domestic producers of steel wheels ranging from 18 inches to 24.5 inches in diameter. In the final phase of these investigations, consistent with our definition of the domestic like product, we define the domestic industry as all domestic producers of steel wheels ranging from 18 inches to 24.5 inches in diameter.<sup>30</sup>

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<sup>28</sup> On balance, the available record evidence suggests some differences between OTR and on-road steel wheels in terms of producer and customer perceptions and manufacturing facilities, but similarities in terms of physical characteristics/uses and channels of distribution, mixed evidence as to interchangeability, and limited information about any price differences. CR at I-10, I-12 to I-13, I-16, I-20 to I-21; PR at I-8, I-10 to I-12, I-15 to I-16; Hearing Tr. at 78-81 (Schagrin, Byrnes, and Bentley), 112-14 (Dauch, Hampton, Noll, Schagrin), and 143 (Bentley, Weisend).

<sup>29</sup> 19 U.S.C. § 1677(4)(A).

<sup>30</sup> We must determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to 19 U.S.C. § 1677(4)(B). Subsection 1677(4)(B) allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise or which are themselves importers. 19 U.S.C. § 1677(4)(B). Exclusion of such a producer is within the Commission’s discretion based upon the facts presented in each investigation. See *Torrington*, 790 F. Supp. at 1168; *Sandvik AB v. United States*, 721 F. Supp. 1322, 1331-32 (Ct. Int’l Trade 1989), *aff’d mem.*, 904 F.2d 46 (Fed. Cir. 1990); *Empire Plow Co. v. United States*, 675 F. Supp. 1348, 1352 (Ct. Int’l Trade 1987).

The Commission did not find any related party issues in the preliminary phase of these investigations. See *e.g.*, Preliminary Determination, USITC Pub. 4233 at 12 n.41. No party has identified a related party issue in the final phase of these investigations. We note, however, that the current record indicates that domestic producer Hayes Lemmerz is affiliated with Maxion (Nantong) Wheels Co. Ltd. (“Maxion Nantong”), a Chinese producer of steel wheels through common ownership by Iochpe-Maxion S.A., a Brazilian producer of steel wheels, a development that occurred in February 2012 when Iochpe-Maxion S.A. acquired Hayes-Lemmerz. CR at III-2; PR at III-1 to III-2. The record is unclear, however, as to whether Hayes Lemmerz’s Brazilian parent owns a majority interest in both Hayes Lemmerz and Maxion Nantong that would constitute sufficient control to make Hayes Lemmerz a related party under 19 U.S.C. § 1677(4)(C)(II)(iii). Even assuming *arguendo* that Hayes Lemmerz is a related party, we find that appropriate circumstances do not exist to exclude Hayes Lemmerz from the domestic industry as the company did not import or purchase subject merchandise between January 2008 and September 2011, and there is nothing on the record to indicate that Hayes Lemmerz benefitted from its relationship with its affiliated Chinese subject producer.

We also note that the domestic producer GKN Wheels Armstrong, Inc. (“GKN”) is affiliated with a Chinese producer of steel wheels, through common ownership by GKN plc., which is headquartered in the United Kingdom (“U.K.”). CR at III-3 & III-6; PR at III-2 to III-4. The record is unclear, however, as to whether GKN’s U.K. parent owns a majority interest in both GKN and its affiliated Chinese producer that would constitute sufficient control to make GKN a related party under 19 U.S.C. § 1677(4)(C)(II)(iii). Even assuming *arguendo* that GKN is a related party, we find that appropriate circumstances do not exist to exclude GKN from the domestic industry as there is nothing in the record to indicate that GKN imported or purchased subject merchandise during the relevant period or

(continued...)

#### IV. LEGAL STANDARDS

In the final phase of antidumping and countervailing duty investigations, the Commission determines whether an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.<sup>31</sup> In making this determination, the Commission must consider the volume of subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.<sup>32</sup> The statute defines “material injury” as “harm which is not inconsequential, immaterial, or unimportant.”<sup>33</sup> In assessing whether the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.<sup>34</sup> No single factor is dispositive, and all relevant factors are considered “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”<sup>35</sup>

Although the statute requires the Commission to determine whether the domestic industry is “materially injured or threatened with material injury by reason of” unfairly traded imports,<sup>36</sup> it does not define the phrase “by reason of,” indicating that this aspect of the injury analysis is left to the Commission’s reasonable exercise of its discretion.<sup>37</sup> In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic industry. This evaluation under the “by reason of” standard must ensure that subject imports are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.<sup>38</sup>

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to

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<sup>30</sup> (...continued)

benefitted from its relationship with its affiliated Chinese subject producer.

<sup>31</sup> 19 U.S.C. §§ 1671d(b), 1673d(b).

<sup>32</sup> 19 U.S.C. § 1677(7)(B)(i). The Commission “may consider such other economic factors as are relevant to the determination” but shall “identify each {such} factor ... and explain in full its relevance to the determination.” 19 U.S.C. § 1677(7)(B).

<sup>33</sup> 19 U.S.C. § 1677(7)(A).

<sup>34</sup> 19 U.S.C. § 1677(7)(C)(iii).

<sup>35</sup> 19 U.S.C. § 1677(7)(C)(iii).

<sup>36</sup> 19 U.S.C. §§ 1671d(a), 1673d(a).

<sup>37</sup> Angus Chemical Co. v. United States, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) (“{T}he statute does not ‘compel the commissioners’ to employ {a particular methodology}.”), aff’d, 944 F. Supp. 943, 951 (Ct. Int’l Trade 1996).

<sup>38</sup> The Federal Circuit, in addressing the causation standard of the statute, observed that “{a}s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less than fair value meets the causation requirement.” Nippon Steel Corp. v. USITC, 345 F.3d 1379, 1384 (Fed. Cir. 2003). This was further ratified in Mittal Steel Point Lisas Ltd. v. United States, 542 F.3d 867, 873 (Fed. Cir. 2008), where the Federal Circuit, quoting Gerald Metals, Inc. v. United States, 132 F.3d 716, 722 (Fed. Cir. 1997), stated that “this court requires evidence in the record ‘to show that the harm occurred “by reason of” the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.’” See also Nippon Steel Corp. v. United States, 458 F.3d 1345, 1357 (Fed. Cir. 2006); Taiwan Semiconductor Industry Ass’n v. USITC, 266 F.3d 1339, 1345 (Fed. Cir. 2001).



the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.<sup>39</sup> In performing its examination, however, the Commission need not isolate the injury caused by other factors from injury caused by unfairly traded imports.<sup>40</sup> Nor does the “by reason of” standard require that unfairly traded imports be the “principal” cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such as nonsubject imports, which may be contributing to overall injury to an industry.<sup>41</sup> It is clear that the existence of injury caused by other factors does not compel a negative determination.<sup>42</sup>

Assessment of whether material injury to the domestic industry is “by reason of” subject imports “does not require the Commission to address the causation issue in any particular way” as long as “the injury to the domestic industry can reasonably be attributed to the subject imports” and the Commission “ensure{s} that it is not attributing injury from other sources to the subject imports.”<sup>43 44</sup> Indeed, the

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<sup>39</sup> SAA at 851-52 (“{T}he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports.”); S. Rep. 96-249 at 75 (1979) (the Commission “will consider information which indicates that harm is caused by factors other than less-than-fair-value imports.”); H.R. Rep. 96-317 at 47 (1979) (“in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors;” those factors include “the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry”); accord Mittal Steel, 542 F.3d at 877.

<sup>40</sup> SAA at 851-52 (“{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports.”); Taiwan Semiconductor Industry Ass’n v. USITC, 266 F.3d 1339, 1345 (Fed. Cir. 2001) (“{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports ... . Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports.” (emphasis in original)); Asociacion de Productores de Salmon y Trucha de Chile AG v. United States, 180 F. Supp. 2d 1360, 1375 (Ct. Int’l Trade 2002) (“{t}he Commission is not required to isolate the effects of subject imports from other factors contributing to injury” or make “bright-line distinctions” between the effects of subject imports and other causes.); see also Softwood Lumber from Canada, Invs. Nos. 701-TA-414 and 731-TA-928 (Remand), USITC Pub. 3658 at 100-01 (Dec. 2003) (Commission recognized that “{i}f an alleged other factor is found not to have or threaten to have injurious effects to the domestic industry, i.e., it is not an ‘other causal factor,’ then there is nothing to further examine regarding attribution to injury”), citing Gerald Metals, Inc. v. United States, 132 F.3d 716, 722 (Fed. Cir. 1997) (the statute “does not suggest that an importer of LTFV goods can escape countervailing duties by finding some tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.”).

<sup>41</sup> S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

<sup>42</sup> See Nippon Steel Corp., 345 F.3d at 1381 (“an affirmative material-injury determination under the statute requires no more than a substantial-factor showing. That is, the ‘dumping’ need not be the sole or principal cause of injury.”).

<sup>43</sup> Mittal Steel, 542 F.3d at 877-78; see also id. at 873 (“While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured ‘by reason of’ subject imports, the Commission is not required to follow a single methodology for making that determination ... {and has} broad discretion with respect to its choice of methodology.”) citing United States Steel Group v. United States, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75.

<sup>44</sup> Commissioner Pinkert does not join this paragraph or the following three paragraphs. He points out that the Federal Circuit, in Bratsk, 444 F.3d 1369, and Mittal, held that the Commission is required, in certain circumstances when considering present material injury, to undertake a particular kind of analysis of nonsubject imports, albeit without reliance upon presumptions or rigid formulas. Mittal explains as follows:

What Bratsk held is that “where commodity products are at issue and fairly traded, price-competitive,  
(continued...)

Federal Circuit has examined and affirmed various Commission methodologies and has disavowed “rigid adherence to a specific formula.”<sup>45</sup>

The Federal Circuit’s decisions in Gerald Metals, Bratsk, and Mittal Steel all involved cases where the relevant “other factor” was the presence in the market of significant volumes of price-competitive nonsubject imports. The Commission interpreted the Federal Circuit’s guidance in Bratsk as requiring it to apply a particular additional methodology following its finding of material injury in cases involving commodity products and a significant market presence of price-competitive nonsubject imports.<sup>46</sup> The additional “replacement/benefit” test looked at whether nonsubject imports might have replaced subject imports without any benefit to the U.S. industry. The Commission applied that specific additional test in subsequent cases, including the Carbon and Certain Alloy Steel Wire Rod from Trinidad and Tobago determination that underlies the Mittal Steel litigation.

Mittal Steel clarifies that the Commission’s interpretation of Bratsk was too rigid and makes clear that the Federal Circuit does not require the Commission to apply an additional test nor any one specific methodology; instead, the court requires the Commission to have “evidence in the record” to “show that the harm occurred ‘by reason of’ the LTFV imports,” and requires that the Commission not attribute injury from nonsubject imports or other factors to subject imports.<sup>47</sup> Accordingly, we do not consider ourselves required to apply the replacement/benefit test that was included in Commission opinions subsequent to Bratsk.

The progression of Gerald Metals, Bratsk, and Mittal Steel clarifies that, in cases involving commodity products where price-competitive nonsubject imports are a significant factor in the U.S. market, the Court will require the Commission to give full consideration, with adequate explanation, to non-attribution issues when it performs its causation analysis.<sup>48</sup>

The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence

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<sup>44</sup> (...continued)

nonsubject imports are in the market,” the Commission would not fulfill its obligation to consider an important aspect of the problem if it failed to consider whether nonsubject or non-LTFV imports would have replaced LTFV subject imports during the period of investigation without a continuing benefit to the domestic industry. 444 F.3d at 1369. Under those circumstances, Bratsk requires the Commission to consider whether replacement of the LTFV subject imports might have occurred during the period of investigation, and it requires the Commission to provide an explanation of its conclusion with respect to that factor.

542 F.3d at 878. Commissioner Pinkert notes that such an analysis is unnecessary here because he finds an absence of material injury by reason of subject imports for reasons other than the hypothetical impact of nonsubject imports during the period examined.

<sup>45</sup> Nucor Corp. v. United States, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); see also Mittal Steel, 542 F.3d at 879 (“Bratsk did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was ‘by reason’ of subject imports.”).

<sup>46</sup> Mittal Steel, 542 F.3d at 875-79.

<sup>47</sup> Mittal Steel, 542 F.3d at 873 (quoting from Gerald Metals, 132 F.3d at 722), 875-79 & n.2 (recognizing the Commission’s alternative interpretation of Bratsk as a reminder to conduct a non-attribution analysis).

<sup>48</sup> To that end, after the Federal Circuit issued its decision in Bratsk, the Commission began to present published information or send out information requests in final phase investigations to producers in nonsubject countries that accounted for substantial shares of U.S. imports of subject merchandise (if, in fact, there were large nonsubject import suppliers). In order to provide a more complete record for the Commission’s causation analysis, these requests typically seek information on capacity, production, and shipments of the product under investigation in the major source countries that export to the United States. The Commission plans to continue utilizing published or requested information in final phase investigations in which there are substantial levels of nonsubject imports.

standard.<sup>49</sup> Congress has delegated this factual finding to the Commission because of the agency's institutional expertise in resolving injury issues.<sup>50</sup>

## V. CONDITIONS OF COMPETITION AND THE BUSINESS CYCLE

The following conditions of competition inform our analysis of whether there is material injury or threat of material injury by reason of subject imports.

### A. Demand Considerations

Demand for steel wheels is influenced by general economic conditions and is derived from demand for products in which steel wheels are used, particularly commercial trucks and trailers.<sup>51</sup> Most of the U.S. market for steel wheels involves tubeless wheels for use in on-road applications, typically in commercial vehicles.<sup>52</sup> The subject steel wheels are most often used on medium and heavy trucks that typically fall within vehicle-weight rating classes 5 through 8, and on trailers.<sup>53</sup> They are also used on some light to medium passenger trucks, buses, military vehicles, mobile construction equipment, frac trailers (a stationary water tank used in oil fields), and other large OTR vehicles.<sup>54</sup>

The U.S. market for steel wheels is highly segmented. Generally, the market is separated into original equipment manufacturers (OEMs) and non-OEM (aftermarket) purchasers.<sup>55</sup> For OEMs, truck and trailer manufacturers are the primary customers.<sup>56</sup> The large truck manufacturers (\*\*\*) include Freightliner (owned by Daimler), Kenworth and Peterbilt (both owned by PACCAR), Volvo/Mack, and Navistar.<sup>57</sup> The large trailer manufacturers (in descending order of 2011 trailer production) include Wabash, Great Dane, and Utility Trailer, although there are a number of smaller trailer manufacturers.<sup>58</sup> Other OEMs include manufacturers of vehicles for agricultural, construction, mining, and other OTR use, and of class 1-3 light trucks.<sup>59</sup> Also, within the OEM network there are dealerships that service the trucks and trailers that they sell, which are referred to as "original equipment service" ("OES") or "original equipment manufacturer service" ("OEMS") providers.<sup>60</sup>

The non-OEM/non-OES channel, also known as the "aftermarket," includes warehouse distributors that may belong to buyer groups, such as Heavy Duty America ("HDA"), VIPAR, NAPA Traction Group, and FleetPride, as well as independent firms that purchase a large array of truck components to repair and service truck fleets and that in turn sell to customers that are not large enough to

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<sup>49</sup> We provide in our respective discussions of volume, price effects, and impact a full analysis of other factors alleged to have caused any material injury experienced by the domestic industry.

<sup>50</sup> Mittal Steel, 542 F.3d at 873; Nippon Steel Corp., 458 F.3d at 1350, citing U.S. Steel Group, 96 F.3d at 1357; S. Rep. 96-249 at 75 ("The determination of the ITC with respect to causation is ... complex and difficult, and is a matter for the judgment of the ITC.").

<sup>51</sup> CR at II-16 to II-18; PR at II-7 to II-8; CR/PR at Figure II-1.

<sup>52</sup> CR at I-12 to I-13; PR at I-10.

<sup>53</sup> CR at II-16; PR at II-7.

<sup>54</sup> CR at II-16; PR at II-7.

<sup>55</sup> CR at II-1; PR at II-7.

<sup>56</sup> CR/PR at II-1.

<sup>57</sup> CR/PR at II-1.

<sup>58</sup> CR/PR at II-1.

<sup>59</sup> CR/PR at Table II-2 at n.1.

<sup>60</sup> CR/PR at II-1.

purchase a truckload of steel wheels from manufacturers.<sup>61</sup> Some market participants reported in their questionnaire responses that the aftermarket is small and fragmented, while others reported that it is larger and less fragmented.<sup>62</sup>

As discussed below, in the final phase of these investigations the Commission collected aggregate data as well as some segregated data concerning OEM, OES, and aftermarket sales.<sup>63</sup> During the period examined, sales to OEMs accounted for approximately three-quarters of the U.S. market, OES sales accounted for about 4 percent, and sales to the aftermarket accounted for about 14 percent.<sup>64</sup>

U.S. demand for steel wheels by OEMs is primarily driven by the production of new commercial trucks and/or trailers.<sup>65</sup> Medium and heavy truck and trailer production declined from 2008 to 2009, but increased in 2010 and from 2011 into 2012.<sup>66</sup> Reflecting the decline in demand in 2009 and increases in demand thereafter, most industry participants reported that demand in the OEM sector fluctuated during the period examined.<sup>67</sup> Industry forecasts project both U.S. truck and trailer production to remain strong in the imminent future.<sup>68</sup>

Demand in the aftermarket is driven by demand for steel wheels for repairs to trucks and/or trailers.<sup>69</sup> As demand for new trucks fell due to the economic recession in 2008 and 2009, the size of the aftermarket relative to OEM sales increased as more fleets opted to repair rather than replace their trucks.<sup>70</sup> It is anticipated, however, that capital expenditures on new trucks will increase in the future.<sup>71</sup>

Overall, apparent U.S. consumption of steel wheels fluctuated during the period examined, decreasing from \*\*\* wheels in 2008 to \*\*\* wheels in 2009 (a decrease of \*\*\* percent), then increasing to

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<sup>61</sup> CR at I-13, II-1, II-3; PR at I-11, II-1 to II-2.

<sup>62</sup> CR at II-3 to II-4; PR at II-1 to II-2. Accuride described the aftermarket as “primarily a distributor warehouse business {with} several large buying groups, principally Heavy Duty America (known as HDA), VIPAR, NAPA Traction Group, and FleetPride. Id. There are also a number of other independent truck parts companies that make up the remainder of the aftermarket business.” Id. According to one respondent, the aftermarket consists of smaller trailer manufacturers and retailers focused on particular niches and, as such, is smaller and more fragmented. Id. For example, some aftermarket distributors/truck suppliers mount a tire to the wheel and sell the assembly as one piece. Respondents alleged that the domestic producers have refused to sell directly to many aftermarket customers, particularly smaller firms, such as tire assemblers. Id. Importer \*\*\* noted that when truck and trailer sales increase, “supply is taxed and manufacturers are forced to drive sales to large OEM customers who are under contract . . . {which} drives demand to secondary wheel suppliers.” Id.

<sup>63</sup> CR/PR at Table II-1.

<sup>64</sup> CR/PR at Table II-2; CR at II-3; PR at II-2.

<sup>65</sup> CR/PR at II-1.

<sup>66</sup> CR/PR at Figures II-2 to II-4.

<sup>67</sup> All three U.S. producers reported that demand had fluctuated, falling in 2008 and 2009 but increasing in 2010 and 2011. CR at II-22; PR at II-12. Thirteen of the 24 responding importers reported that demand had fluctuated since 2008, five reported that it had decreased, four reported demand had increased, and two reported demand was unchanged. Seventeen of 31 responding purchasers also reported fluctuating demand. Id. Among the other responding purchasers, eight reported increased demand, and three each reported either decreased or unchanged demand. Id. Factors noted include general economic trends, trends specific to customer type, an increase in OES sales due to older trucks being used longer, and global credit tightening causing less demand from trailer OEMs. Id.

<sup>68</sup> CR at II-19; PR at II-9; CR/PR at Figures II-2 to II-4.

<sup>69</sup> CR/PR at II-1.

<sup>70</sup> CR at II-3 n.4; PR at II-1 n.4.

<sup>71</sup> CR at II-3 n.4; PR at II-1 n.4.

\*\*\* wheels in 2010 (an increase of \*\*\* percent).<sup>72</sup> Apparent U.S. consumption was higher in interim 2011 (\*\*\* wheels) than in interim 2010 (\*\*\* wheels).<sup>73</sup> These trends in overall consumption are consistent with the truck/trailer build data discussed above and the views of market participants, who generally reported that demand had fallen in 2008 and 2009 but increased in 2010 and 2011.<sup>74</sup>

## **B. Supply Considerations**

There are five known U.S. producers of steel wheels: Accuride, Hayes Lemmerz, Titan Wheel (“Titan”), Topy America, Inc. (“Topy”), and GKN.<sup>75</sup> In 2010, Accuride and Hayes Lemmerz each accounted for significant shares of U.S. production (\*\*\* percent and \*\*\* percent, respectively), while the three remaining domestic producers accounted for much smaller shares (GKN at \*\*\* percent, Titan at \*\*\* percent, and Topy at \*\*\* percent).<sup>76</sup>

The domestic producers differ with regard to the ranges of products they manufacture and the types of customers they serve. Accuride supplies the U.S. market \*\*\*, whereas Hayes Lemmerz reported that \*\*\* percent of its sales were via long-term contracts with large truck or auto manufacturers, \*\*\* percent were via short-term contracts, and \*\*\* percent were on the spot market.<sup>77</sup> As compared to \*\*\* sold a \*\*\* and a corresponding \*\*\* of wheels weighing between 65-75 pounds between January 2008 and September 2011.<sup>78</sup> \*\*\* product mix fluctuated and for much of the period reflected a \*\*\* and a corresponding \*\*\* in the share of wheels weighing less than 65 pounds.<sup>79</sup>

GKN, Topy, and Titan are not only much smaller producers than Accuride and Hayes Lemmerz, but they also serve relatively narrow parts of the market. GKN, which provided the Commission with certain trade data but not usable financial data, manufactures primarily OTR steel wheels for applications that include agricultural, construction, industrial, and mining machinery.<sup>80</sup> Topy, which did not provide the Commission with useable information on its financial results but provided complete trade data,<sup>81</sup> manufactures steel wheels for use on passenger cars and light trucks, with the largest being 18 inches in diameter, the smallest size within the domestic like product.<sup>82</sup> Titan, which did not submit any information on its trade or financial operations, primarily produces steel wheels and tires for use with large, OTR vehicles, including excavation tractors and agricultural and construction vehicles.<sup>83</sup> Titan’s

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<sup>72</sup> CR/PR at Table C-3.

<sup>73</sup> CR/PR at Table C-3.

<sup>74</sup> CR/PR at II-22; PR at II-12; CR/PR at Figures II-2 to II-4. Respondents argue that, due to certain weight and fuel-efficiency advantages, aluminum wheels have captured market share from steel wheels during the period examined. However, aluminum wheels’ share of total wheel shipments to OEMs declined between 2008 and 2010, and was only slightly higher in interim 2011 than in interim 2010. Aluminum wheels’ share of total wheel shipments to non-OEMs increased only incrementally (by less than a percentage point) between 2008 and 2010, and was lower in interim 2011 than in interim 2010. CR/PR at Table II-7.

<sup>75</sup> CR/PR at Table III-1.

<sup>76</sup> CR/PR at Table III-1.

<sup>77</sup> CR at V-4; PR at V-2 to V-3; Hayes-Lemmerz Domestic Producer Questionnaire at IV-6.

<sup>78</sup> CR at VI-8; PR at VI-3.

<sup>79</sup> CR at VI-8; PR at VI-3.

<sup>80</sup> CR/PR at VI-1 n.1.

<sup>81</sup> CR/PR at VI-1 n.1.

<sup>82</sup> CR at III-3; PR at III-2.

<sup>83</sup> CR at III-4; PR at III-2 to III-3.

major business is in steel wheels larger than 24.5 inches in diameter, which are outside the scope of these investigations.<sup>84</sup>

The domestic industry was the largest supplier of steel wheels to the U.S. market between January 2008 and September 2011. In terms of quantity, U.S. producers' market share fluctuated slightly, but was relatively stable throughout the period examined at \*\*\* percent in 2008, \*\*\* percent in 2009, and \*\*\* percent in 2010.<sup>85</sup> U.S. producers' market share was slightly higher in January-September 2011 ("interim 2011"), at \*\*\* percent, than in January-September 2010 ("interim 2010"), at \*\*\* percent.<sup>86</sup> Non-subject imports held the second largest share of the market; their market share fluctuated around one-quarter of apparent U.S. consumption between January 2008 and September 2011. Subject imports of steel wheels from China held a fluctuating market share between \*\*\* and \*\*\* percent during this period.<sup>87</sup>

During the period examined, domestic producers Accuride and Hayes Lemmerz both filed for and emerged from Chapter 11 bankruptcy, although both firms maintained their U.S. steel wheel operations throughout the period examined.<sup>88</sup> Accuride and Hayes Lemmerz attributed their respective bankruptcies to the U.S. recession in 2008 and 2009.<sup>89</sup>

Mexico and Canada alone accounted for \*\*\* percent of nonsubject imports in 2011.<sup>90</sup> Other nonsubject sources included Brazil, as well as Colombia, Germany, India, Japan, South Africa, Sri Lanka, and Turkey.<sup>91</sup> Non-subject imports, in many instances \*\*\*, were shipped primarily to OEMs.<sup>92</sup> The majority of shipments from Mexico are accounted for by imports by \*\*\*. The vast majority of non-truck, non-trailer OEM shipments from other non-subject countries are accounted for by imports from \*\*\*.<sup>93</sup>

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<sup>84</sup> CR at III-4; PR at III-3.

<sup>85</sup> CR/PR at Table C-3.

<sup>86</sup> CR/PR at Table C-3.

<sup>87</sup> CR/PR at Table C-3.

<sup>88</sup> CR/PR at Table III-3; CR at III-8; PR at III-4 to III-5.

<sup>89</sup> Accuride entered and exited Chapter 11 bankruptcy on October 8, 2009 and February 26, 2010, respectively. CR at VI-2; PR at VI-1. The company's bankruptcy declaration indicated that poor and deteriorating market conditions prior to and during the period examined led to its bankruptcy filing. *Id.* Hayes Lemmerz entered and exited Chapter 11 bankruptcy on May 18, 2009, and December 21, 2009, respectively. *Id.* With respect to its 2009 bankruptcy, a Hayes Lemmerz company official stated that "{t}he Chapter 11 filings were precipitated by an unprecedented slowdown in industry demand and a tightening of credit markets. These filings will allow us to reduce our debt and restructure our balance sheet." *Id.*

<sup>90</sup> CR/PR at Table IV-2.

<sup>91</sup> CR/PR at Table IV-2; CR at IV-7; PR at IV-2.

<sup>92</sup> CR/PR at Table II-2; CR at II-4; PR at II-2. The majority of these truck OEM shipments and \*\*\* of the other OEM shipments from Canada are accounted for by imports from \*\*\*. The decrease in shipments to other OEMs from Canada in 2009 is due mainly to \*\*\*. CR at II-4; PR at II-2.

Accuride and Hayes Lemmerz are each related to non-subject foreign producers of steel wheels. CR/PR at Table III-1. Accuride has subsidiaries with production facilities in Canada and Mexico. Hayes Lemmerz was acquired in February 2012 by Brazilian producer Ioché-Maxion S.A., and the resulting combination of these two entities created "Maxion Wheels," a global wheels business with 20 manufacturing facilities in 12 countries, including facilities in Brazil, Germany, India, Spain, and Turkey. CR/PR at Table III-1; CR at III-2; PR at III-1. In 2010, more than \*\*\* of reported non-subject imports were imported or purchased by domestic steel wheel producers Accuride and Hayes Lemmerz. CR/PR at Tables III-7 & IV-2.

<sup>93</sup> CR at I-26, II-1, and II-4; PR at I-18, II-1, and II-2.

### C. Substitutability and Other Conditions

Steel wheels produced in the United States and both subject and non-subject imports were sold in the OEM, OES, and aftermarket channels, although the shares sold to each channel varied.<sup>94</sup> Purchasers reported quality to be the most important factor in their decisions to purchase steel wheels with price as the next most important factor.<sup>95</sup> <sup>96</sup> When asked to assess the importance of 20 factors influencing their purchasing behavior, all 33 responding purchasers reported product consistency to be very important, and almost all reported availability, initial price, and meeting industry-standard quality to be very important.<sup>97</sup> More than three-quarters of responding purchasers reported that reliability of supply and delivery time were very important.<sup>98</sup>

Most responding purchasers reported that steel wheels made in the United States and in China met minimum quality standards. Nevertheless, fewer purchasers reported that steel wheels manufactured in China always or usually met minimum quality standards compared to steel wheels manufactured in the United States, although about half of purchasers reported that steel wheels made in China always or usually complied with U.S. Department of Transportation standards.<sup>99</sup>

When made in the same dimensions, weights, and to the same specifications, the record indicates that there is a moderate to high degree of substitutability between steel wheels produced in China and in the United States.<sup>100</sup> Nevertheless, unlike domestic producers, importers and purchasers reported a number of differences other than price between steel wheels made in China and those made in the United

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<sup>94</sup> CR/PR at Table II-3, Table II-5.

<sup>95</sup> In their questionnaire responses, 16 purchasers ranked quality as the most important factor in purchasing decisions, 8 ranked it as the second most important factor, and 3 ranked it as the third most important factor. By comparison, 8 purchasers ranked price as the most important factor in purchasing decisions, 14 purchasers ranked it as the second most important factor, and 6 purchasers ranked it as the third most important factor. CR/PR at Table II-10.

<sup>96</sup> Purchasers reported that availability also is an important factor in purchasing decisions. One purchaser ranked availability as the most important factor, 6 ranked it as the second most important factor, and 5 ranked it as the third most important factor. CR/PR at Table II-10. Purchasers also reported customer requests, specifications, reliability, on-time delivery, and traditional relationships as among the three most important factors in purchasing decisions. CR/PR at Table II-10; CR at II-32; PR at II-18.

<sup>97</sup> CR at II-33; PR at II-19; CR/PR at Table II-11.

<sup>98</sup> CR at II-33; PR at II-19; CR/PR at Table II-11.

<sup>99</sup> Seventeen of 27 responding purchasers noted that domestically produced steel wheels always meet minimum quality standards, nine noted that they usually do, and one firm noted that it sometimes does. Similarly, 13 of 20 responding purchasers indicated that steel wheels imported from China always meet minimum quality standards, while the remaining seven noted that they usually do. Six responding firms did not know whether U.S.-produced steel wheels met minimum quality specifications, compared to 11 firms unfamiliar with Chinese-produced steel wheels. Twenty-five of 33 responding purchasers reported that steel wheels always have to meet DOT standards, while the remaining eight reported that they rarely/never do. When asked how often Chinese steel wheels meet these standards, 15 of 21 responding purchasers reported that they always do, one said that they sometimes do, and five said that they rarely/never do. When asked how frequently the firms themselves require the steel wheels they purchase to meet company standards which exceed DOT standards, 13 firms reported that they always do, 1 reported that it usually does, and 15 reported that they rarely/never do. CR at II-36 to II-37; PR at II-21.

<sup>100</sup> CR at II-28 to II-29; PR at II-15 to II-16. Both responding U.S. producers, 8 of 15 responding importers, and 12 out of 20 responding purchasers reported that domestically produced steel wheels and subject imports from China were always or frequently interchangeable. CR/PR at Table II-13.

States including availability, commercial/customer support, product range, and perceived quality.<sup>101</sup> Moreover, as discussed in more detail below in sections VI and VII of this opinion, the domestic industry supplies a greater range of steel wheels to a broader range of customers in the United States than suppliers of steel wheels made in China, and there is only a limited presence of subject imports in the largest section of the U.S. market (major truck/trailer OEMs). Also, as discussed below in sections VI and VII of this opinion, major purchasers are not generally considering subject producers as potential suppliers in current and upcoming long-term contract negotiations, there is a lengthy and rigorous certification/qualification process for steel wheel suppliers, and Chinese steel wheel producers are not generally capable of producing lightweight steel wheels that most major U.S. customers demand.

## **VI. NO MATERIAL INJURY BY REASON OF SUBJECT IMPORTS<sup>102</sup>**

Based on the record in the final phase of these investigations, we find that an industry in the United States is not materially injured by reason of imports of certain steel wheels from China that Commerce has found are sold in the United States at less than fair value and subsidized by the Government of China.

### **A. Volume of Subject Imports**

In evaluating the volume of subject imports, section 771(7)(C)(i) of the Tariff Act provides that the “Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant.”<sup>103</sup>

Because the subject steel wheels are imported under various statistical reporting numbers that also include products outside the scope of these investigations,<sup>104</sup> official import statistics overstate imports of the subject steel wheels into the U.S. market. Consequently, to assess the volume of imports from subject

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<sup>101</sup> CR at II-42; PR at II-24. Both responding U.S. producers reported that differences other than price were never a significant factor in their sales of steel wheels. Nine of 16 responding importers reported that differences other than price were sometimes or never a significant factor in their purchasing decisions. Twelve of 18 responding purchasers reported that differences other than price were always or frequently a significant factor in purchasing decisions. CR/PR at Table II-14. Purchasers generally cited quality, lead times, and availability as major non-price factors used to differentiate domestically-produced steel wheels and subject imports. CR at II-43; PR at II-25.

<sup>102</sup> Negligibility under 19 U.S.C. § 1677(24) is not an issue in these investigations. During the 12-month period prior to filing of the petitions for which data are available, subject imports from China constituted \*\*\* percent of total imports of steel wheels. CR at IV-8; PR at IV-2. Because this figure exceeds the 3 percent statutory negligibility threshold, we find that subject imports from China are not negligible.

<sup>103</sup> 19 U.S.C. § 1677(7)(C)(i).

<sup>104</sup> The imported steel wheels subject to these investigations are generally reported under HTS statistical reporting numbers 8708.70.0500 (road wheels for tractors (except road tractors) suitable for agricultural use), 8708.70.2500 (road wheels for tractors (except road tractors) other than for agricultural use (e.g., construction use)), and 8708.70.4530 (road wheels for other vehicles of subheading 8701.20 or heading 8702, 8704 or 8705). All U.S. imports reported under HTS statistical reporting number 8708.70.4530 fall within the scope description of these investigations. A substantial amount of wheels that fall within the scope description also enter the United States under HTS statistical reporting numbers 8708.70.0500 and 8708.70.2500; however, only a portion of the total merchandise that enters the United States under these two HTS numbers falls within the scope description. CR at I-10 n.14; PR at I-8 n.14. With respect to additional HTS statistical reporting numbers, see CR at I-11 n.15; PR at I-8 n.15.



and non-subject sources, we rely on data reported in importer questionnaires, although we recognize that the questionnaire data do not fully cover imports.<sup>105 106</sup>

In absolute terms, U.S. shipments of imports of subject steel wheels from China declined from \*\*\* wheels in 2008 to \*\*\* wheels in 2009, and then increased to \*\*\* wheels in 2010, for an overall decline of \*\*\* percent.<sup>107</sup> Subject imports were \*\*\* percent higher in interim 2011, at \*\*\*, wheels than in interim 2010, at \*\*\* wheels.<sup>108</sup> Apparent U.S. consumption of steel wheels, however, followed a trend similar to that for subject imports decreasing from \*\*\* wheels in 2008 to \*\*\* wheels in 2009, but then increasing to \*\*\* wheels in 2010, for an overall decline of \*\*\* percent.<sup>109</sup> Apparent U.S. consumption was \*\*\* percent higher in interim 2011, at \*\*\* wheels, than in interim 2010, at \*\*\* wheels.<sup>110</sup> Thus, subject imports' market share increased only slightly between 2008 and 2010, initially falling from \*\*\* percent in 2008 to \*\*\* percent in 2009 before increasing to \*\*\* percent in 2010.<sup>111</sup> Moreover, subject imports' market share was lower in interim 2011, at \*\*\* percent, than in interim 2010, at \*\*\* percent.<sup>112</sup>

We do not find the increase in the volume of subject imports between 2008 and 2010 relative to apparent U.S. consumption to be significant.<sup>113</sup> We find the absolute volume of subject imports, considered in isolation, to be significant. In light, however, of the conditions of competition in the U.S. steel wheels market and our findings (discussed below) that subject imports had no significant adverse

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<sup>105</sup> At the Commission's conference in the preliminary phase, all parties were asked to comment on the appropriate basis for the presentation of data on U.S. imports. In their postconference briefs, the parties generally agreed that the Commission should base its analysis of U.S. import data on the data provided by U.S. importers in their responses to the Commission's importer questionnaire. In the final phase of these investigations, petitioners asked the Commission to adjust the importer questionnaire data upwards to include exports reported in foreign producer questionnaire responses corresponding to products imported by firms that did not submit importer questionnaire responses. Petitioners' Prehearing Br. at 2-5.

Having compared importer questionnaire data not only to confidential Customs data that identify the importers of record of steel wheels imported into the United States, but also to reported exports of steel wheels to the U.S. market reported in foreign producer questionnaire responses and the identities of importers reported therein, we find the importer questionnaire data to be representative. Subject import data are based on the questionnaire responses of 21 U.S. importers of subject merchandise from China that are believed to reflect approximately 75 percent of steel wheel imports from China. CR at I-5; PR at I-4. Non-subject import data are based on questionnaire responses of 18 U.S. importers that are believed to have accounted for 80 percent or more of total U.S. imports of steel wheels from non-subject countries. CR at I-5; PR at I-4. In light of the relatively high level of coverage provided by importer questionnaire responses, we base our analysis in these final investigations on data provided in response to the Commission's importer questionnaires and do not adjust these data upward as suggested by the petitioners. CR at III-1, IV-1 to IV-4; PR at III-1, IV-1 to IV-2.

<sup>106</sup> As discussed above, in their U.S. producer questionnaire responses, GKN and Topy provided the Commission with certain trade data but not financial data. Accordingly, in light of our definition of the domestic like product that includes both on- and off-road certain steel wheels and in order to fully capture the condition of the domestic industry as a whole, we rely on trade data contained in Table C-3 and financial data contained in Table C-1.

<sup>107</sup> CR/PR at Table IV-4

<sup>108</sup> CR/PR at Table IV-4.

<sup>109</sup> CR/PR at Table C-3.

<sup>110</sup> CR/PR at Table C-3.

<sup>111</sup> CR/PR at Table C-3.

<sup>112</sup> CR/PR at Table C-3.

<sup>113</sup> We also do not find the increase in subject import volume to be significant relative to domestic production. Subject imports were equivalent to \*\*\* percent of domestic production in 2008, \*\*\* percent in 2009, \*\*\* percent in 2010, \*\*\* in interim 2010, and \*\*\* percent in interim 2011. CR/PR at Table IV-10.

price effects and no significant adverse impact on the condition of the domestic industry, we find no material injury by reason of subject imports.

As discussed above, the domestic industry was by far the largest supplier of steel wheels to the U.S. market throughout the period examined. In terms of quantity, U.S. producers' market share was stable between 2008 and 2010: it was \*\*\* percent in 2008, \*\*\* percent in 2009, and \*\*\* percent in 2010.<sup>114</sup> Imports from non-subject countries, produced at plants owned by, or affiliated with domestic producers, were the second largest supplier to the U.S. market. Non-subject imports' market share fell irregularly between 2008 and 2010, increasing slightly from \*\*\* percent in 2008 to \*\*\* percent in 2009 and then falling to \*\*\* percent in 2010.<sup>115</sup> Thus, between 2008 and 2010, subject imports from China held a relatively small share of apparent U.S. consumption, and their increased market share came almost entirely at the expense of non-subject imports rather than the domestic industry.<sup>116</sup>

Moreover, as demand from OEM truck and trailer manufacturers increased between interim 2010 and interim 2011, the domestic industry increased its market share from \*\*\* percent to \*\*\* percent at the expense of both subject and non-subject imports.<sup>117</sup> Subject imports' market share in interim 2011 (\*\*\* percent) was lower than in interim 2010 (\*\*\* percent).<sup>118</sup> Non-subject imports (primarily from Mexico) had a \*\*\* percent market share in interim 2011, compared to \*\*\* percent in interim 2010.<sup>119</sup>

The impact of the subject import volume was mitigated by the limited competition in the U.S. market between subject imports and products manufactured by the domestic industry. The record shows that the domestic industry was heavily focused on OEMs; the portion of its shipments that went to OEMs remained relatively constant between January 2008 and September 2011, fluctuating between \*\*\* and \*\*\* percent.<sup>120</sup> By contrast, the portion of subject imports that were sold to OEMs ranged between \*\*\* percent and \*\*\* percent during this period.<sup>121</sup> Subject imports were concentrated in the aftermarket, as the portion subject import shipments that went to that sector increased from \*\*\* percent in 2008 to \*\*\* percent in 2009, and fell just slightly to \*\*\* percent in 2010.<sup>122</sup> The domestic industry's shipments to the aftermarket were rather small by comparison, ranging from \*\*\* percent to \*\*\* percent of total shipments during this period.<sup>123</sup>

Moreover, even for sales to OEMs, which accounted for the large majority of the U.S. market during the period examined, subject imports and domestic product either did not compete at all or competed in a limited manner.<sup>124</sup> The domestic industry consistently shipped more than \*\*\* of its total

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<sup>114</sup> CR/PR at Table C-3.

<sup>115</sup> CR/PR at Table C-3.

<sup>116</sup> CR/PR at Table C-3.

<sup>117</sup> CR/PR at Table C-3.

<sup>118</sup> CR/PR at Table C-3.

<sup>119</sup> CR/PR at Table C-3. The market share of non-subject imports from Mexico declined from \*\*\* percent in 2008 to \*\*\* percent in 2009 to \*\*\* percent in 2010, and was lower in interim 2011, at \*\*\* percent, than in interim 2010, when it was \*\*\* percent. CR/PR at Table C-3.

<sup>120</sup> CR/PR at Table II-1.

<sup>121</sup> CR/PR at Table II-1.

<sup>122</sup> Subject import shipments to the aftermarket were \*\*\* percent in interim 2010 and \*\*\* percent in interim 2011. CR/PR at Table II-1.

<sup>123</sup> CR/PR at Table II-1.

<sup>124</sup> CR/PR at Tables II-2 & II-3.

U.S. shipments to “truck OEMs.”<sup>125</sup> In contrast, there were \*\*\* reported shipments of subject imports to “truck OEMs” during the period examined.<sup>126</sup> The record also shows that, although some subject imports were sold in the U.S. market to “trailer OEMs,” which accounted for between \*\*\* and \*\*\* of the domestic industry’s shipments during the period examined, subject imports of steel wheels served small trailer OEMs and not the large trailer OEMs, which were served primarily by the domestic industry.<sup>127</sup>

Subject imports also competed minimally with the domestic industry in the remaining portions of the U.S. steel wheels market. Although there were limited shipments of subject imports to “other OEMs” for use in agricultural, construction, mining, and other OTR vehicles, the record indicates that subject imports in this OEM sector were relatively small, equivalent to only \*\*\* percent to \*\*\* percent of this portion of the market.<sup>128</sup> Moreover, the two major domestic producers of OTR steel wheels (Titan and GKN) \*\*\*.<sup>129</sup> With regard to the OES sector, subject import volumes were small, accounting for only \*\*\* percent to \*\*\* percent of total subject import shipments to the U.S. market during the period examined.<sup>130</sup> Moreover, the record indicates that the OES sector itself represents a very small portion of the U.S. market (less than \*\*\* percent of the U.S. market), thereby further mitigating any volume effects by subject imports during the period examined.<sup>131</sup>

Another factor mitigating the effects of the volume of subject imports between January 2008 and September 2011 is that sales of the domestic like product consisted predominantly of lighter-weight wheels (less than 75 pounds), while sales of subject imports consisted predominantly of heavier-weight wheels (greater than 75 pounds). Sales of lighter-weight wheels accounted for \*\*\* percent to \*\*\* percent of U.S. producers’ U.S. shipments during this time, while sales of heavier-weight wheels accounted for \*\*\* percent to \*\*\* percent.<sup>132</sup> By comparison, sales of lighter-weight wheels accounted for just \*\*\* percent to \*\*\* percent of U.S. shipments of subject imports during this period, while sales of heavier-weight wheels accounted for \*\*\* percent to \*\*\* percent of U.S. shipments of subject imports.<sup>133</sup> Moreover, even the minimal volume of Chinese lighter-weight wheels in the U.S. market were of a heavier weight than domestically produced steel wheels.<sup>134 135</sup>

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<sup>125</sup> CR/PR at Table II-2 (showing the domestic industry’s shipments to truck OEMs as a share of its total U.S. steel wheel shipments were \*\*\* percent in 2008, \*\*\* percent in 2009, \*\*\* percent in 2010, \*\*\* percent in interim 2010, and \*\*\* percent in interim 2011).

<sup>126</sup> CR/PR at Tables II-2 & II-3. The only shipments of steel wheels from China to U.S. truck OEMs accounted for fewer than \*\*\* steel wheels; \*\*\* imported these steel wheels for \*\*\*. CR at II-4; PR at II-2.

<sup>127</sup> For example, importers \*\*\* did not have any sales to the largest truck or trailer OEMs; the largest trailer OEM that purchased from these importers was \*\*\*. CR at V-10; PR at V-7.

<sup>128</sup> CR/PR at Tables II-2 & II-3.

<sup>129</sup> CR/PR at Table III-1.

<sup>130</sup> CR/PR at Table II-2.

<sup>131</sup> CR/PR at Table II-1.

<sup>132</sup> CR/PR at Table IV-5.

<sup>133</sup> CR/PR at Table IV-5.

<sup>134</sup> As shown in Table IV-5, there were virtually no subject imports less than 65 pounds, while a sizeable portion of U.S. producers’ shipments were in the less than 65 pound range. CR/PR at Table IV-5. According to the pricing data collected in the final phase of these investigations, the average weight of products 1, 2, and 3 (lighter-weight wheels) for domestically produced steel wheels was \*\*\* pounds. For these products imported from China, \*\*\* reported that its products 1 and 3 weighed \*\*\* pounds, and \*\*\* stated that its wheels in these categories weighed \*\*\* pounds. For products 4, 5, and 6 (heavier-weight wheels), the weights averaged \*\*\* pounds for domestic producers and \*\*\* pounds for U.S. importers of steel wheels from China. CR at V-10; PR at V-7. OEM customers typically prefer lighter-weight steel wheels in order to maximize fuel efficiency and reduce operational costs. CR at (continued...)

In sum, between January 2008 and September 2011, the domestic industry maintained a stable and dominant share of the U.S. market. Subject imports held a considerably smaller share of the U.S. market and their market share tracked U.S. apparent consumption trends, increasing only slightly overall between 2008 and 2010, almost entirely at the expense of non-subject imports and not the domestic industry. Moreover, comparing interim 2010 and interim 2011, both subject and non-subject imports lost market share to the domestic industry. Further, subject imports did not compete to any significant degree with the domestic like product for many of the products shipped by the domestic industry or in many parts of the U.S. market where the domestic industry shipped the vast portion of its production. Therefore, while the volume of subject imports may be significant in absolute terms when considered in isolation, we do not find that subject imports from China increased significantly relative to apparent U.S. consumption or production. We further note that, despite the absolute volume of subject imports, we reach negative determinations in light of the conditions of competition in this market and the Commission's findings concerning a lack of significant price effects and impact, discussed below.

## **B. Price Effects of the Subject Imports**

In evaluating the price effects of the subject imports, section 771(7)(C)(ii) of the Tariff Act provides that the Commission shall consider whether –

(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and

(II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.<sup>136</sup>

As discussed above, in the U.S. steel wheels market, price is an important factor in purchasing decisions, but quality is also an important factor.<sup>137</sup> In the final phase of these investigations, the Commission collected quarterly pricing data on 22.5-inch diameter steel wheels in two weight ranges that were sold to OEMs, OES, and firms other than OEMs/OES, for a total of six pricing products.<sup>138</sup> Pricing data were reported by Accuride, Hayes Lemmerz, and 17 importers of steel wheels.<sup>139</sup> Pricing data

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<sup>134</sup> (...continued)

II-45; PR at II-27. By contrast, aftermarket customers typically are not focused upon the weight of the wheel in their purchasing decisions. See e.g., Hearing Tr. at 116-117 (Schagrin).

<sup>135</sup> There is also a distinction in the market between “heavy-duty” wheels (typically 20” to 24.5” in diameter and used on commercial vehicles), “medium-duty” wheels (typically 18” to 19.5” in diameter and used mainly for pickup trucks), and “other” wheels (which include wheels for use in construction, agricultural, and off-the-road vehicles). CR at IV-23; PR at IV-7. Domestic producers accounted for the largest share of shipments of medium-duty steel wheels (the next largest being nonsubject imports from Mexico) and the majority of shipments of heavy-duty steel wheels, whereas subject imports accounted for a large majority of shipments of “other” steel wheels. CR/PR at Table IV-8.

<sup>136</sup> 19 U.S.C. § 1677(7)(C)(ii).

<sup>137</sup> CR/PR at Table II-10.

<sup>138</sup> See e.g., CR at V-9; PR at V-5.

<sup>139</sup> CR at V-9; PR at V-5 In the final phase of these investigations, the Commission did not include certain data in the pricing analysis after confirming that some of the data reported initially included demountable rims that did not meet the product description. CR at V-10 nn.29 & 30; PR at V-6 n.29 and V-7 n.30. Commission staff were

(continued...)

accounted for approximately 65.2 percent of reported U.S. producers' commercial shipments of steel wheels between January 2008 and September 2011, and 60.8 percent of reported U.S. shipments of subject imports.<sup>140</sup> These data show evidence of significant underselling. Subject imports undersold the domestic like product in 49 of 51 quarterly price comparisons, at an average underselling margin of 19.4 percent.<sup>141</sup> For example, for product 6 (heavy-weight wheels sold to non-OEM/OES purchasers), which accounted for approximately \*\*\* of shipments of steel wheels imported from China, underselling occurred in 14 of 15 quarterly price comparisons, ranging from 0.8 to 18.7 percent.<sup>142</sup> Underselling also occurred for four additional pricing products.<sup>143</sup>

Notwithstanding the underselling by subject imports, we do not find a significant increase in the volume of subject imports relative to apparent U.S. consumption or production, as discussed above. Moreover, despite widespread underselling by subject imports, the prices of the domestic like product increased or remained stable between January 2008 and September 2011. In particular, for three of the pricing products (Products 2, 4, and 5), U.S. prices actually increased overall during this period.<sup>144</sup> For the other three pricing products (Products 1, 3, and 6), U.S. prices fluctuated within a narrow range and fell just slightly overall during the period examined.<sup>145</sup>

We do not find that changes in prices of the domestic like product corresponded with changes in the volume or the level of underselling of subject imports. Instead, we find that trends in the domestic industry's prices were similar across the range of pricing products, regardless of whether these products competed with subject imports.<sup>146</sup> For example, in each quarter between January 2008 and September 2011, the pricing data for product 6, a heavy-weight steel wheel product sold in the aftermarket, show larger volumes of subject imports from China compared to other pricing products and widespread underselling by subject imports.<sup>147</sup> The domestic industry's price trends for product 6, however, follow trends similar to other pricing products where there are fewer quarters of overlap between subject imports and the domestic like product and smaller volumes of subject imports.<sup>148</sup> Accordingly, despite any significant underselling, we do not find that subject imports depressed U.S. prices to a significant degree between January 2008 and September 2011.

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<sup>139</sup> (...continued)

able to contact importers \*\*\* to disaggregate demountable rim data from wheel data. CR at V-10 n.30; PR at V-7 n.30.

<sup>140</sup> CR at V-9; PR at V-5.

<sup>141</sup> CR/PR at Table V-8.

<sup>142</sup> CR/PR at Table V-8.

<sup>143</sup> CR/PR at Figures V-2, 4, 5, 6. With respect to OEM sales (products 1 and 4), the imported product was always priced below its domestic counterpart, with margins ranging from 8.2 to 31.4 percent. For OES sales (product 5), underselling margins ranged from 10.1 to 29.0 percent. With respect to non-OEM/non-OES sales (products 3 and 6), the imported product undersold its domestic counterpart by 0.8 to 18.7 percent. Product 6 (heavyweight wheels sold to non-OEM/non-OES firms) undersold domestic steel wheels by an average of 10.6 percent. The largest average margins of underselling – greater than 20 percent – were recorded for products 4 and 5 (wheels greater than 75 pounds sold to OEMs and OES firms). CR at V-25; PR at V-8.

<sup>144</sup> CR/PR at Tables V-2, V-4, and V-5.

<sup>145</sup> CR/PR at Tables V-1, V-3, and V-6.

<sup>146</sup> CR/PR at Tables C-3 & V-1 to V-6.

<sup>147</sup> CR/PR at Table V-6.

<sup>148</sup> CR/PR at Tables V-1 to V-6. U.S. prices for Product 1 stayed within a narrow band of plus or minus 5 percent during the period examined, and U.S. prices for Product 2 stayed within a narrow band of plus or minus 6 percent during the period examined. CR/PR at Tables V-1 & V-2.

With regard to price suppression, we do not find that the presence of subject imports prevented the domestic industry from raising its prices to any significant degree. We do not find any significant link between subject imports and trends in the domestic industry's ratio of cost of goods sold ("COGS"). The ratio increased from \*\*\* percent in 2008 to \*\*\* percent in 2009, then fell to \*\*\* percent in 2010; it was lower in interim 2011 at \*\*\* percent than in interim 2010 at \*\*\* percent.<sup>149</sup> Thus, between 2008 and 2009, when subject imports were declining, the industry's ratio of COGS to net sales rose, and between 2009 and 2010, when subject imports were increasing, the industry's ratio of COGS to net sales declined.<sup>150</sup> Indeed, while there is no positive correlation between subject imports and any increase in the domestic industry's COGS to net sales ratio, there is such a relationship between trends in apparent U.S. consumption and the COGS to net sales ratio. The ratio increased between 2008 and 2009 as demand declined, and it declined between 2009 and 2010 as demand improved; likewise, the ratio was lower in interim 2011 than in interim 2010, consistent with higher apparent U.S. consumption in interim 2011 than in interim 2010.<sup>151</sup> Therefore, we do not find any evidence of significant price suppression by subject imports.

We note that the domestic industry did not submit any lost revenue allegations in these investigations.<sup>152 153</sup> With regard to alleged lost sales, there were some partially confirmed lost sale allegations by \*\*\*, but these sales did not involve major accounts and \*\*\*.<sup>154</sup> Moreover, while these allegations were spread across the period examined, incidences of lost sales did not increase through the period.<sup>155</sup> More importantly, despite a pattern of predominant underselling and the existence of some confirmed lost sale allegations, subject imports did not gain significant market share over the period examined at the expense of the domestic industry, as discussed above.<sup>156</sup>

Accordingly, although subject imports undersold the domestic product, the record does not indicate that subject imports had any significant price suppressing or depressing effects. Thus, we do not find that subject imports had significant adverse effects on prices for the domestic like product.

### **C. Impact of the Subject Imports**<sup>157</sup>

In examining the impact of subject imports, section 771(7)(C)(iii) of the Tariff Act provides that the Commission "shall evaluate all relevant economic factors which have a bearing on the state of the

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<sup>149</sup> CR/PR at Table C-1.

<sup>150</sup> CR/PR at Table C-1.

<sup>151</sup> CR/PR at Tables C-1, C-3.

<sup>152</sup> CR at V-26; PR at V-9.

<sup>153</sup> \*\*\*. CR/PR at Tables III-1 & V-9.

<sup>154</sup> CR/PR at Table V-9. There were 20 lost sales allegations totaling \*\*\*. Sixteen of the lost sales allegations were at least somewhat confirmed, totaling \*\*\*. CR at V-26; PR at V-9. \*\*\*. CR at V-28; PR at V-9; Jingu Prehearing Br. at Exh. 11. The remaining \*\*\* in confirmed lost sales is equivalent to \*\*\* percent of apparent U.S. consumption over the period examined. Derived from CR/PR at Table C-3; CR at V-28; PR at V-9.

<sup>155</sup> CR/PR at Table V-9. Notwithstanding pricing data showing underselling by subject imports in the aftermarket, there were no confirmed lost sales involving the aftermarket. CR/PR at Table V-9.

<sup>156</sup> CR/PR at Table IV-4.

<sup>157</sup> The statute instructs the Commission to consider the "magnitude of the dumping margin" in an antidumping duty proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii)(V). In its final antidumping duty determination, Commerce found dumping margins ranging from 44.96 percent to 193.54 percent. CR/PR at Table I-2.

industry.”<sup>158</sup> These factors include output, sales, inventories, ability to raise capital, research and development, and factors affecting domestic prices. No single factor is dispositive and all relevant factors are considered “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”<sup>159</sup>

The domestic industry’s production,<sup>160</sup> capacity utilization,<sup>161</sup> shipments,<sup>162</sup> and net sales<sup>163</sup> all declined from 2008 to 2009, and then improved in 2010 and interim 2011.<sup>164</sup> While the domestic industry operated at a \*\*\* percent operating income margin in 2008, that margin declined to \*\*\* operating margin of \*\*\* percent in 2009 before improving to a \*\*\* percent operating income margin in 2010.<sup>165</sup> The domestic industry’s operating income was higher in interim 2011, at \*\*\* percent, than in interim 2010, at \*\*\* percent.<sup>166</sup> The domestic industry’s number of production workers, hours worked, and wages paid all followed a similar trend, declining from 2008 to 2009, while improving in 2010 and interim 2011.<sup>167</sup> U.S. producers’ inventories declined irregularly from 2008 to 2010, and declined again in interim 2011.<sup>168</sup>

The domestic industry’s performance indicators and profitability declined overall between January 2008 and September 2011. However, we do not find a sufficient causal link between subject imports and the current condition of the domestic industry. Given the lack of significant increases in subject import volume and the absence of significant adverse price effects, we conclude that subject imports’ presence in the U.S. market has not contributed significantly to the declines in the domestic industry’s condition. We note that the domestic industry’s operating income peaked in 2008 when subject import volumes also peaked, and the industry’s operating income improved in 2010 and improved

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<sup>158</sup> 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851 and 885 (“In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.”).

<sup>159</sup> 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851, 885; Live Cattle from Canada and Mexico, Inv. Nos. 701-TA-386, 731-TA-812-813 (Preliminary), USITC Publication 3155 at 25 n.148 (Feb. 1999).

<sup>160</sup> Production was \*\*\* wheels in 2008, \*\*\* wheels in 2009, \*\*\* wheels in 2010, \*\*\* wheels in interim 2010, and \*\*\* wheels in interim 2011. CR/PR at Table C-3.

<sup>161</sup> Capacity was \*\*\* wheels in 2008, \*\*\* wheels in 2009, \*\*\* wheels in 2010, \*\*\* wheels in interim 2010, and \*\*\* wheels in interim 2011. Capacity utilization was \*\*\* percent in 2008, \*\*\* percent in 2009, \*\*\* percent in 2010, \*\*\* percent in interim 2010, and \*\*\* percent in interim 2011. CR/PR at Table C-1.

<sup>162</sup> U.S. shipments (by quantity) were \*\*\* wheels in 2008, \*\*\* wheels in 2009, \*\*\* wheels in 2010, \*\*\* wheels in interim 2010, and \*\*\* wheels in interim 2011. U.S. shipments (by value) were \*\*\* in 2008, \*\*\* in 2009, \*\*\* in 2010, \*\*\* in interim 2010, and \*\*\* in interim 2011. CR/PR at Table C-3.

<sup>163</sup> Net sales (by quantity) were \*\*\* wheels in 2008, \*\*\* wheels in 2009, \*\*\* wheels in 2010, \*\*\* wheels in interim 2010, and \*\*\* wheels in interim 2011. Net sales (by value) were \*\*\* in 2008, \*\*\* in 2009, \*\*\* in 2010, \*\*\* in interim 2010, and \*\*\* in interim 2011. CR/PR at Table C-1.

<sup>164</sup> CR/PR at Table C-1.

<sup>165</sup> CR/PR at Table C-1.

<sup>166</sup> CR/PR at Table C-1.

<sup>167</sup> The number of production and related workers (PRWs) was \*\*\* workers in 2008, \*\*\* workers in 2009, \*\*\* workers in 2010, \*\*\* workers in interim 2010, and \*\*\* workers in interim 2011. The number of hours worked by PRWs was \*\*\* hours in 2008, \*\*\* hours in 2009, \*\*\* hours in 2010, \*\*\* hours in interim 2010, and \*\*\* hours in interim 2011. Wages paid to PRWs were \*\*\* in 2008, \*\*\* in 2009, \*\*\* in 2010, \*\*\* in interim 2010, and \*\*\* in interim 2011. CR/PR at Table C-3.

<sup>168</sup> Ending inventories were \*\*\* wheels in 2008, \*\*\* wheels in 2009, \*\*\* wheels in 2010, \*\*\* wheels in interim 2010, and \*\*\* wheels in interim 2011. CR/PR at Table C-3.

even more dramatically in interim 2011 when subject import volumes remained at near-period high levels.<sup>169</sup> Conversely, the domestic industry's operating income fell to a period low in 2009 when subject import volumes also reached a period-low level in that same year.<sup>170</sup>

Unlike trends in subject import volumes, trends in apparent consumption are highly and positively correlated with the industry's performance. Apparent consumption fell by \*\*\* percent from 2008 to 2009, and the domestic industry's performance deteriorated substantially.<sup>171</sup> As apparent U.S. consumption and general economic conditions improved in 2010 and interim 2011, however, the domestic industry returned to profitability and its other performance indicia also generally improved.<sup>172</sup>

We do not find any significant effect of the filing of the petitions and the pendency of these investigations, and therefore do not reduce the weight given to post-petition information.<sup>173</sup> The petitions were filed on March 30, 2011.<sup>174</sup> While the domestic industry's condition was better in interim 2011 than in interim 2010, its condition was also better in 2010 than in 2009 and thus began to improve well before the petitions were filed.<sup>175</sup> Moreover, the petitions and pendency of the investigations do not appear to have affected the volume of subject imports, which increased by \*\*\* percent between interim 2010 and 2011 (and subject import market share fell only marginally, from \*\*\* percent to \*\*\* percent).<sup>176</sup>

The industry's condition generally worsened from 2008 to 2009, then improved in 2010 and in interim 2011, which is consistent with trends in apparent U.S. consumption and overall economic conditions. For the reasons described above, we find a general lack of correlation between subject imports and the condition of the domestic industry. Moreover, subject imports compete in a limited way against the domestic industry for sales in the U.S. steel wheels market. Therefore, we do not find that subject imports are having a significant adverse impact on the domestic industry.

## VII. NO THREAT OF MATERIAL INJURY BY REASON OF SUBJECT IMPORTS

Section 771(7)(F) of the Tariff Act directs the Commission to determine whether an industry in the United States is threatened with material injury by reason of the subject imports by analyzing whether "further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted."<sup>177</sup> The Commission may not make such a determination "on the basis of mere conjecture or supposition," and considers the threat factors "as a whole."<sup>178</sup> In making our determination, we have considered all factors that are relevant to

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<sup>169</sup> CR/PR at Tables C-1 & C-3.

<sup>170</sup> CR/PR at Tables C-1 & C-3.

<sup>171</sup> CR/PR at Tables C-1 & C-3.

<sup>172</sup> CR/PR at Tables C-1 & C-3.

<sup>173</sup> See 19 U.S.C. § 1677(7)(I)

<sup>174</sup> CR/PR at I-1.

<sup>175</sup> CR/PR at Tables C-1 & C-3.

<sup>176</sup> CR/PR at Table C-3.

<sup>177</sup> 19 U.S.C. §§ 1677d(b) and 1677(7)(F)(ii).

<sup>178</sup> 19 U.S.C. § 1677(7)(F)(ii). An affirmative threat determination must be based upon "positive evidence tending to show an intention to increase the levels of importation." Metallwerken Nederland B.V. v. United States, 744 F. Supp. 281, 287 (Ct. Int'l Trade 1990), citing American Spring Wire Corp. v. United States, 590 F. Supp. 1273, 1280 (Ct. Int'l Trade 1984); see also Calabrian Corp. v. United States, 794 F. Supp. 377, 387-88 (Ct. Int'l Trade 1992), citing H.R. Rep. No. 98-1156 at 174 (1984).



these investigations.<sup>179</sup> <sup>180</sup> As discussed below, based on an evaluation of the relevant statutory factors, we

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<sup>179</sup> 19 U.S.C. § 1677(7)(F). The Commission must consider, in addition to other relevant economic factors, the following statutory factors in its threat analysis:

- (I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement and whether imports of the subject merchandise are likely to increase,
- (II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,
- (III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,
- (IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices and are likely to increase demand for further imports,
- (V) inventories of the subject merchandise,
- (VI) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,
- (VII) in any investigation under this subtitle which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 1671d(b)(1) or 1673d(b)(1) of this title with respect to either the raw agricultural product or the processed agricultural product (but not both),
- (VIII) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and
- (IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).

19 U.S.C. § 1677(7)(F)(i). To organize our analysis, we discuss the applicable statutory threat factors using the same volume/price/impact framework that applies to a material injury analysis. Statutory threat factors (I), (II), (III), (V), and (VI) are discussed in the analysis of subject import volume. Statutory threat factor (IV) is discussed in the price effects analysis, and statutory threat factor (IX) is discussed in the impact analysis. Statutory threat factor (VII) is inapplicable, as no imports of agricultural products are involved in these investigations. There was no argument that the industry is currently engaging or will imminently engage in any efforts to develop a derivative or more advanced version of the domestic like product, which would implicate statutory threat factor (VIII).

<sup>180</sup> In its final countervailing duty determination, Commerce assigned countervailable subsidy rates ranging from 25.66 percent to 38.32 percent ad valorem. CR/PR at Table I-1. In its final countervailing duty determination, Commerce found the following 17 programs to be countervailable: Policy Loans to the Steel Wheels Industry; Two Free, Three Half Tax Exemptions for Productive Foreign-Invested Enterprises; Exemption From Local Taxes for FIEs; Income Tax Credits for Domestically Owned Companies Purchasing Domestically Produced Equipment; Import Tariff Exemptions for FIEs and Certain Domestic Enterprises Using Imported Equipment in Encouraged Industries; Provision of Hot-Rolled Steel for Less Than Adequate Remuneration (“LTAR”); Provision of Electricity for LTAR; State Special Fund for Promoting Key Industries and Innovation Technologies; Initial Public Offering Grants From the Hangzhou Prefecture and the City of Fuyang; Fuyang City Government Grant for Enterprises Paying Over RMB 10 Million in Taxes; Fuyang and Hangzhou City Government Grants for Enterprises Operating Technology and Research and Development Centers; Hangzhou City Government Grants Under the Hangzhou Excellent New Products/Technology Award; Fuyang City Government Grants Under the Export of Sub-Contract Services Program; Various Export Contingent Grants Provided by the Fuyang City Government; Local and

(continued...)

find that the domestic industry is not threatened with material injury by reason of subject imports from China.

As an initial matter, we do not find that the domestic industry producing steel wheels is vulnerable. As discussed above, the performance of the domestic industry, which is strongly linked to demand for trucks and trailers, mirrored trends in the overall economy between January 2008 and September 2011. It was only in the context of the recessionary climate between 2008 and 2009, when demand for steel wheels declined sharply, that the industry's performance declined. In contrast, between 2009 and 2010 and again in interim 2011, as the overall economy improved, the industry experienced substantial increases in production, shipments, net sales, and profitability. Moreover, industry observers predict that truck production will continue to increase, in line with the normal truck build business cycle, through at least 2015.<sup>181</sup>

In the final phase of these investigations, the Commission received questionnaire responses from eight Chinese producers/exporters of subject steel wheels, accounting for \*\*\* percent or more of total Chinese exports of subject steel wheels to the United States in 2010,<sup>182</sup> and from 21 U.S. importers accounting for 75 percent of U.S. imports of the subject merchandise during the period examined.<sup>183</sup> \*\*\* was the \*\*\* Chinese producer of steel wheels and \*\*\* accounted for the largest share of exports to the United States among the reporting firms.<sup>184</sup>

The Chinese industry is large and growing. According to the *Global Trade Atlas*, China was the leading global exporter of motor vehicle wheels (a category that includes subject steel wheels) between January 2008 and September 2011.<sup>185</sup> Reporting producers of subject merchandise in China have some

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<sup>180</sup> (...continued)

Provincial Government Reimbursement Grants on Export Credit Insurance Fees; Investment Grants From Fuyang City Government for Key Industries; and Income Tax Reductions Under Article 28 of the Enterprise Income Tax Law. See, e.g., Issues and Decision Memorandum for the Final Determination, Re: Countervailing Duty (CVD) Investigation: Certain Steel Wheels from the People's Republic of China, International Trade Administration, U.S. Department of Commerce, March 16, 2012, pp. 14-33; CR at I-7 n.8; PR at I-5 n.8.

<sup>181</sup> CR/PR at Figures II-20 to II-21; CR at II-19 to II-22; PR at II-9 to II-12.

<sup>182</sup> The following eight producers of steel wheels in China provided responses to the Commission's request for information: Dongfeng Automotive, Jiaying Stone, Jining Centurion, Shandong Jining, Shandong Shengtai, Shandong Xingmin, Xiamen Sunrise, and Zhejiang Jingu. CR at VII-4; PR at VII-3. Chinese respondents assert that the Commission has received questionnaire responses from every significant Chinese producer capable of supplying the U.S. market. See e.g., CCME Posthearing Br., Answers to Commissioners' Questions at 2; Jingu Posthearing Br. at 4. Petitioners argue, however, that there may be as many as 50 Chinese steel wheel manufacturers, see e.g., Petition at Exh. 1-2, and that the foreign producer questionnaire data understate the size of the steel wheels industry in China. See e.g., Petitioners' Posthearing Br., Answers to Commissioners' Questions at A-10 to A-14. We note, however, that the eight responding Chinese producers reported that together they exported \*\*\* steel wheels to the United States during 2010, accounting for \*\*\* percent or more of total imports of subject steel wheels from China based on official Commerce import statistics reported under HTS statistical reporting numbers 8708.70.0500, 8708.70.2500, and 8708.70.4530. CR at VII-5; PR at VII-4. We have compared the identities of those firms submitting foreign producer questionnaire responses in the final phase of these investigations with the foreign producers identified as the manufacturers of the steel wheels in the data obtained from Customs for import transactions, and also with the list of firms identified by Commerce as large producers of the subject product based on its own investigations. We find that foreign producer questionnaire data provide high coverage and capture the Chinese subject producers responsible for the large majority of exports to the U.S. market. Consequently, we rely on the Chinese foreign producer questionnaire data.

<sup>183</sup> CR at I-5; PR at I-4.

<sup>184</sup> CR/PR at Table VII-1.

<sup>185</sup> CR at VII-19 to VII-22; PR at VII-11 to VII-14; CR/PR at Figure VII-1.

unused capacity,<sup>186</sup> although their capacity utilization increased between 2008 and 2010 by 12.4 percentage points and was only slightly lower in interim 2011 than in interim 2010.<sup>187</sup> In 2010 and interim 2011, Chinese subject producers exported approximately half of their shipments, although only a little more than \*\*\* of their shipments were exported to the U.S. market; their exports to the U.S. market were lower in interim 2011 than in interim 2010.<sup>188</sup> Shipments to the Chinese home market increased from 43.9 percent of total shipments in 2008 to 52.4 percent in 2010 and 52.8 percent in interim 2011.<sup>189</sup> On balance, it appears that the Chinese industry has significant production capacity and is at least moderately export-oriented.<sup>190</sup> Although reporting producers expect capacity to increase and capacity utilization to decline slightly through 2012, they also project exporting considerably smaller shares of their shipments to the U.S. market than during the period examined.<sup>191</sup>

\*\*\* of the eight responding Chinese producers that produce the sizes of steel wheels subject to these investigations also produce steel wheels in other sizes on the same production lines, and using the same production and related workers, as the subject steel wheels.<sup>192</sup> Thus, there is some potential for product shifting in the Chinese industry. Further, antidumping duty measures concerning steel wheels produced in China are currently in place in India.<sup>193</sup> However, these measures have been in place since March 2007 and have not led to a significant increase in subject imports in the United States.<sup>194</sup> Moreover, the Indian measures cover only wheels from 16 to 20 inches in nominal diameter; the most common size in the U.S. market is 22.5 inches.<sup>195</sup> Accordingly, any shift of Chinese exports from India to the United States or shift of production from the products covered by those measures to the steel wheels covered by these investigations already would have taken place.

Nevertheless, even in light of the considerable size of the Chinese industry, its moderate export orientation, the reported existence of excess capacity during the period examined, some potential for product shifting, and the existence of trade measures on Chinese exports of steel wheels to India, we find

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<sup>186</sup> The Chinese industry's capacity was 4.6 million wheels in 2008, 4.8 million wheels in 2009, 6.4 million wheels in 2010, 4.8 million wheels in interim 2010, and 5.3 million wheels in interim 2011. CR/PR at Table VII-3. Production was 3.3 million wheels in 2008, 3.1 million wheels in 2009, 5.3 million wheels in 2010, 4.0 million wheels in interim 2010, and 4.2 million wheels in interim 2011. *Id.*

<sup>187</sup> The Chinese industry's capacity utilization declined from 71.4 percent in 2008 to 63.8 percent in 2009, and then increased to 83.8 percent in 2010. Capacity utilization was slightly lower in interim 2011, at 79.8 percent, than in interim 2010, at 83.8 percent. CR/PR at Table VII-3.

<sup>188</sup> CR/PR at Table VII-3. The Chinese industry's shipments to the U.S. market as a share of total shipments increased from \*\*\* percent in 2008 to \*\*\* percent in 2009 and \*\*\* percent in 2010; the share was \*\*\* percent in interim 2011 compared with \*\*\* percent in interim 2010. CR/PR at Table VII-3. Shipments to all export markets as a share of total shipments declined from \*\*\* percent in 2008 to \*\*\* percent in 2009, and increased slightly to \*\*\* percent in 2010; the share was \*\*\* percent in interim 2011 compared with \*\*\* percent in interim 2010. CR/PR at Table VII-3.

<sup>189</sup> CR/PR at Table VII-3.

<sup>190</sup> Although export-oriented, reporting Chinese producers' exports of steel wheels are mostly destined for markets other than the United States. Over the period examined, exports to the United States ranged from \*\*\* wheels to \*\*\* wheels, whereas exports to all other export markets ranged from \*\*\* wheels to \*\*\* wheels. CR/PR at Table VII-3.

<sup>191</sup> CR/PR at Table VII-5 (projecting shipments to the U.S. market, as a share of total shipments, of \*\*\* percent in 2011 and \*\*\* percent in 2012).

<sup>192</sup> CR at VII-7, PR at VII-4.

<sup>193</sup> CR at VII-17, PR at VII-9 to VII-10.

<sup>194</sup> CR at VII-17; PR at VII-9 to VII-10.

<sup>195</sup> CR at VII-17; PR at VII-9 to VII-10.

that the domestic industry is not threatened with material injury by reason of the subject imports in the imminent future for the reasons discussed below.

First, the record in these investigations does not show a significant rate of increase in either volume and/or market penetration by subject imports into the United States that would indicate the likelihood of substantially increased imports in the imminent future. As discussed above, the volume of subject imports did not increase significantly during the period examined. Rather, trends in subject import volume mirrored apparent U.S. consumption, the performance of the truck and trailer industries, and, more broadly, the overall U.S. economy. Nor did subject imports significantly increase their market share at the expense of the U.S. industry between January 2008 and September 2011. As discussed above, the only period in which subject import market share increased while the domestic industry's market share declined (albeit by only \*\*\* percent) occurred between 2009 and 2010, and during this period, subject imports' small market share gain was almost entirely at the expense of non-subject imports rather than the domestic industry.<sup>196 197</sup>

We recognize that considerable capacity and excess capacity existed in China between January 2008 and September 2011, and that reporting producers expect capacity to increase in 2012.<sup>198</sup> It does not follow, however, that such increases in capacity will result in substantially increased imports into the U.S. market. The Chinese industry had substantial excess capacity throughout the period examined, yet subject imports did not significantly increase their market share at the domestic industry's expense. In fact, as discussed above, subject imports' market share was lower in interim 2011, at \*\*\* percent, than in interim 2010, at \*\*\* percent. Thus, a continuation into the imminent future of the trends observed at the end of the period does not indicate that subject imports will significantly increase their penetration of the U.S. market.

Additional factors working against the likelihood of a substantial surge of imports into the U.S. market are (1) the rising demand for steel wheels in the Chinese market, (2) the lack of real movement of U.S. prices of products where subject import competition was present, (3) the absence or only limited presence of subject imports in the largest section of the U.S. market (major truck/trailer OEMs) and the fact that these large OEM purchasers are not generally considering subject producers as potentially new suppliers in current and upcoming long-term contract negotiations, (4) the lengthy and rigorous certification/qualification process for steel wheel producers required by large OEMs, and (5) the fact that Chinese steel wheels producers are not generally capable of producing lightweight steel wheels that most major U.S. OEM customers demand. We discuss each of these factors in turn.

*Demand in Chinese market.* The record indicates a likely increase due to robust demand for commercial vehicles in general, and the accelerating conversion from tube-type wheels to tubeless steel

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<sup>196</sup> As discussed above, U.S. producers' market share fluctuated slightly, but was relatively stable throughout the period examined at \*\*\* percent in 2008, \*\*\* percent in 2009, and \*\*\* percent in 2010. CR/PR at Table C-3. Subject imports' market share increased slightly between 2008 and 2010, initially falling from \*\*\* percent in 2008 to \*\*\* percent in 2009, before increasing to \*\*\* percent in 2010. *Id.* Non-subject imports' market share fell irregularly between 2008 and 2010, increasing slightly from \*\*\* percent in 2008 to \*\*\* percent in 2009, and then falling to \*\*\* percent in 2010. *Id.* Thus, the gain in subject imports' market share came almost completely at the expense of nonsubject imports.

<sup>197</sup> In addition, trends in end-of-period inventories of subject imports held in the United States by U.S. importers were similar to those of subject imports, with such inventories first declining, from \*\*\* wheels in 2008 to \*\*\* wheels in 2009, then increasing to \*\*\* wheels in 2010. U.S. importers' end-of-period inventories were higher in interim 2011, at \*\*\* wheels, than in interim 2010, at \*\*\* wheels. CR/PR at Table VII-6. As a ratio to preceding-period U.S. shipments of imports, such inventories did not show an increase toward the end of the period examined; they declined from \*\*\* percent in 2009 to \*\*\* percent in 2010, and were lower in interim 2011, at \*\*\* percent, than in interim 2010, at \*\*\* percent. CR/PR at Table VII-5.

<sup>198</sup> CR/PR at Tables VII-3 & VII-5.

wheels (which increases the demand for replacement wheels).<sup>199</sup> The record contains three sets of forecasts from industry analysts of likely truck demand in China for the next several years. Two of the three project healthy growth in truck demand in 2012 and 2013, with projected growth ranging from 5.7 to 11.5 percent for 2012 and from 2.9 to 9.6 percent for 2013.<sup>200</sup> Responding Chinese producers project home market shipments of steel wheels will increase from 52.5 percent to 60.0 percent of their total shipments between 2011 and 2012, at the expense of shipments to the U.S. market, which are projected to decline to just \*\*\* percent of total shipments in 2012.<sup>201</sup>

*Changes in U.S. prices.* U.S. prices increased or remained stable between January 2008 and September 2011.<sup>202</sup> Domestic price trends for product 6 (the pricing product involving sales to the aftermarket, and for which subject import volume was greatest) largely mirrored trends for other pricing products.<sup>203</sup> Domestic prices declined between 2008 and 2009 primarily as a result of declining demand, and then increased or remained stable in 2010 and interim 2011 as demand increased.<sup>204</sup> Subject imports also did not have significant price-suppressing effects during the period examined, with the domestic industry's ratio of COGS to net sales generally following changes in apparent U.S. consumption.<sup>205</sup> As discussed above, between 2008 and 2009, when subject imports were declining, the industry's ratio of COGS to net sales rose, and between 2009 and 2010, when subject imports were increasing, the industry's ratio of COGS to net sales declined.<sup>206</sup> Thus, as increasing volumes of subject imports did not have price-depressing or price-suppressing effects during the period examined, there is no reason to expect them to have such effects in the imminent future. Although subject imports undersold the domestic like product during the period examined, such underselling also did not cause subject import market share to increase significantly. Subject import market share fell at the end of the period examined in interim 2011; even when it increased slightly (in 2010), the gain was almost entirely at the expense of non-subject imports (particularly from Mexico) rather than the domestic industry.<sup>207</sup> Consequently, we do not find that subject imports are entering the U.S. market at prices that are likely to have a significant depressing or suppressing effect on domestic prices or that are likely to increase demand for further imports.

*Likely presence of subject imports in the OEM market segment.* Subject imports were largely concentrated in sales to non-OEM purchasers (*i.e.*, the "aftermarket") whereas the domestic industry directs most of its shipments to and dominates the OEM portion of the U.S. market.<sup>208</sup> The OEM portion represented between \*\*\* and \*\*\* percent of the total U.S. market; shipments to truck OEMs accounted

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<sup>199</sup> CR at II-14 to II-15; PR at II-6.

<sup>200</sup> CR/PR at Table II-6. The third analyst projects demand contraction of 4.7 percent in 2012 and 3.1 percent in 2013. We find that, taken together, these forecasts support a finding of likely future growth.

<sup>201</sup> Home market shipments of steel wheels by responding Chinese subject producers were 2.7 million wheels in 2010 and 2.3 million wheels in interim 2011, and are projected to total 4.2 million units in 2012. CR/PR at Tables VII-3 & VII-5. In contrast, shipments to the U.S. market by responding Chinese subject producers were \*\*\* wheels in 2010 and \*\*\* wheels in interim 2011, and are projected to total \*\*\* wheels in 2012. CR/PR at Tables VII-3 & VII-5.

<sup>202</sup> In particular, for three of the pricing products (Products 2, 4, and 5), U.S. prices actually increased overall during the period examined. For the other three pricing products (Products 1, 3, and 6), U.S. prices fluctuated within a narrow range and fell just slightly overall during the period examined. CR/PR at Tables V-1 to V-6.

<sup>203</sup> CR/PR at Table V-6.

<sup>204</sup> CR/PR at Tables C-3 & V-1 to V-6.

<sup>205</sup> CR/PR at Table C-1.

<sup>206</sup> CR/PR at Table C-1.

<sup>207</sup> CR/PR at Table C-3.

<sup>208</sup> CR/PR at Tables II-1 & II-2.

for between \*\*\* and \*\*\* percent of the market, and shipments to trailer OEMs accounted for between \*\*\* and \*\*\* percent.<sup>209</sup> Subject imports did not make significant inroads between January 2008 and September 2011 into the OEM sector of the market, and particularly the truck and trailer OEM sectors.

Petitioners claim that certain long-term contracts with several major truck OEM purchasers are expiring in the imminent future and that Chinese suppliers will likely win the competition for the renewal of these contracts.<sup>210</sup> The record does not support this claim, as there are several important factors limiting Chinese subject producers' ability to make substantial inroads into the truck OEM sector in the imminent future. First, the record indicates that, in upcoming long-term contract negotiations, major truck/trailer OEMs are not generally considering Chinese subject producers as potential new suppliers.<sup>211</sup> Given the size of the OEM segment, the fact that Chinese subject producers will not be considered by major truck/trailer OEMs as viable alternative suppliers in upcoming long-term contract negotiations is particularly significant. In addition, despite the fact that \*\*\*, subject imports from China were unable to make significant inroads into the OEM sector of the market during the period examined.<sup>212 213</sup>

*Qualification processes.* Even for Chinese steel wheel producers already supplying other segments of the U.S. market and particularly for any potential new Chinese steel wheel supplier, the supplier qualification processes of truck OEMs are quite lengthy, thereby limiting any substantial increase in subject imports to the U.S. market in the imminent future. The overwhelming majority of responding purchasers reported that they require all suppliers of steel wheels to become certified or pre-qualified.<sup>214</sup> OEMs typically reported longer qualification times than other responding purchasers.<sup>215 \*\*\* 216 \*\*\* 217 \*\*\* 218 \*\*\* 219 \*\*\* 220 \*\*\* 221</sup> Moreover, as further evidence of the rigorous nature of the qualification process, several purchasers reported that suppliers (\*\*\*) had failed in their attempts to qualify their steel wheels.<sup>222</sup> For a part like a steel wheel that is critical to safety, truck OEMs' qualification processes for a potential new supplier are rigorous enough to ensure that the potential new supplier has adequate quality control systems, logistics, cost management systems, and financial management resources to qualify as a

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<sup>209</sup> CR/PR at Tables II-1 & II-2.

<sup>210</sup> See e.g., Petitioners' Prehearing Br. at 17-21. Petitioners reported that a number of their contracts are expiring at the end of 2012. Specifically, \*\*\*. CR at V-5; PR at V-3. \*\*\*.

<sup>211</sup> \*\*\*.

<sup>212</sup> See e.g., Accuride Domestic Producer Questionnaire at IV-8; Hayes Lemmerz Domestic Producer Questionnaire at IV-8.

<sup>213</sup> We note that \*\*\*.

<sup>214</sup> Twenty-seven of 35 responding purchasers reported that they required all suppliers to become certified or pre-qualified. CR at II-37; PR at II-21. Eight purchasers reported that they do not require any type of certification or prequalification. *Id.* Certifications can include meeting ISO standards, Smither Scientific Services testing, Standard Labs testing, meeting SAE recommended guidelines, DOT certification, on-site visits, destructive tests, and internal sampling. CR at II-37; PR at II-21 to II-22.

<sup>215</sup> CR at II-37 n.66; PR at II-22 n.66.

<sup>216</sup> CR at II-37 n.66; PR at II-22 n.66.

<sup>217</sup> CR at II-37 n.66; PR at II-22 n.66.

<sup>218</sup> CR at V-7 n.22; PR at V-4 n.22.

<sup>219</sup> CR at II-37 n.66; PR at II-22 n.66.

<sup>220</sup> CR at II-37 n.66; PR at II-22 n.66.

<sup>221</sup> CR at II-37 n.66; PR at II-22 n.66.

<sup>222</sup> CR at II-37; PR at II-22.

supply partner.<sup>223</sup> This rigorous qualification process is also important to truck OEMs since the potential cost savings from a new wheel supplier is small compared to the overall cost of a new truck or trailer.<sup>224</sup> The record also indicates that major OEMs have a variety of other preferences that makes the qualification process for them particularly rigorous.<sup>225</sup> Thus, we do not find that the record evidence supports Petitioners' claims that long-term contracts with major OEM purchasers are likely to be obtained by Chinese suppliers in the imminent future.

*Ability of subject producers to produce lightweight wheels.* Chinese producers are also unlikely to make significant inroads in the U.S. market in the imminent future because they are not currently capable of producing the lightweight high-strength low-alloy ("HSLA") steel wheels that the largest U.S. customers demand. In order to minimize fuel costs and maximize freight-carrying capacity, U.S. customers prefer lightweight steel wheels weighing less than 75 pounds.<sup>226</sup> During the period examined, total U.S. shipments of steel wheels weighing less than 75 pounds accounted for \*\*\* percent to \*\*\* percent of the U.S. market.<sup>227</sup> Chinese subject producers accounted for less than \*\*\* percent of the U.S. market for steel wheels weighing less than 75 pounds, as the domestic industry dominated that section of the market.<sup>228</sup> By contrast, subject imports from China accounted for the \*\*\* share of steel wheels weighing more than 75 pounds.<sup>229</sup> There is also evidence suggesting that Chinese subject steel wheel producers cannot easily shift production to lightweight HSLA steel wheels, that Chinese subject producers have a considerably longer learning curve for developing HSLA lightweight steel wheels than domestic producers, and that very few Chinese steel wheel producers are currently positioned to produce a lightweight (less than 75 pounds) steel wheel which is so heavily demanded by customers in the U.S. market, but not by customers in China.<sup>230</sup>

Therefore, we conclude that the record does not indicate a likelihood of a substantial increase in either the volume or market share of subject imports into the United States in the imminent future. The increased level of demand for steel wheels in China suggests that Chinese producers will have substantially less opportunity and incentive to ship steel wheels into the U.S. market in the imminent future. Moreover, notwithstanding some increase in subject import market share during the period examined and relatively consistent underselling by subject imports, there is no indication of any causal link between subject imports and the condition of the U.S. industry, and there is no reason to expect such a link to emerge in the imminent future.

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<sup>223</sup> See e.g., Jingu Posthearing Br. at 6-10, Exh. 6.

<sup>224</sup> See e.g., Jingu Posthearing Br. at Exh. 20.

<sup>225</sup> The major OEMs also require suppliers to meet support service qualification requirements, such as quality control, marketing, getting their downstream customer's approval, and the ability to maintain large inventory and nearby warehouses. CR at I-14; PR at I-11. In addition, major OEMs require potential suppliers to provide information about management and financial viability, and to have product liability insurance and even product recall insurance, particularly for a safety critical part (like a steel wheel). *Id.* The supplier must demonstrate that its production facilities are ISO 9001 certified, have sufficient available manufacturing capacity, have sufficient production parts approval process ("PPAP") capabilities, and be subject to factory audits by the OEM. CR at I-14 to I-15; PR at I-11 to I-12. Truck OEMs also consider the supplier's quality control systems, logistics, product development, cost management systems, and sourcing. *Id.*

<sup>226</sup> CR at II-45 to II-46; PR at II-27.

<sup>227</sup> CR/PR at Table IV-5.

<sup>228</sup> CR/PR at Table IV-6. We note that the data for shipments of subject imports weighing less than 75 pounds includes demountable rims. CR at II-45 n.75; PR at II-27 n.75

<sup>229</sup> CR/PR at Table IV-6.

<sup>230</sup> Hearing Tr. at 118 (Noll) and 119 (Hampton) (noting "learning curve" in two-year development period for HSLA lightweight steel wheels); Jingu Posthearing Br. at Exh. 17; Jingu Final Comments at 9; CR at IV-9 to IV-10, V-10; PR at IV-4, V-7; CR/PR at Table IV-5.

In considering whether there are any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports of the subject merchandise, we note that, on the contrary, most trends point to an industry that has emerged from the general economic downturn on the cusp of a vigorous upswing in line with its normal periodic business cycle. Indeed, the return on investment in the steel wheels industry was a solid \*\*\* percent in 2010, and industry observers are unanimous in projecting a robust demand environment going forward for an industry that we do not find to be vulnerable, as discussed above.<sup>231</sup>

In sum, we do not find it to be likely that subject imports will have significant negative effects on the performance of the domestic industry in the imminent future, given our conclusion that subject imports will not imminently increase substantially above the non-injurious market shares they held during the period examined and will not likely have significant adverse price effects. Accordingly, we conclude that the domestic steel wheels industry is not threatened with material injury by reason of imports of steel wheels from China.

## **VIII. CONCLUSION**

For the reasons stated above, we determine that an industry in the United States is not materially injured or threatened with material injury by reason of subject imports of steel wheels from China that Commerce found were sold in the United States at less than fair value and subsidized by the Government of China.

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<sup>231</sup> CR/PR at Table VI-5; CR/PR at Figures II-2 to II-4.



## PART I: INTRODUCTION

### BACKGROUND

These investigations result from a petition filed with the U.S. Department of Commerce (“Commerce”) and the U.S. International Trade Commission (“Commission” or “USITC”) by Accuride Corp. (“Accuride”) (Evansville, IN) and Hayes Lemmerz International, Inc. (“Hayes Lemmerz” or “Hayes”) (Northville, MI) on March 30, 2011, alleging that an industry in the United States is materially injured and threatened with material injury by reason of subsidized and less-than-fair-value (“LTFV”) imports of certain steel wheels (“steel wheels”)<sup>1</sup> from China. Information relating to the background of the investigations is provided below.<sup>2</sup>

| Effective date  | Action   |
|---|--|
| March 30, 2011  | Petition filed with Commerce and the Commission; institution of Commission investigation (76 FR 18781, April 5, 2011)  |
| April 26, 2011  | Commerce’s notice of initiation of antidumping and countervailing duty investigations (76 FR 23294 and 23302)  |
| May 16, 2011  | Commission’s preliminary determinations transmitted to Commerce (76 FR 29265, May 20, 2011)  |
| September 6, 2011   | Commerce’s preliminary countervailing duty determination (76 FR 55012)   |
| November 2, 2011  | Commerce’s preliminary antidumping duty determination (76 FR 67703); scheduling of final phase of Commission investigations (76 FR 72441, November 23, 2011) |
| March 8, 2012   | Commission’s hearing <sup>1</sup>  |
| March 23, 2012  | Commerce’s final countervailing duty determination (77 FR 17017)   |
| March 23, 2012  | Commerce’s final antidumping duty determinations (77 FR 17021)   |
| April 17, 2012  | Commission’s vote  |
| May 2, 2012   | Commission’s determinations transmitted to Commerce  |
| <sup>1</sup> A list of witnesses that appeared at the hearing is presented in app. B. |  |

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<sup>1</sup> For the purposes of this report, the term “steel wheels” refers to steel wheels and rims of sizes 18 to 24.5 inch nominal diameters. See the section entitled “The Subject Merchandise” in *Part I* of this report for a complete description of the merchandise subject to these investigations.

<sup>2</sup> *Federal Register* notices pertaining to the final phase of this proceeding are presented in app. A.

## STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

### Statutory Criteria

Section 771(7)(B) of the Tariff Act of 1930 (the “Act”) (19 U.S.C. § 1677(7)(B)) provides that in making its determinations of injury to an industry in the United States, the Commission--

*shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for domestic like products, and (III) the impact of imports of such merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and . . . may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.*

Section 771(7)(C) of the Act (19 U.S.C. § 1677(7)(C)) further provides that--

*In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant.*

. . .

*In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether . . . (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.*

. . .

*In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to*

. . .

*(I) actual and potential declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.*

## Organization of the Report

*Part I* of this report presents information on the subject merchandise, subsidies and dumping margins, and domestic like product. *Part II* of this report presents information on conditions of competition and other relevant economic factors. *Part III* presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. *Part IV* presents the volume of subject imports and *Part V* presents the pricing of domestic and imported products. *Part VI* presents information on the financial experience of U.S. producers. *Part VII* presents the statutory requirements and information obtained for use in the Commission's consideration of the question of threat of material injury as well as information regarding nonsubject countries.

## MARKET SUMMARY

The products covered by these investigations are steel wheels of sizes 18" to 24.5" nominal diameters. The steel wheel is usually attached to an axle and a rubber tire is mounted on the wheel. Steel wheels in the relevant size range normally are mounted on commercial vehicles, i.e., trucks, tractors, buses, trailers, fire trucks, ambulances, tow trucks, etc.<sup>3</sup> Domestic producers of 18" - 24.5" steel wheels include Accuride, GKN Wheels Armstrong ("GKN"), Hayes Lemmerz, Titan Wheel Corp. ("Titan"), and Topy America, Inc. ("Topy"). \*\*\* is the largest domestic producer, accounting for an estimated \*\*\* percent of production of such steel wheels in the United States during 2010. Although the petitioners indicated that there may be as many as 50 producers of steel wheels in China, the respondents argued that they are aware of only eight firms in China that are capable of producing steel wheels for the U.S. market.<sup>4</sup> The following eight producers of subject steel wheels in China responded to the Commission's questionnaire in these investigations: Dongfeng Automotive Wheel Co., Ltd. ("Dongfeng Automotive"); Jiaxing Stone Wheel Co., Ltd. ("Jiaxing Stone"); Jining Centurion Wheels Manufacturing Co., Ltd. ("Jining Centurion"); Shandong Jining Wheel Factory ("Shandong Jining"); Shandong Shengtai Wheel Co., Ltd. ("Shandong Shengtai"); Shandong Xingmin Wheel Co., Ltd. ("Shandong Xingmin"); Xiamen Sunrise Wheel Group Co., Ltd. ("Xiamen Sunrise"); and Zhejiang Jingu Co., Ltd. ("Zhejiang Jingu"). Chinese producers \*\*\* were the largest responding exporters of subject steel wheels, accounting for \*\*\* percent of total reported exports of subject merchandise to the United States in 2010. Nonsubject sources of steel wheels imported into the United States during the period examined in these investigations include Brazil (Iochpe Maxion and Borlem/Hayes Lemmerz), Canada (Accuride), Colombia (Cofre), Germany (Hayes Lemmerz Werke), India (Kalyani Hayes Lemmerz), Japan (Isuzu and Topy), Mexico (Accuride and Maxion Fumagalli), Spain (Hayes Lemmerz Manresa), Sri Lanka (Loadstar), and Turkey (Hayes Lemmerz Jantas). The leading U.S. importers of steel wheels from China are believed to be \*\*\*, together accounting for \*\*\* of total reported subject U.S. imports from China in 2010. \*\*\* were the leading importers of steel wheels from nonsubject countries (primarily Mexico, Brazil, and Canada, respectively). The largest individual purchasers during the first three quarters of 2011 were \*\*\*.

Apparent U.S. consumption of steel wheels totaled approximately \*\*\* wheels (\$\*\*\*) in 2010. U.S. producers' U.S. shipments of steel wheels totaled \*\*\* wheels (\$\*\*\*) in 2010, and accounted for \*\*\* percent of apparent U.S. consumption by quantity and \*\*\* percent by value. U.S. shipments of imports from China totaled \*\*\* wheels (\$\*\*\*) in 2010 and accounted for \*\*\* percent of apparent U.S. consumption by quantity and \*\*\* percent by value. U.S. shipments of imports from nonsubject sources

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<sup>3</sup> Petition, pp. I-4 and I-7. However, the scope of the investigations proposed in the petition "is not based on use." Id., p. I-4.

<sup>4</sup> Conference transcript, p. 19 (Schomer); hearing transcript, p. 103 (Schagrin) and pp. 173-175 (Wu); respondents' posthearing brief, pp. 3-4.

totaled \*\*\* wheels (\$\*\*\*) in 2010 and accounted for \*\*\* percent of apparent U.S. consumption by quantity and \*\*\* percent by value.

## SUMMARY DATA AND DATA SOURCES

A summary of data collected in the investigations is presented in appendix C, table C-1.<sup>5</sup> Except as noted, U.S. industry data are based on questionnaire responses of three firms that accounted for \*\*\* percent of known U.S. production of steel wheels during 2010. Completed importer questionnaire responses were provided by 32 firms that imported 18" - 24.5" steel wheels into the United States from any country since January 1, 2008. Subject U.S. imports presented in this staff report are based on the questionnaire responses of 21 U.S. importers of subject merchandise from China that are believed to reflect approximately three quarters of steel wheel imports from China. Nonsubject U.S. import data presented are based on the questionnaire responses of 18 U.S. importers that are believed to have accounted for 80 percent or more of total U.S. imports of steel wheels from nonsubject countries.

## PREVIOUS AND RELATED INVESTIGATIONS

Following receipt of a petition on May 23, 1986, on behalf of Budd Co., Wheel and Brake Division, Farmington Hills, MI, the Commission instituted investigation No. 731-TA-335, *Tubeless Steel Disc Wheels From Brazil*. Tubeless steel disc wheels were defined as wheels designed to be mounted with pneumatic tires, having a rim diameter of 22.5 inches or greater, and suitable for use on class 6, 7, and 8 trucks, including tractors, and on semi-trailers and buses. The Commission concluded its final investigation in April 1987, finding that the domestic industry was threatened with material injury by reason of the subject imports from Brazil. The Commission defined the domestic like product as tubeless steel disc wheels as specified above, while declining to either (1) separate "hub-piloted" and "stud-piloted" wheels or (2) expand the like product to include tubeless wheels for classes 1-5 vehicles, wheels for tubed tires, cast spoke and demountable rims, or aluminum disc wheels.<sup>6</sup>

Following receipt of a petition on July 29, 1988, on behalf of Kelsey-Hayes Co., Romulus, MI, the Commission instituted investigation Nos. 701-TA-296 and 731-TA-420, *Certain Steel Wheels from Brazil*. The subject merchandise was defined as steel wheels, assembled or unassembled, consisting of both a rim and a disc, designed to be mounted with tube type or tubeless pneumatic tires, in wheel diameter sizes ranging from 13.0 inches to 16.5 inches inclusive, and generally designed for use on passenger automobiles, light trucks, and other vehicles. The Commission concluded its final investigation in May 1989, finding that the domestic industry was not materially injured or threatened with material injury, nor was the establishment of an industry materially retarded, by reason of the subject imports from

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<sup>5</sup> Limited data provided by U.S. producer GKN are presented separately in table C-2 and aggregated with data from other U.S. producers in table C-3.

<sup>6</sup> *Tubeless Steel Disc Wheels from Brazil, Investigation No. 731-TA-335 (Final)*, USITC Publication 1971, April 1987, pp. 1-6. Following the Commission's final determination, the U.S. Court of International Trade ("USCIT") remanded Commerce's final determination with instructions to recalculate the dumping duty. Upon remand, Commerce determined that there were no dumping margins with respect to Borlem, S.A. 56 FR 14083, April 5, 1991. The USCIT subsequently remanded the Commission's threat determination. The Commission issued a negative determination pursuant to the remand. *Investigation No. 731-TA-335 (Final)(Court Remand): Tubeless Steel Disc Wheels from Brazil*, 57 FR 22487, May 28, 1992. Accordingly, Commerce revoked the antidumping duty order. *Tubeless Steel Disc Wheels From Brazil; Revocation of Antidumping Duty Order*, 57 FR 28829, June 29, 1992.

Brazil. The Commission majority declined to separate “standard” and “custom” steel wheels and declined to expand the like product to include either aluminum wheels or steel rims.<sup>7</sup>

## NATURE AND EXTENT OF SUBSIDIES AND SALES AT LTFV

### Subsidies

On March 23, 2012, Commerce published in the *Federal Register* its final determination of countervailable subsidies for producers and exporters of certain steel wheels produced in China.<sup>8</sup> In its subsidy investigations, Commerce examined the following mandatory respondents in China: (1) Jining Centurion Wheel Manufacturing Co., Ltd. (“Jining Centurion”) and Jining CII Wheel Manufacture Co., Ltd. (“Jining CII”) (collectively, “Centurion Companies”);<sup>9</sup> (2) Shandong Xingmin Wheel Co., Ltd. (“Shandong Xingmin”); Tangshan Xingmin Wheel Co. Ltd. (“Tangshan Xingmin”); and Sino-tex (Longkou) Wheel Manufacturers Inc. (“Sino-tex”) (collectively, “Xingmin Companies”);<sup>10</sup> and (3) Zhejiang Jingu Co., Ltd.; Chengdu Jingu Wheel Co., Ltd.; Zhejiang Wheel World Industrial Co., Ltd.;

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<sup>7</sup> *Certain Steel Wheels from Brazil, Investigation No. 701-TA-296 (Final)*, USITC Publication 2193, May 1989, pp. 1-11. With respect to the antidumping duty investigation, Commerce issued a final negative determination regarding sales at less than fair value. *Final Determination of Sales at Not Less Than Fair Value; Steel Wheels From Brazil*, 54 FR 21456, May 18, 1989.

<sup>8</sup> Commerce found the following 17 programs to be countervailable: Policy Loans to the Steel Wheels Industry; Two Free, Three Half Tax Exemptions for Productive Foreign-Invested Enterprises; Exemption From Local Taxes for FIEs; Income Tax Credits for Domestically Owned Companies Purchasing Domestically Produced Equipment; Import Tariff Exemptions for FIEs and Certain Domestic Enterprises Using Imported Equipment in Encouraged Industries; Provision of Hot-Rolled Steel for Less Than Adequate Remuneration (“LTAR”); Provision of Electricity for LTAR; State Special Fund for Promoting Key Industries and Innovation Technologies; Initial Public Offering Grants From the Hangzhou Prefecture and the City of Fuyang; Fuyang City Government Grant for Enterprises Paying Over RMB 10 Million in Taxes; Fuyang and Hangzhou City Government Grants for Enterprises Operating Technology and Research and Development Centers; Hangzhou City Government Grants Under the Hangzhou Excellent New Products/Technology Award; Fuyang City Government Grants Under the Export of Sub-Contract Services Program; Various Export Contingent Grants Provided by the Fuyang City Government; Local and Provincial Government Reimbursement Grants on Export Credit Insurance Fees; Investment Grants From Fuyang City Government for Key Industries; and Income Tax Reductions Under Article 28 of the Enterprise Income Tax Law. *Issues and Decision Memorandum for the Final Determination, Re: Countervailing Duty (CVD) Investigation: Certain Steel Wheels from the People’s Republic of China*, International Trade Administration, U.S. Department of Commerce, March 16, 2012, pp. 14-33.

<sup>9</sup> Jining Centurion and Jining CII produce a variety of steel wheels in China, including the subject merchandise. The companies share a common majority owner, whose sibling owns a minority share of Jining Centurion. Another primary family member wholly owns a disc production facility that is (1) housed within Centurion’s production facility, (2) devoted exclusively to Centurion’s production of subject merchandise, and (3) the primary source for a step in Centurion’s production process. *Issues and Decision Memorandum for the Final Determination, Re: Countervailing Duty (CVD) Investigation: Certain Steel Wheels from the People’s Republic of China*, International Trade Administration, U.S. Department of Commerce, March 16, 2012, pp. 6-7.

<sup>10</sup> Shandong Xingmin and its subsidiary, Sino-tex, were both producers of subject merchandise in the Longkou Economic Development District in Shandong Province during Commerce’s period of investigation. Shandong Xingmin sold the subject merchandise in China and export markets, whereas Sino-tex sold steel wheels to the Chinese home market. Tangshan Xingmin, another wholly owned subsidiary of Shandong Xingmin, was established in the Hebei Province in China as a producer of subject merchandise during October 2010. *Issues and Decision Memorandum for the Final Determination, Re: Countervailing Duty (CVD) Investigation: Certain Steel Wheels from the People’s Republic of China*, International Trade Administration, U.S. Department of Commerce, March 16, 2012, p. 7.

and Shanghai Yata Industrial Co., Ltd. (collectively, “Jingu Companies”).<sup>11</sup> Commerce indicated in its final determination that Chinese producers/exporters have received countervailable subsidies ranging from 25.66 to 38.32 percent *ad valorem*. Commerce did not find critical circumstances to exist in the countervailing duty investigation with respect to the separate rate mandatory respondents; however, it did find critical circumstances with regard to all other Chinese producers/exporters. Commerce’s final determination concerning the total estimated net countervailable subsidy rates for producers/exporters of the subject merchandise in China is summarized in table I-1.

**Table I-1**  
**Steel wheels: Commerce’s final subsidy determination with respect to imports from China**

| Producer/exporter                    | Net subsidy rate<br>(percent <i>ad valorem</i> ) |
|--------------------------------------|--|
| Centurion Companies                  | 25.66  |
| Xingmin Companies                    | 32.62  |
| Jingu Companies                      | 38.32  |
| All others                           | 34.55  |
| Source: 77 FR 17017, March 23, 2012. |  |

### Sales at LTFV

On March 23, 2012, Commerce published in the *Federal Register* its final determination of sales at LTFV with respect to imports from China.<sup>12</sup> In its LTFV investigations, Commerce examined the following mandatory respondents in China: Shanghai Yata Industry Co., Ltd.; Zhejiang Jingu Co., Ltd.; and Jining Centurion Wheels Manufacturing Co., Ltd. Commerce determined that producers/exporters in China have sold steel wheels in the United States at dumping margins ranging from 44.96 to 193.54 percent. In addition, Commerce found that critical circumstances exist with respect to U.S. imports from Chinese producer Jining Centurion and the China-wide entity, but did not find critical circumstances with regard to the other separate rate respondents. Commerce’s final dumping margins with respect to imports of certain steel wheels from China are presented in table I-2.

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<sup>11</sup> The following firms in China are owned by Zhejiang Jingu: Chengdu Jingu Wheel Co., Ltd. (“Chengdu”); Zhejiang Wheel World Industrial Co., Ltd. (“Zhejiang Wheel World”); and Shanghai Yata Industrial Co., Ltd. (“Shanghai Yata”). Chengdu is wholly owned by Zhejiang Jingu and produces subject merchandise for sale in the Chinese market. Shanghai Yata, wholly owned by Zhejiang Jingu, is a trading company in China that has no production operations but has exported the subject merchandise to the United States. Although Zhejiang Wheel World, 75-percent owned by Zhejiang Jingu, claimed that it is unable to manufacture steel wheels that fall within the dimensional specifications of the subject merchandise, Commerce determined that the subject merchandise could be produced by Zhejiang Jingu. *Issues and Decision Memorandum for the Final Determination, Re: Countervailing Duty (CVD) Investigation: Certain Steel Wheels from the People’s Republic of China*, International Trade Administration, U.S. Department of Commerce, March 16, 2012, pp. 5-6.

<sup>12</sup> *Certain Steel Wheels From the People’s Republic of China: Notice of Final Determination of Sales at Less Than Fair Value and Partial Affirmative Final Determination of Critical Circumstances*, 77 FR 17021, March 23, 2012.

**Table I-2****Steel wheels: Commerce's final weighted-average LTFV margins with respect to imports from China**

| <b>Producer/exporter</b>  | <b>Percent margin</b> |
|---|-----------------------|
| Zhejiang Jingu Co., Ltd./Zhejiang Jingu Co., Ltd.   | 82.92                 |
| Shanghai Yata Industry Co., Ltd./Zhejiang Jingu Co., Ltd.                                       | 82.92                 |
| Jining Centurion Wheels Manufacturing Co., Ltd./Jining Centurion Wheels Manufacturing Co., Ltd. | 44.96                 |
| Shandong Land Star Import & Export Co., Ltd.  | 63.94                 |
| Shandong Jining Wheel Factory   | 63.94                 |
| Wuxi Superior Wheel Co., Ltd.   | 63.94                 |
| Shandong Xingmin Wheel Co., Ltd.  | 63.94                 |
| Xiamen Sunrise Wheel Group Co., Ltd.  | 63.94                 |
| Jiaying Stone Wheel Co., Ltd.   | 63.94                 |
| Xiamen Topu Import & Export Co., Ltd.   | 63.94                 |
| China Dongfeng Motor Industry Import & Export Co., Ltd.   | 63.94                 |
| China-wide entity   | 193.54                |
| Source: 77 FR 17021, March 23, 2012.  |                       |

**THE SUBJECT MERCHANDISE****Commerce's Scope**

Commerce defined the scope of these investigations as follows:

The products covered by this investigation are steel wheels with a wheel diameter of 18 to 24.5 inches. Rims and discs for such wheels are included, whether imported as an assembly or separately. These products are used with both tubed and tubeless tires. Steel wheels, whether or not attached to tires or axles, are included. However, if the steel wheels are imported as an assembly attached to tires or axles, the tire or axle is not covered by the scope. The scope includes steel wheels, discs, and rims of carbon and/or alloy composition and clad wheels, discs, and rims when carbon or alloy steel represents more than fifty percent of the product by weight. The scope includes wheels, rims, and discs, whether coated or uncoated, regardless of the type of coating.<sup>13</sup>

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<sup>13</sup> *Certain Steel Wheels From the People's Republic of China: Final Affirmative Countervailing Duty Determination, Final Affirmative Critical Circumstances Determination*, 77 FR 17017, March 23, 2012.

## Tariff Treatment

Certain steel wheels are classifiable in the Harmonized Tariff Schedule of the United States (“HTS”) under subheading 8708.70<sup>14</sup> (covering road wheels for motor vehicles and parts and accessories of such wheels). This subheading encompasses several tariff rate lines and subordinate statistical reporting numbers. Subject wheels for tractors are provided for in subheadings 8708.70.05 (agricultural) and 8708.70.25 (other tractors); parts and accessories for such wheels are provided for in subheadings 8708.70.15 and 8708.70.35, respectively. Subject wheels for vehicles other than tractors are provided for in subheading 8708.70.45 and are imported under statistical reporting number 8708.70.4530. Parts and accessories for such wheels are provided for in subheading 8708.70.60 and are imported under statistical reporting numbers 8708.70.6030 (wheel rims), 8708.70.6045 (wheel covers), or 8708.70.6060 (other parts of road wheels).<sup>15</sup> Table I-3 presents current tariff rates for subject steel wheels.

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<sup>14</sup> Heading 8708 includes parts and accessories of the motor vehicles of the following headings 8701 to 8705: (1) Heading 8701: Tractors (other than the type used in factories, warehouses, docks, airports, railway station platforms, etc.), (2) Heading 8702: Motor vehicles for the transport of ten or more persons, including the driver, (3) Heading 8703: Motor cars and other motor vehicles principally designed for the transport of persons, including station wagons and racing cars, (4) Heading 8704: Motor vehicles for the transport of goods, and (5) Heading 8705: Special purpose motor vehicles, other than those principally designed for the transport of persons or goods (for example, wreckers, mobile cranes, fire fighting vehicles, concrete mixers, road sweepers, spraying vehicles, mobile workshops, and mobile radiological units).

<sup>15</sup> Commerce also indicated in its determination that the subject wheels and their parts, whether or not combined or shipped with other articles, may have been imported under an additional 55 HTS statistical reporting numbers under chapter 84 (Nuclear reactors, boilers, machinery and mechanical appliances, and parts thereof), chapter 86 (Railway or tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical (including electro-mechanical) traffic signalling equipment of all kinds), chapter 87 (Vehicles other than railway or tramway rolling stock, and parts and accessories thereof), and chapter 88 (Aircraft, spacecraft, and parts thereof). A complete listing of the additional HTS numbers appears in Commerce’s notice of final determinations presented in app. A. *Certain Steel Wheels From the People’s Republic of China: Final Affirmative Countervailing Duty Determination, Final Affirmative Critical Circumstances Determination*, 77 FR 17017, March 23, 2012. General tariff rates on imports from China for all but five of the additional statistical reporting numbers are free. The general tariff rates on such imports for the goods reported under these five statistical reporting numbers are as follows: 8406.90.4580 (6.7 percent); 8487.90.0080 (3.9 percent); 8708.70.4560 (2.5 percent); 8716.90.5030 (3.1 percent); and 8716.90.5060 (3.1 percent). Additional importer questionnaires sent to firms reporting imports under certain additional HTS numbers yielded additional responses in these final phase investigations from four U.S. importers that together accounted for \*\*\* percent of reported U.S. imports of subject merchandise from China in 2010.



**Table I-3  
Steel wheels: Tariff rates, 2012**

| Heading/<br>subheading   | Stat.<br>suffix | Article description  | General <sup>1</sup>                | Special <sup>2</sup> | Column 2 <sup>3</sup> |
|--|-----------------|--|-------------------------------------|----------------------|-----------------------|
|  |                 |  | Rates ( <i>percent ad valorem</i> ) |                      |                       |
| 8708   |                 | Parts and accessories of the motor vehicles of headings 8701 to 8705:                            |                                     |                      |                       |
| 8708.70  |                 | Road wheels and parts and accessories thereof:   |                                     |                      |                       |
|  |                 | For tractors (except road tractors):   |                                     |                      |                       |
|  |                 | For tractors suitable for agricultural use:  |                                     |                      |                       |
| 8708.70.05   | 00              | Road wheels  | Free                                |                      | Free                  |
| 8708.70.15   | 00              | Parts and accessories  | Free                                |                      | Free                  |
|  |                 | For other tractors:  |                                     |                      |                       |
| 8708.70.25   | 00              | Road wheels  | Free                                |                      | 27.5%                 |
| 8708.70.35   | 00              | Parts and accessories  | Free                                |                      | 27.5%                 |
|  |                 | For other vehicles:  |                                     |                      |                       |
| 8708.70.45   |                 | Road wheels  | 2.5%                                | Free <sup>4</sup>    | 25%                   |
|  | 30              | For vehicles of subheading 8701.20 or heading 8702, 8704, or 8705                                |                                     |                      |                       |
| 8708.70.60   |                 | Parts and accessories  | 2.5%                                | Free <sup>4</sup>    | 25%                   |
|  | 30              | Wheel rims for vehicles of subheading 8701.20 or heading 8702, 8703, 8704, or 8705               |                                     |                      |                       |
|  | 45              | Wheel covers and hubcaps for vehicles of subheading 8701.20 or heading 8702, 8703, 8704, or 8705 |                                     |                      |                       |
|  | 60              | Other  |                                     |                      |                       |
| <sup>1</sup> Normal trade relations, formerly known as the most-favored-nation duty rate.<br><sup>2</sup> Special rates not applicable when General rate is free.<br><sup>3</sup> Applies to imports from a small number of countries that do not enjoy normal trade relations duty status.<br><sup>4</sup> General note 3(c)(i) defines the special duty program symbols enumerated for this provision (A, AU, B, BH, CA, CL, E, KR, IL, J, JO, MA, MX, OM, P, PE, SG). |                 |  |                                     |                      |                       |
| Source: Harmonized Tariff Schedule of the United States (2012).  |                 |  |                                     |                      |                       |

## THE PRODUCT

### Description and Applications

Commerce's scope includes steel wheels and rims of the sizes 18 inches to 24.5 inches nominal diameters. These wheels and rims may or may not be attached to tires or axles when imported. These wheels and rims are typically used in commercial vehicles, including trucks, buses, trailers, and fire trucks, although the scope is not based on use.<sup>16</sup>

Steel wheels are installed on on-road vehicles, including light trucks (classes 1-3, with gross vehicle weight rating ("GVWR") up to 14,000 pounds), medium- to heavy- duty trucks (classes 4-8, with a GVWR of 14,001 pounds and up), and trailers.<sup>17</sup> Light trucks (e.g., pickups) are typically considered passenger vehicles, whereas medium- to heavy-duty trucks are largely vehicles for commercial applications. Trailers include van and flatbed styles, semi- and full-trailers, and other trailers for hauling by vehicles, such as a horse trailer. Off-the-road ("OTR") uses of steel wheels include agricultural, construction, and mining equipment.

For commercial trucks and trailers, 22-1/2 by 8-1/4 inch wheels are commonly used,<sup>18</sup> and represent the majority of products subject to this investigation.<sup>19</sup> Smaller wheels, up to 19 inches in diameter, are used for passenger vehicles, including light trucks.<sup>20</sup> By one estimate, approximately 98 percent of the steel wheels used on trailers are covered by the subject product size range.<sup>21</sup>

Steel wheels may be used with tubeless or tube-type tires. A single piece rim is used for tubeless tires; these tires have no inner tubes, and the air pressure is maintained between the tire carcass and the rim of the wheel.<sup>22</sup> Multi-piece rims are for tube-type tires. Petitioners identified a tube-type wheel with a rim made of multiple components that has a ring that snaps into place. These wheels are called two-piece and three-piece assemblies. Certain wheels are also made in two halves that are bolted together for military and similar applications.<sup>23</sup>

Petitioners contend that the U.S. wheel market is largely tubeless (98 percent or more), particularly for on-road vehicles, because of their greater safety when handled and serviced. The tubeless off-road wheel/tire generally has a higher carrying capacity for loads and conditions for off-road service than tubeless on-road wheels. The basic contour and manufacturing process for tubeless wheels are similar to those for tube-type wheels, but a heavier steel is used in their manufacture to handle heavier load applications.<sup>24</sup>

The subject product includes steel wheels destined for original equipment manufacturers ("OEMs," such as vehicle manufacturers) as well as the aftermarket (replacement market). In the OEM distribution channel, producers sell steel wheels directly to the truck and trailer manufacturers and dealers. Additional sales include original equipment service ("OES") parts, which are replacement steel

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<sup>16</sup> Petition, March 30, 2011, p. I-4.

<sup>17</sup> These are the commonly used industry categories, which differ somewhat from the official categories used by the U.S. Department of Transportation. Changing' Gears, Truck Classification, <http://changinggears.com/rv-sec-tow-vehicles-classes.shtml> (accessed March 14, 2012).

<sup>18</sup> Hearing transcript, pp. 36 (Bentley) and 43 (Byrnes).

<sup>19</sup> Hearing transcript, p. 41 (Bentley).

<sup>20</sup> Hearing transcript, p. 37 (Bentley).

<sup>21</sup> Hearing transcript, p. 143 (Weisend).

<sup>22</sup> Don Goodsell, *Dictionary of Automotive Engineering*, Second Edition, Society of Automotive Engineers, Butterworth-Heinemann, 1995, p. 235.

<sup>23</sup> Conference transcript, pp. 42-43 (Noll).

<sup>24</sup> Conference transcript, pp. 44-45 (Weisend).

wheels typically provided by dealers. Sales to the aftermarket primarily go through distributors who in turn sell to customers that are not large enough to purchase a truckload of steel wheels from the manufacturers.<sup>25</sup> These distributors often belong to buyer groups<sup>26</sup> that purchase a large array of truck components to repair and service truck fleets.<sup>27</sup>

According to the petitioners, steel wheels destined for OEMs or for the aftermarket are the same.<sup>28</sup> Petitioners concede that the OEM market is largely supplied by domestic producers, but that the trailer market for steel wheels has experienced greater penetration of Chinese wheels and that they are aware of the “influx in the qualification of steel wheels at some of the large truck OEMs.”<sup>29</sup> Petitioners point out that \*\*\*<sup>30</sup> and that Chinese producers are \*\*\*.<sup>31</sup>

According to the respondents, steel wheels from China do not compete for any large truck or trailer OEMs, but compete primarily in the aftermarket.<sup>32</sup> Respondents contend that the aftermarket has always been a very small part of the overall steel wheel operations of Accuride and Hayes.<sup>33</sup>

According to the respondents, unlike the aftermarket, which has the least rigorous qualification requirements,<sup>34</sup> OEMs impose strict qualification requirements on its suppliers that take between two to three years to complete.<sup>35</sup> Suppliers must undergo a rigorous qualification process to get their products approved in terms of design, engineering, testing, and production volume requirements. Moreover, the major OEMs also require suppliers to meet support service qualification requirements, such as quality control, marketing, getting their downstream customer’s approval, and the ability to maintain large inventory and nearby warehouses.<sup>36</sup> In addition, major OEMs require potential suppliers to provide information about management and financial viability, and to have product liability insurance and even product recall insurance, particularly for a safety critical part (like a steel wheel). The supplier must demonstrate that its production facilities are ISO 9001 certified, have sufficient available manufacturing capacity, have sufficient production parts approval process (“PPAP”) capabilities, and be subject to factory audits by the OEM. Truck OEMs also consider the supplier’s quality control systems, logistics, product development, cost management systems, and sourcing.<sup>37</sup> The qualification process for trailer OEMs is similar to the process for truck OEMs, according to respondents.<sup>38</sup>

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<sup>25</sup> Hearing transcript, p. 43 (Byrnes).

<sup>26</sup> Examples include Heavy Duty America, VIPAR, Napa Traction Group and Fleet Pride. Hearing transcript, p. 43 (Byrnes).

<sup>27</sup> Hearing transcript, p. 43 (Byrnes).

<sup>28</sup> Conference transcript, p. 80 (Schomer).

<sup>29</sup> Hearing transcript, p. 70 (Bentley, Dauch).

<sup>30</sup> According to respondents, \*\*\*. Zhejiang’s posthearing brief, p. 16.

<sup>31</sup> Petitioners’ posthearing brief, p. 4.

<sup>32</sup> Hearing transcript, pp. 165-167 (Cunningham).

<sup>33</sup> Hearing transcript, p. 166 (Cunningham).

<sup>34</sup> Hearing transcript, p. 211 (Lee).

<sup>35</sup> Hearing transcript, p. 178 (Lowe).

<sup>36</sup> Hearing transcript, p. 190 (Lee).

<sup>37</sup> Zhejiang’s posthearing brief, p. 7.

<sup>38</sup> According to the respondents, “trailer OEMs often require steel wheel suppliers to prove that their products will not just meet, but substantially surpass the industry standards (e.g., SAE J267 radial and cornering fatigue testing), and will meet all elements of the production part approval process (“PPAP”). Trailer OEMs will require a quality audit that usually involves at least one and often multiple on-site plant visits. Trailer OEMs also want suppliers to be able to provide just-in-time delivery to match their own production schedules. Trailer OEMs often require suppliers

(continued...)

Ford noted that its parts suppliers (e.g., of steel wheels) must be “qualified both generally and with respect to the particular part. The qualification process is long, complex, and rigorous. In qualifying a company, Ford assesses the supplier’s technical ability to produce the volumes that Ford requires, the supplier’s financial health to ensure that the supplier will remain in business throughout the life of the vehicle model (typically 3-5 years), the supplier’s acceptance of Ford’s Global Terms & Conditions, the supplier’s history with Ford as well as its general reputation in the automotive industry, how the supplier will fit into Ford’s global and regional purchasing strategy, location of production facilities relative to where Ford requires the parts to be delivered, and the supplier’s ability to comply with stringent supply chain requirements. This qualification process can take up to 18 months and will generate dozens of documents throughout the process establishing the supplier’s capabilities to meet Ford’s requirements.”<sup>39</sup>

On the other hand, based on questionnaire responses, petitioners contend that this process can be much shorter, with some of the leading U.S. truck makers \*\*\* reporting that it takes \*\*\* to qualify a new supplier, while \*\*\* takes just \*\*\*.<sup>40</sup> According to petitioners, this faster process is particularly relevant to multinational OEM truck makers that may have already qualified a Chinese wheel for production in a third country.<sup>41</sup>

In addition to OEM specifications, rims (wheels) for use on on-road vehicles with GVWR of more than 10,000 pounds (which includes all medium- and heavy-duty trucks) must meet Standard 120 of NHTSA’s Federal Motor Vehicle Safety Standards (“FMVSS”), which requires a rim marking that includes a designation which indicates the source of the rim’s published nominal dimensions; the rim size or type designation; the symbol DOT (designating that it has passed the Department of Transportation tests); a designation that identifies the manufacturer of the rim by name, trademark, or symbol; and the month, day and year or the month and year of manufacture.<sup>42</sup> Such specifications are not required for steel wheels used on OTR vehicles or equipment.

## Manufacturing Processes

Steel wheels are designed to meet the load and size of the tire installed,<sup>43</sup> and the wheel manufacturer’s own the design.<sup>44</sup> The two primary components of a steel wheel are the rim and disc. The rim comprises the perimeter of the wheel and supports the tire when it is attached to the wheel, while the disc serves as the center portion of the wheel within the rim. The rim and the disc are produced from

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<sup>38</sup> (...continued)

to provide detailed and comprehensive information about all aspects of the company’s operations, management, logistics, quality control, production, packaging, inventory, accounting, financial condition, etc., in a manner similar to how truck OEMs considers these factors in their qualification process.” Zhejiang’s posthearing brief, p. 9 and exhibit 5.

<sup>39</sup> Ford’s posthearing submission, p. 2.

<sup>40</sup> Petitioners’ posthearing brief, pp. 4-5. \*\*\*.

<sup>41</sup> Petitioners’ posthearing brief, p. A-9.

<sup>42</sup> Electronic Code of Federal Regulations, Government Printing Office. 49 C.F.R. § 571.120, Standard No. 120; Tire selection and rims for motor vehicles with a GVWR of more than 4,536 kilograms (10,000 pounds). <http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=4f5c8749dd773292fbb19087c3c3c5d1&rgn=div8&view=txt&node=49:6.1.2.3.39.2.7.21&idno=49> (accessed March 21, 2012).

<sup>43</sup> Conference transcript, p. 54 (Caulfield).

<sup>44</sup> Conference transcript, p. 93 (Hampton).

carbon or high strength low alloy (“HSLA”) hot-rolled steel.<sup>45</sup> Lightweight steel wheels produced by the petitioners are made from HSLA steel rather than the carbon steel used to produce heavier wheels. According to Accuride testimony, steel accounts for more than one-half of the wheel’s production cost, whereas direct labor represents approximately 4 percent of the cost.

According to the petitioners, both OEM and aftermarket steel wheels are made to the same specifications on the same manufacturing equipment in their plants.<sup>46</sup> The rim and the disc are produced separately on different highly automated production lines. To balance production of rims and discs, more equipment can be added to the disc assembly line which runs at a slower rate than the rim line.<sup>47</sup> The hot-rolled steel coil for the rim is unwound, cut, rounded, and welded together to form a circular blank. The circular blank is then profiled via rolling stands into its final shape. The disc is produced from wider and thicker hot-rolled steel than that used in the production of the rim. Circles are die-cut from the hot-rolled steel and then run through a press to punch out the center bore, hand holes, and bolt holes. The center bore is for the axle, the hand holes are to make it easier to pick up and carry the wheel, and the bolt holes are used to attach the tire. The disc is formed into a bowl shape for attachment to the rim. Finally, the disc and rim are pressed and welded together to form a permanent assembly called a wheel.<sup>48 49</sup>

Steel wheel producers apply electrodeposition paint, commonly called E-coat, to the wheels. A powder coating can be added to the initial paint for added corrosion protection or additional colors.<sup>50</sup> The E-coat finish serves two purposes—as a finished top coat paint and as a primer coat should a given manufacturer want to paint a wheel a specific color to match the color of a cab for a truck or a trailer or a specific customer request.<sup>51</sup> According to the petitioners, a premium coating on steel wheels represents about 10 percent of the total cost of a steel wheel.<sup>52</sup> Wheel manufacturers in China reportedly apply a finish that consists of an epoxy E-coat layered with a powder coating.<sup>53</sup> According to the petitioners, all steel truck wheels sold in the United States to both OEMs and in the aftermarket meet the Society of Automotive Engineers (“SAE”) recommended practice J267.<sup>54</sup> Respondents agree that the production

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<sup>45</sup> Petition, March 30, 2011, p. I-4. HSLA is used in about 90 percent of U.S. steel wheel production by Hayes Lemmerz. Hearing transcript, pp. 111-112 (Hampton, Dauch). Accuride uses a low-carbon grade steel \*\*\*. Petitioners’ posthearing brief, p. A-3.

<sup>46</sup> Hearing transcript, p. 82 (Dauch, Bentley, Byrnes, Kato).

<sup>47</sup> Conference transcript, pp. 38-39 (Noll).

<sup>48</sup> Petition, March 30, 2011, pp. I-4-5.

<sup>49</sup> There are currently five domestic producers of steel wheels (Accuride, Hayes Lemmerz, GKN, Titan, and Topy) and two domestic producers of aluminum wheels (Accuride and Alcoa). Domestic producer Accuride manufactures steel wheels at its facility in Henderson, KY, and it produces aluminum wheels at a heavy truck aluminum plant in Erie, PA. Accuride explained that the aluminum wheel facility is a completely different type of plant using a different type of manufacturing process to manufacture aluminum wheels. Accuride’s aluminum wheel facility uses cast aluminum billets (or logs) from which a wheel in the final contour similar to the general shape of the steel rim and disc is forged and machined as a single piece. On the other hand, Accuride’s steel wheel facility uses steel coil input from which a rim and disc are machined as separate parts and then welded together to form the wheel. Hayes Lemmerz previously produced aluminum wheels at five production facilities. The last of those facilities was closed in 2008.

<sup>50</sup> Conference transcript, p. 21 (Noll).

<sup>51</sup> Conference transcript, p. 49 (Schomer).

<sup>52</sup> Hearing transcript, p. 58 (Kato).

<sup>53</sup> Conference transcript, pp. 48 (Kato) and 144 (Cunningham).

<sup>54</sup> Conference transcript, p. 22 (Noll).

process in China is largely the same as that used by U.S. producers.<sup>55</sup> Steel wheels from China are also normally imported as a single unit like those produced by U.S. industry.<sup>56</sup>

Although Accuride indicated that its production lines do not produce steel wheel components outside of the scope diameters, the company noted that with new tooling, the assembly lines could be adapted for production of larger or smaller steel wheels. However, the use of thinner steel for the production of smaller wheel sizes on a heavy steel wheel assembly line would make their manufacture uncompetitive.<sup>57</sup> According to petitioners, wheel lines are generally designed by manufacturers “with tooling changeovers that fall within set parameters. For example, a Size 3 wheel line normally encompasses the basic equipment with tooling changeover that will allow production of wheels with a 13-18 inch rim O.D. range. A Size 4 wheel line will encompass production equipment with tooling changeovers that will encompass a rim O.D. range of 19-24.5 inches.”<sup>58</sup>

According to the respondents, however, the ability of steel wheel producers to shift production to other types of wheels is limited by the size and specifications of the wheels as the machinery and equipment used to produce steel wheels are designed to manufacture a certain size range.<sup>59</sup> Switching production between different sizes of wheels on the same manufacturing equipment is not possible from an engineering perspective, unless the wheel sizes are very similar (e.g., 17-1/2" to an 18" wheel).<sup>60</sup>

### DOMESTIC LIKE PRODUCT ISSUES

In the preliminary phase investigations, the Commission defined the domestic like product as certain steel wheels, which is coextensive with Commerce’s scope, and declined to expand the definition of the domestic like product to include aluminum wheels.<sup>61</sup> In response to a postconference brief suggesting that the Commission should find aluminum and steel wheels to be within the same like product as steel wheels,<sup>62</sup> the Commission reminded the parties that, pursuant to rule 19 C.F.R. § 207.20(b), requests for data collection in any final phase investigations should be made at the time written comments on draft questionnaires are made.<sup>63</sup> In their comments on the draft questionnaires, no parties presented any arguments or data requests for a broader like product.<sup>64</sup>

In its prehearing brief, Zhejiang Jingu, a Chinese producer of the subject steel wheels, argues that OTR steel wheels are a separate like product from on-road steel wheels.<sup>65</sup> In addition, Caterpillar argues for a separate like product for OTR steel wheels, such as those used for agricultural, construction, and

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<sup>55</sup> Conference transcript, pp. 143-44 (Orr).

<sup>56</sup> Conference transcript, p. 143 (Orr).

<sup>57</sup> Conference transcript, p. 39 (Noll).

<sup>58</sup> Petitioners’ posthearing brief, exhibit 7.

<sup>59</sup> Zhejiang’s posthearing brief, p. 57.

<sup>60</sup> Hearing transcript, pp. 257-8 (Lee).

<sup>61</sup> *Certain Steel Wheels from China, Investigation Nos. 701-TA-478 and 731-TA-1182 (Preliminary)*, USITC Publication 4233, May 2011, pp. 7 and 9. Commissioner Pinkert did not make any findings with respect to customer and producer perceptions, but noted that he would consider this issue further in any final phase investigations, after the Commission has issued purchaser questionnaires. *Ibid.*, p. 8, fn. 39. Producer and customer perceptions are discussed in Part II of this report.

<sup>62</sup> Respondent TTT’s postconference brief, pp. 10-13.

<sup>63</sup> *Certain Steel Wheels from China, Investigation Nos. 701-TA-478 and 731-TA-1182 (Preliminary)*, USITC Publication 4233, May 2011, p. 7.

<sup>64</sup> See Comments on Draft Questionnaires filed by Petitioners and Respondent Zhejiang Jingu.

<sup>65</sup> Zhejiang’s prehearing brief, March 1, 2012, pp. 2-9.

mining equipment.<sup>66</sup> Caterpillar contends that the petitioners manufacture only on-road, not OTR, steel wheels and that neither Accuride or Hayes Lemmerz is qualified to supply steel wheels to Caterpillar.<sup>67</sup> Caterpillar also points out that the OTR wheels used in its mining and construction equipment do not meet Department of Transportation specifications required for on-road wheels.<sup>68</sup>

The Commission's decision regarding the appropriate domestic product(s) that are "like" the subject imported product is based on a number of factors including: (1) physical characteristics and uses; (2) common manufacturing facilities and production employees; (3) interchangeability; (4) customer and producer perceptions; (5) channels of distribution; and (6) price. Information regarding these factors is discussed below.

### **Physical Characteristics and Uses**

Steel wheels are used for both on-road (e.g., trucks and trailers) and OTR (e.g., construction and agricultural equipment) applications. According to the petitioners, steel wheels are normally used in commercial vehicles, but the product scope is not based on use.<sup>69</sup> Both on-road and OTR steel wheels are manufactured from steel (generally HSLA), are largely for use with tubeless tires, and are primarily single piece in construction.<sup>70</sup>

Zhejiang Jingu contends that off-road construction and agricultural wheels have physical characteristics and end uses that differ significantly from the steel wheels produced by the petitioners and used for on-road commercial vehicle applications. It asserts that OTR wheels have generally larger diameters than those for on-road commercial vehicles and are used by different vehicles, such as construction, mining, and agricultural equipment. Citing the questionnaire response of \*\*\*, Zhejiang Jingu asserts that at least some purchasers of OTR wheels prefer heavier wheels whereas purchasers of on-road wheels often prefer lighter wheels.<sup>71</sup> Likewise, it argues, some purchasers such as \*\*\* have load-bearing needs met by OTR wheels that would not be met by on-road wheels.<sup>72</sup> Moreover, steel wheels for OTR applications are "rarely or never" are required to meet or use Department of Transportation

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<sup>66</sup> Caterpillar's proposed definition of OTR steel wheels is as follows: "steel OTR wheels are steel wheels that, unlike steel wheels for on-road use, lack Department of Transportation ("DOT") markings certifying that the wheel and rim conform to applicable motor vehicle safety standards for on-road use. OTR wheels are designed, manufactured and offered for sale for use on off-road or off-highway surfaces, including but not limited to agricultural fields, forests, construction sites, factory and warehouse interiors, airport tarmacs, ports and harbors, mines, quarries, gravel yards, and steel mills. The vehicles and equipment for which certain OTR tires are designed include, but are not limited to: (1) Agricultural and forestry vehicles and equipment, including agricultural tractors, combine harvesters, agricultural high clearance sprayers, industrial tractors, log-skidders, agricultural implements, highway-towed implements, agricultural logging & industrial equipment, and skid-steers/mini-loaders; and (2) construction vehicles and equipment, including earthmover articulated dump products, rigid frame haul trucks, front-end loaders, bulldozers, lift trucks, and straddle carriers." Caterpillar, e-mail to USITC staff, March 16, 2012.

<sup>67</sup> Caterpillar's posthearing submission, pp. 2-3.

<sup>68</sup> Caterpillar works individually with its suppliers to custom design steel wheels during a two-year process, which is the technical testing period. Caterpillar receives a prototype and incorporates that wheel into its mining and production equipment to see if it can withstand the rigors of the Caterpillar operating environments. Hearing transcript, p. 181 (Cannistra).

<sup>69</sup> Petition, p. I-4.

<sup>70</sup> Tube-type tires require multi-piece rather than single piece wheel construction.

<sup>71</sup> Zhejiang's prehearing brief, p. 3.

<sup>72</sup> Zhejiang's prehearing brief, p. 4.

standards.<sup>73</sup> Wheels for commercial vehicles, in contrast, are subject to FMVSS Standard 120 and must exhibit the appropriate DOT rim marking, as previously described.

However, petitioners point out that, although a steel wheel cannot be used on federal highways unless “it is stamped DOT,” that stamp does not mean that the wheel cannot be used off-the-road.<sup>74</sup> According to the petitioners, both Accuride and Hayes work with industries such as logging and mining for OTR steel wheel applications. The steel wheels used in these applications are heavier and have higher load factors than on-road steel wheels because of the higher load-bearing characteristics of OTR vehicles.<sup>75</sup>

\*\*\* reports that its OTR steel wheels conform to certain Tire and Rim Association (“TRA”) and SAE standards, and are not required to meet the DOT 120 standard applicable to on-road steel wheels.<sup>76</sup> In terms of physical differences, \*\*\* notes that on-road steel wheels are “rounder” than OTR steel wheels because of the high speeds at which on-road vehicles travel. Both on-road and OTR steel wheels can be made of HSLA or carbon steel, although \*\*\* uses HSLA steel because of production costs rather than weight, since weight can be a positive characteristic of OTR steel wheels for reasons of stability and balance.<sup>77</sup>

### **Manufacturing Facilities and Production Employees**

Zhejiang Jingu points out that OTR steel wheels are produced by companies other than the petitioners, such as Titan Wheel, in different facilities using different production employees. \*\*\*.<sup>78</sup>

The petitioners largely produce steel wheels for on-road motor vehicle applications, but report that they also produce steel wheels used for OTR applications in the same factories with the same workers using the same machinery as that used to manufacture on-road steel wheels.<sup>79</sup> In addition, U.S. production of steel wheels for light trucks are somewhat segregated by manufacturing facility, as Topy produces steel wheels for passenger vehicles (including light trucks) at its facility in Franklin, KY and Hayes Lemmerz produces the same products only at its Sedalia, MO plant.<sup>80</sup>

### **Interchangeability**

Zhejiang Jingu claims that OTR agricultural and construction wheels are not interchangeable with commercial vehicle wheels. It argues that the specifications of size, shape, material composition, design, construction, etc. of the wheels produced for on- and off-road applications are too different and preclude any interchangeability.<sup>81</sup> Moreover, CCCME pointed out that OTR wheels are manufactured from heavier steels, have different specifications, are designed to accommodate heavier load applications than those for on-road vehicles, and are not interchangeable with steel wheels for highway use.<sup>82</sup> Petitioners, however, point out that there is some interchangeability between on-road and off-road wheels. Whereas

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<sup>73</sup> Zhejiang’s prehearing brief, March 1, 2012, pp. 3-4. See also purchasers’ questionnaire responses of \*\*\*.

<sup>74</sup> Hearing transcript, p. 79 (Schagrin).

<sup>75</sup> Hearing transcript, p. 79 (Schagrin).

<sup>76</sup> Staff telephone interview with \*\*\*.

<sup>77</sup> Staff telephone interview with \*\*\*.

<sup>78</sup> Staff telephone interview with \*\*\*.

<sup>79</sup> Hearing transcript, p. 79 (Schagrin).

<sup>80</sup> See part III of this report.

<sup>81</sup> Zhejiang’s prehearing brief, March 1, 2012, p. 4.

<sup>82</sup> Respondent CCCME’s postconference brief, p. 5.



off-road steel wheels cannot be used in on-road application without having a DOT stamp, the fact that on-road steel wheels have a DOT stamp does not preclude them from being used in OTR applications.<sup>83</sup>

### **Customer and Producer Perceptions**

With respect to customer and producer perceptions, Zhejiang Jingu cites importer and purchaser questionnaire responses as distinguishing OTR steel wheels from on-road steel wheels, with certain purchaser responses identifying OTR agricultural and construction wheels as different in physical characteristics and end uses, channels of distribution, producers, purchasers and other market factors.<sup>84</sup> From Caterpillar's perspective, there are only seven producers worldwide of steel wheels (Iochpe, GKN, Steel Wheels India, Titan, Centurion, Rimax, and Maxim) capable of producing OTR steel wheels for construction and mining equipment.<sup>85</sup> Caterpillar also claims that the steel wheel industry, both domestic producers and importers, perceive OTR steel wheels to be a very different industry than on-road steel wheels.<sup>86</sup> \*\*\* considers its competition to be \*\*\*.<sup>87</sup> \*\*\* reportedly account for an estimated \*\*\* percent or more of the U.S. market for OTR steel wheels.<sup>88</sup>

### **Channels of Distribution**

Zhejiang Jingu argues that the Commission's prehearing report and Titan's web site confirm that the company's customers in the United States largely do not overlap with the top customers identified by the petitioners. Given the different customer bases, Zhejiang Jingu draws the conclusion that the channels of distribution are different for OTR and on-road steel wheels.<sup>89</sup> According to respondent CCCME, OTR wheels are sold through different channels of distribution than on-road steel wheels.<sup>90</sup> Caterpillar claims that since Accuride and Hayes Lemmerz do not produce OTR steel wheels and are not qualified to supply them to Caterpillar, then the distribution channels for commercial on-road steel wheels and OTR steel wheels are entirely separate, with virtually no overlap between manufacturers or customers.<sup>91</sup> Caterpillar further claims that it would take at least 14 months to qualify Accuride and Hayes Lemmerz, assuming they decided to manufacture OTR wheels, which Caterpillar claims they have evinced no inclination to do.<sup>92</sup> \*\*\*.<sup>93</sup> The petitioners argue that OTR steel wheels are sold through the same channels of distribution as on-road steel wheels because both are sold to OEMs.<sup>94</sup> As shown in table I-4, the bulk of U.S. producers' U.S. shipments are delivered to OEMs.

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<sup>83</sup> Hearing transcript, p. 79 (Schagrin).

<sup>84</sup> Zhejiang's prehearing brief, March 1, 2012, p. 7.

<sup>85</sup> Hearing transcript, pp. 181-182 (Cannistra); Caterpillar's posthearing brief, p. 3.

<sup>86</sup> Hearing transcript, p. 253 (Cannistra).

<sup>87</sup> Staff telephone interview with \*\*\*.

<sup>88</sup> Staff telephone interview with \*\*\*.

<sup>89</sup> Zhejiang's prehearing brief, March 1, 2012, p. 6.

<sup>90</sup> Respondent CCCME's postconference brief, p. 7.

<sup>91</sup> Caterpillar's posthearing submission, p. 3.

<sup>92</sup> Caterpillar's posthearing submission, p. 3.

<sup>93</sup> Staff telephone interview with \*\*\*.

<sup>94</sup> Hearing transcript, p. 79 (Schagrin).

**Table I-4**  
**Steel wheels: Shares of U.S. producers' U.S. shipments, by firm and by channel of distribution, 2008-10, January-September 2010, and January-September 2011**

\* \* \* \* \*

**Price**

Zhejiang Jingu cites the absence of any pricing data from importers who sold to other OEMs as evidence of the “clear dividing line” between OTR and on-road steel wheels.<sup>95</sup> With respect to AUVs for U.S. producers' U.S. shipments of steel wheels, the record shows that shipments of “other” steel wheels, including those for use in construction, agricultural, and off-the-road vehicles, were reported \*\*\*; \*\*\* recorded shipments of no other types of steel wheels (table I-5). The AUVs for \*\*\* of “other” steel wheels were \*\*\* than the averaged AUVs for the other U.S. producers' U.S. shipments \*\*\*.<sup>96</sup> AUVs for U.S. shipments of medium duty steel wheels (typically 18" - 19.5" in nominal diameter and used on light trucks) were about \*\*\* those of heavy duty steel wheels.

**Table I-5**  
**Steel wheels: Unit values of U.S. producers' U.S. shipments, by firms and by types, 2008-10, January-September 2010, and January-September 2011**

\* \* \* \* \*

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<sup>95</sup> Zhejiang's prehearing brief, March 1, 2012, pp. 6-7.

<sup>96</sup> GKN reported that \*\*\*. Staff telephone interview with \*\*\*.

## PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

Steel wheels are an input used in trucks, trailers, buses, fire engines, and other vehicles, either in their original production or as replacement parts. Accordingly, steel wheels are sold to original equipment manufacturers (OEMs) of trucks, trailers, and other vehicles, as well as to those that service those vehicles such as manufacturer service departments or fleet maintenance departments. They are also sold to retailers and distributors that may sell to purchasing co-operatives or retailers. As such, the steel wheel market generally follows trends in mid- to heavy truck production. The majority of domestic steel wheel needs are met by Accuride and Hayes Lemmerz, which have traditionally been the exclusive suppliers to truck OEMs. However, imports from several countries, including but not limited to China, collectively supply the U.S. market with substantial quantities of steel wheels for both OEM and non-OEM customers.

### CHANNELS OF DISTRIBUTION

Steel wheels are sold to manufacturers of new vehicles, and as replacement parts. The OEM market consists mainly of truck and trailer manufacturers. Additionally, based on the size range included in the definition of the subject product, some passenger vehicle manufacturers purchase subject steel wheels for their light or medium truck products. The large truck manufacturers include Freightliner (owned by Daimler), Kenworth and Peterbilt (both owned by PACCAR), Navistar, and Volvo/Mack. The large trailer manufacturers include Great Dane, Utility Trailer, and Wabash, although there are a number of smaller trailer manufacturers.<sup>1</sup> Also, within the OEM network are dealerships that service the trucks that they sell which can be referred to as “original equipment service” (OES) or “original equipment manufacturer service” (OEMS) providers.<sup>2</sup> Accordingly, the Commission collected data on an OEM, OES, and non-OEM/OES (i.e., aftermarket) basis. These data are presented in table II-1.

**Table II-1**

**Steel wheels: Shares of and total U.S. shipments of domestic product and imports, by country, channel of distribution, and year, 2008-10, January-September 2010, and January-September 2011**

\* \* \* \* \*

One respondent estimated the aftermarket to be close to 20 percent of the market.<sup>3</sup> Petitioners estimated that the aftermarket could be 30 to 40 percent of the total steel wheel market.<sup>4</sup> Collected quarterly pricing data indicate that for the pricing products selected (which accounted for approximately

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<sup>1</sup> Conference transcript, pp. 15 (Schomer) and 135 (Rogers).

<sup>2</sup> Conference transcript, p. 116 (Walker).

<sup>3</sup> Conference transcript, p. 107 (T. M. Cunningham). Mr. Cunningham described the aftermarket as consisting of dealers that repair and service trucks (i.e., the OES market, which typically buys the wheels standard for their make of truck), fleets, distributors which carry all types of truck parts, and tire shops. *Ibid.*, pp. 108-110. Mr. Schomer of Accuride described the OES market as part of the OEM market. Conference transcript, p. 15 (Schomer).

<sup>4</sup> Petitioners at the preliminary conference noted that “it’s not uncommon for trucks in the fleets to run anywhere from 500,000 to a million miles before being replaced by new trucks. Trailers last even longer. Therefore, the aftermarket for steel wheels is very large.” Conference transcript, p. 17 (Schomer). This would not always be the case. As the country entered the economic downturn, demand for new trucks decreased, with more fleets opting to repair trucks rather than replace them; this would lead to an increased aftermarket share. As noted by one independent transportation research firm, “the fleet is extremely old, and after years of deferred capex, is in need of upgrading.” ACT N.A. Transportation Outlook, Americas Commercial Transportation Research Co. LLC (“ACT Research”), April 11, 2011.

two-thirds of shipments), sales to OEMs accounted for approximately three-quarters of the market between January 2008 and September 2011, sales to the OES channel accounted for 4 percent, and sales to the non-OEM/OES market accounted for 20 percent.

Market participants have varied views regarding the aftermarket. Accuride described the aftermarket as “primarily a distributor warehouse business {with} several large buying groups, principally Heavy Duty America (known as HDA), VIPAR, NAPA Traction Group, and FleetPride. There are also a number of other independent truck parts companies that make up the remainder of the aftermarket business.”<sup>5</sup> According to one respondent, the aftermarket consists of smaller trailer manufacturers and retailers focused on particular niches. As such, it is smaller and more fragmented.<sup>6</sup> For example, some aftermarket distributors/truck suppliers mount a tire to the wheel and sell the assembly as one piece.<sup>7</sup> Respondents alleged that the domestic producers have refused to sell directly to many aftermarket customers, particularly smaller firms, such as tire assemblers.<sup>8</sup> Importer \*\*\* noted that when truck and trailer sales increase, “supply is taxed and manufacturers are forced to drive sales to large OEM customers who are under contract . . . {which} drives demand to secondary wheel suppliers.”

As presented in table II-2, more than \*\*\* percent of all U.S. producers’ U.S. shipments are made to OEMs, with most being sold to truck OEMs. In contrast, all of the imported Chinese steel wheels sold to truck OEMs \*\*\* in 2011 were accounted for by \*\*\*.<sup>9</sup> After decreasing from \*\*\* percent to \*\*\* percent between 2008 and 2010, the share of shipments of steel wheels from China shipped to (non-truck) OEMs was higher (\*\*\*) in January-September 2011 than in January-September 2010 (\*\*\*) percent). The majority of truck OEM shipments and \*\*\* of the other OEM shipments from Canada are accounted for by imports from \*\*. The decrease in shipments to other OEMs from Canada in 2009 is due mainly to \*\*\*.<sup>10</sup> Nonsubject imports, in many instances \*\*\*, were shipped primarily to OEMs. The majority of the other OEM shipments from Mexico are accounted for by imports from \*\*. The vast majority of the other OEM shipments from other nonsubject countries are accounted for by imports from \*\*. Market share data by country for each customer type is presented in table II-3.

**Table II-2**

**Steel wheels: Shares of and total U.S. shipments of domestic product and imports, by country, customer type, and year, 2008-10, January-September 2010, and January-September 2011**

\* \* \* \* \*

**Table II-3**

**Steel wheels: Market shares of and total U.S. shipments, by customer type, country, and year, 2008-10, January-September 2010, and January-September 2011**

\* \* \* \* \*

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<sup>5</sup> Conference transcript, pp. 15-16 (Schomer).

<sup>6</sup> Conference transcript, pp. 135-36 (Rogers).

<sup>7</sup> Conference transcript, p. 100 (G. Orr).

<sup>8</sup> Conference transcript, pp. 100 and 103 (G. Orr), 110 and 111 (T. M. Cunningham).

<sup>9</sup> E-mail from \*\*\*.

<sup>10</sup> E-mail from \*\*\*.

Unit values for shipments of domestic and imported steel wheels also varied across channel of distribution (table II-4). Unit values for domestic sales to other OEMs reflect sales to \*\*\*,<sup>11</sup> The majority of these sales are accounted for by \*\*\*, though this customer type accounts for \*\*\*.

**Table II-4**

**Steel wheels: Unit values of U.S. shipments of domestic product and imports, by country, channel of distribution, and year, 2008-10, January-September 2010, and January-September 2011**

\* \* \* \* \*

### GEOGRAPHIC DISTRIBUTION

Producers and importers were requested to provide information on the specific geographic market areas served by their firm. Table II-5 presents information provided by U.S. producers and importers on the market areas in which they sell steel wheels.

**Table II-5**

**Steel wheels: Geographic market areas in the United States served by U.S. producers and importers**

| Region            | Producers | Importers |
|-------------------|-----------|-----------|
| Northeast         | ***       | 11        |
| Midwest           | ***       | 15        |
| Southeast         | ***       | 13        |
| Central Southwest | ***       | 13        |
| Mountains         | ***       | 8         |
| Pacific Coast     | ***       | 12        |
| Other             | ***       | 3         |

Note.--There were a total of 2 U.S. producers and 21 importers that responded to this question. Firms were not limited in the number of market areas that they could report and, in fact, many firms identified a number of market areas.

Source: Compiled from data submitted in response to Commission questionnaires.

<sup>11</sup> \*\*\*.

## SUPPLY AND DEMAND CONSIDERATIONS

### Supply

#### U.S. Supply

Based on available information, staff believes that, in the short term, U.S. steel wheels producers have the capability to respond to changes in demand with large changes in shipments of U.S.-produced steel wheels to the U.S. market. In the medium term, U.S. steel wheels producers have the capability to respond to changes in demand with moderate changes in shipments of U.S.-produced steel wheels. Factors contributing to this degree of responsiveness of supply are discussed below.

#### *Industry capacity*

U.S. producers' reported capacity utilization for steel wheels has fluctuated since 2008, decreasing from \*\*\* percent to \*\*\* percent in 2009, before increasing to \*\*\* percent in 2010. In January-September 2011, capacity utilization was much higher (\*\*\* percent) than in January-September 2010 (\*\*\* percent). During 2008-10, total capacity increased from \*\*\* wheels to \*\*\* wheels per year, and was \*\*\* wheels in interim 2011, compared with \*\*\* wheels in interim 2010.<sup>12</sup>

#### *Alternative markets*

Domestic producers' export share decreased between 2008 and 2010, from \*\*\* percent to \*\*\* percent, and was \*\*\* percent in interim 2011 compared with \*\*\* percent in 2010, indicating that domestic steel wheel producers have a limited capability to shift shipments between the United States and other markets in response to price changes in the short term. Accuride owns steel wheels plants in Canada and Mexico, and many of its customers have production facilities in all three North American countries.<sup>13</sup> Hayes Lemmerz has plants located in Brazil, Colombia, Germany, India, Spain, and Turkey.<sup>14</sup> Topy America has production facilities located in Japan.

#### *Inventory levels*

\*\*\* percent of Accuride's 2010 sales, and \*\*\* percent of Hayes Lemmerz's 2010 sales were from inventory.<sup>15</sup> U.S. producers' inventories, as a share of U.S. producers' total shipments, decreased from \*\*\* percent in 2008 to \*\*\* percent in 2010, and were \*\*\* percent in interim 2011, compared with \*\*\* percent in interim 2010. These relatively low levels of inventories suggest that U.S. producers are somewhat constrained in their ability to respond to changes in demand with relatively large changes in the quantity shipped.

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<sup>12</sup> In addition, GKN and Titan are manufacturers of off-the-road steel wheels. GKN reported production of \*\*\* wheels in 2008 but did not report capacity. Titan did not respond to the Commission's requests for information, but petitioners stated in the petition that Titan's production is up to 200,000 wheels per year. Off-the-road wheels within the relevant size range are not rated to be used in on-the-road applications. On-the-road wheels can be used in off-the-road situations, however. GKN reported that \*\*\*. Staff telephone interview with \*\*\*.

<sup>13</sup> Conference transcript, p. 15 (Schomer). Among the products reportedly produced at the plant in Mexico is the heavier "Statesman" wheel sold into the aftermarket by Accuride. Conference transcript, p. 132 (Rogers). \*\*\*.

<sup>14</sup> Conference transcript, p. 25 (Hampton).

<sup>15</sup> \*\*\* of Topy's sales were from inventory.

### *Production alternatives*

Hayes Lemmerz reported that it was able to switch production from steel wheels to other products (wheels less than 18 inches in diameter, typically for autos and light trucks) at its Sedalia, MO plant, while its Akron, OH facility primarily produces 22½- and 24½-inch wheels for heavy trucks and military machinery.<sup>16</sup> Accuride only produces subject product at its Henderson, KY facility. The majority of the production at Hayes Lemmerz's Sedalia, MO, plant is of smaller steel wheels, particularly steel wheels of 18" diameter and below. \*\*\* Topy America's production of wheels is of wheels that are \*\*\*.

### **Supply of Subject Imports from China to the U.S. Market**

Based on available information, suppliers of steel wheels from China have the capability to respond to changes in demand with moderate to large changes in the quantity shipped to the U.S. market. Supply responsiveness is enhanced by excess capacity, and available inventories.

### *Industry capacity*

Reported Chinese capacity to produce steel wheels increased from 4.6 million wheels in 2008 to 6.4 million wheels in 2010. Capacity was also higher in comparing interim periods: 5.3 million wheels in January-September 2011 compared with 4.8 million wheels in January-September 2010. Responding Chinese foreign producers also projected capacity to increase from 7.0 million wheels in 2011 to 9.4 million wheels in 2012. During this period, capacity utilization of Chinese steel wheels producers decreased from 71.4 percent in 2008 to 63.8 percent in 2009, then increased to 83.8 percent in 2010, but was lower in interim 2011 (79.8 percent) compared with interim 2010 (83.8 percent). Responding Chinese foreign producers indicated that they expect capacity utilization to be 76.5 percent for full year 2011, but decrease to 73.5 percent in 2012. Six of eight Chinese foreign producers indicated that they manufacture other products using the same machinery and workers used to make steel wheels, including wheels of sizes less than 18" and greater than 24½", as well as tube-type wheels of less than 18".

### *Inventory levels*

Available data indicate that Chinese steel wheels producers' inventories relative to total shipments decreased irregularly, from 14.2 percent at the end of 2008 to 12.3 percent in 2010, and were 9.9 percent in January-September 2011, compared with 18.1 percent in January-September 2010. Responding Chinese foreign producers expect inventories to continue declining, reaching 7.6 percent by the end of 2011 and 6.1 percent by the end of 2012. These data indicate that Chinese producers have the capability, though declining, to use inventories as a means to increase shipments to the U.S. market. Inventories of Chinese steel wheels held by importers in the United States increased from \*\*\* percent of U.S. shipments in 2008 to \*\*\* percent in 2009, before decreasing to \*\*\* percent in 2010. Ending inventories relative to U.S. shipments were \*\*\* percent in January-September 2011, compared with \*\*\* percent in January-September 2010. These data indicate that importers of steel wheels produced in China also have the capability to use inventories as a means to increase shipments within the U.S. market.

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<sup>16</sup> Conference transcript, p. 23 (Hampton).

## *Alternative markets*

Approximately half of Chinese producers' shipments of steel wheels were to the Chinese home market during 2008-10, increasing from 43.9 percent in 2008 to 54.3 percent in 2009, before decreasing to 52.4 percent in 2010; in January-September 2011, the share was lower (51.9 percent) than in January-September 2010 (53.5 percent). Shipments to the United States, however, increased steadily from \*\*\* percent in 2008 to \*\*\* percent in 2010, but were higher in the first three quarters of 2010 (\*\*\* percent) than in the first three quarters of 2011 (\*\*\* percent). The share of Chinese steel wheel shipments sold to the EU, India, and all other markets decreased from \*\*\* percent in 2008 to \*\*\* percent in 2009 and \*\*\* percent in 2010. This share was higher, however, in interim 2011 (\*\*\* percent) than in interim 2010 (\*\*\* percent).

Responding Chinese producers expect the share of shipments sold to the United States to be \*\*\* percent in 2011 and decrease to \*\*\* percent by 2012, with shipments to the home market and exports to other countries expected to increase to make up the difference. Chinese producers of steel wheels reported shipping product to Algeria, Australia, Brazil, Kenya, Mexico, Morocco, Russia, South Africa, South America, the European Union, China, and Asian markets other than China. One analysis noted that after declining in 2009, Chinese exports of commercial trucks increased by 30.2 percent in 2010, but still did not reach 2008 levels.<sup>17</sup> Respondent CCCME reported that demand for Chinese steel wheels is increasing in China, as both the number of trucks increases and as users shift to tubeless wheels.<sup>18</sup>

Commercial truck sales have been increasing rapidly in China since at least 2005. Between 2008 and 2010, commercial truck sales increased 25.8 percent (from 1.9 million to 2.4 million trucks) between 2008 and 2009, and a further 33.1 percent (to 3.2 million trucks) in 2010.<sup>19</sup> Medium-duty trucks have been losing market share in China to heavy-duty trucks due to China's Charge-by-Weight policy, which levied higher tolls on overloaded vehicles. This has resulted in an increasing number of trucks being used to move the same amount of freight, and causing an increase sales of new commercial trucks. In particular, long-distance transportation companies are expected to purchase larger, heavier-duty trucks. In fact, heavy-duty trucks have been increasing market share, and helping drive the demand for commercial trucks to record highs.<sup>20</sup>

One analysis of the Chinese commercial truck market estimated growth of between negative 2.2 and positive 9.5 percent in 2011, accelerating to between positive 5.7 and 9.1 percent in 2012.<sup>21</sup> A separate analysis expects commercial truck demand in China to have decreased by 9.7 percent in 2011 due to China's relatively young truck fleet, but to increase in the following years.<sup>22</sup> Estimates of Chinese demand growth, both historical and projected, are presented in table II-6.

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<sup>17</sup> "Strategic Analysis of Chinese Commercial Truck Market," Sandeep Kar, Frost & Sullivan, February 13, 2012.

<sup>18</sup> Respondent CCCME's postconference brief, pp. 50-52.

<sup>19</sup> Commercial truck sales were 1.3 million in 2005. China Association of Automobile Manufacturers, as displayed in "Strategic Analysis of Chinese Commercial Truck Market," Sandeep Kar, Frost & Sullivan, February 13, 2012.

<sup>20</sup> Ibid.

<sup>21</sup> Ibid.

<sup>22</sup> "China's New Vehicle Market: Prospects to 2015," AutomotiveWorld.com, March 2011.



**Table II-6  
Steel wheels: Demand data for the Chinese truck market**

| Source   | 2008 | 2009 | 2010 | 2011<br>(proj.) | 2012<br>(proj.) | 2013<br>(proj.) | 2014<br>(proj.) | 2015<br>(proj.) |
|--|------|------|------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Growth rate (percent)</b>   |      |      |      |                 |                 |                 |                 |                 |
| Automotive World <sup>1</sup>  | 0.3  | 29.3 | 37.8 | (9.7)           | 5.7             | 2.9             | 3.9             | (5.9)           |
| Frost & Sullivan <sup>2</sup>  | 4.5  | 25.8 | 33.1 | (2.2) - 9.5     | 5.7 - 11.5      | 5.0 - 9.6       | 3.8 - 9.0       | 2.4 - 7.9       |
| JD Power <sup>3</sup>  | --   | 21.6 | 46.1 | (15.7)          | (4.7)           | (3.1)           | 16.4            | 5.4             |
| <sup>1</sup> Heavy commercial vehicles, historical data according to the China Association of Automobile Manufacturers.<br><sup>2</sup> Light, medium, and heavy duty trucks, historical data according to the China Association of Automobile Manufacturers.<br><sup>3</sup> FC 2011 Q4 Commercial vehicles 6 ton -15 ton and greater than 15 tons. |      |      |      |                 |                 |                 |                 |                 |
| Source: "China's new vehicle market: prospects to 2015," March 2011, AutomotiveWorld.com, "Strategic Analysis of Chinese Commercial Truck Market, February 2012, Frost & Sullivan, and Petitioner's posthearing brief, exh. 12.  |      |      |      |                 |                 |                 |                 |                 |

### Supply of Nonsubject Imports to the U.S. Market

Based on official import statistics, the five largest sources of nonsubject imports during both 2010 and 2011 were Mexico, Canada, Germany, Turkey, and Korea. Combined, these countries accounted for more than 95 percent of nonsubject imports of steel wheels in each year (and more than 90 percent of all imports), with Mexico alone accounting for more than two-thirds of nonsubject imports.

### Demand

Based on available information, steel wheels purchasers are likely to respond to changes in the price of steel wheels with small to moderate changes in their purchases of steel wheels. The main contributing factors to the low to moderate responsiveness of demand are the low cost share in the finished cost of a truck or trailer, their necessity in finished goods, and the higher cost of commercially viable substitute products.

### End Uses

U.S. demand for steel wheels depends on the level of demand for steel wheels in new trucks or trailers or demand for steel wheels in repairs to these vehicles. Steel wheels are most often used on medium and heavy trucks, typically classified in classes 5 through 8, as well as for buses, military vehicles, mobile construction equipment, frac trailers (a stationary water tank used in oil fields), other large off-the-road vehicles, and some light-to-medium passenger trucks.

### Business Cycles

Demand for steel wheels follows the general U.S. economic cycle. The domestic industry reported that demand lags general economic activity by about six to nine months, with economic activity leading to the need to move freight, increasing demand for trucks.<sup>23</sup> In addition to general economic conditions, Petitioners noted that "The steel wheels industry is tied to the highly cyclical truck build

<sup>23</sup> Conference transcript, pp. 58-59 (Kato and Weisend).

industry.”<sup>24</sup> Respondents concurred, noting that truck builds tends to run in seven- or eight-year cycles, with “four to five years of high truck and trailer demand {which is} inevitably offset by two to three year downturns.”<sup>25</sup> According to FTR Associates (“FTR”), a widely recognized trade publication, production “routinely cycles 50% – even in mild recessions.”<sup>26</sup> In the preliminary phase of these investigations, Accuride submitted historical and predictive (1996-2014) truck data graphs which indicated that production of class 5-8 trucks increased in 1996-99, decreased in 1999-2001, increased in 2001-06, decreased in 2006-09, and has been increasing since 2009; this increase is predicted to continue into 2013 and 2014.

Demand for passenger trucks, agricultural vehicles, and construction types of vehicles also would affect the demand for the types of steel wheels used in those marketing channels. Importer \*\*\* noted that farm income will affect agricultural sales and housing starts will affect construction sales. In its questionnaire response, purchaser \*\*\* reported that the agricultural market has improved and sales of agricultural equipment are increasing.

Both U.S. producers and ten importers reported other factors affecting demand cycles. Factors noted by these firms were: legislation regarding fuel economy and stopping distance (with one firm noting that there was a run up in production before new EPA requirements became mandatory); demand for vehicles; and sales to agricultural markets which tend to cluster around harvest and planting times.<sup>27</sup> Importers \*\*\* noted that demand during the last two to three months of the year and January is usually lower.

## **Apparent Consumption**

Available data indicate that apparent U.S. consumption of steel wheels decreased \*\*\* percent from 2008 to 2009 (from \*\*\* wheels to \*\*\* wheels), but increased by \*\*\* percent in 2010 (to \*\*\* wheels). Overall, apparent U.S. consumption was \*\*\* percent lower in 2010 compared with 2008. In January-September 2011, however, apparent U.S. consumption was \*\*\* percent higher than in January-September 2010: \*\*\* wheels compared with \*\*\* wheels. Sales in the first nine months of 2011 were higher than those in all of 2010, and were equivalent to more than three-quarters (\*\*\* percent) of 2008 sales.

U.S. producers and importers noted that demand for steel wheels followed the general U.S. economic cycle. Quarterly real growth in U.S. GDP through 2011 is presented in figure II-1.<sup>28</sup>

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<sup>24</sup> Petitioners’ conference exhibit 1.

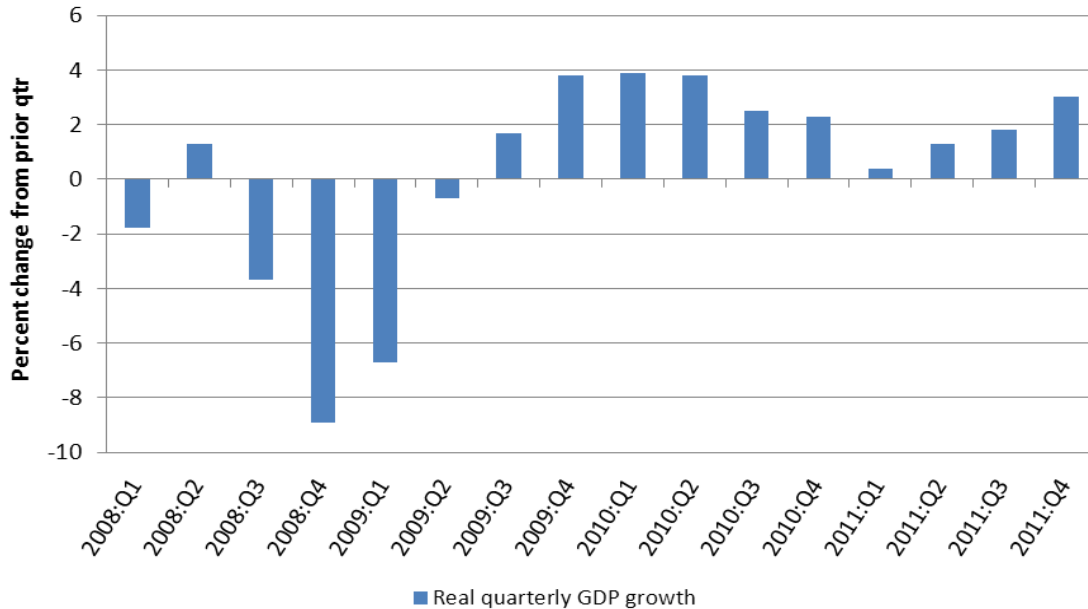
<sup>25</sup> CCCME’s postconference brief, p. 21.

<sup>26</sup> “Truck and Trailer Outlook,” March 2011, FTR Associates, included as respondent CCCME’s postconference brief, exh. 7.

<sup>27</sup> In the preliminary phase, additional factors were mentioned: limited access to capital in 2008 and 2009, which led vehicle producers to reduce production; an increased use of steel wheels rather than aluminum wheels in slow economic times; and a significant decline in OEM volume since 2007 causing domestic producers to turn their attention to the smaller OEM customers.

<sup>28</sup> U.S. Bureau of Economic Analysis, found at <http://www.bea.gov/newsreleases/national/gdp/gdphighlights.pdf>, retrieved February 22, 2012.

**Figure II-1**  
**Real U.S. GDP growth: Percentage change (seasonally adjusted), quarterly, January 2008-December 2011**



Source: Bureau of Economic Analysis.

As noted earlier, demand for freight to be moved drives demand for trucks, trailers, and wheels. FTR’s Trucking Conditions Index increased in December 2011 for the third straight month, leading a senior consultant at FTR to state “Demand for truck transport continues to grow at rates outstripping growth in GDP. We believe this growth trend will continue, barring an exterior shock to the economy such as an uncontained European default situation or a disruption emanating from the Mideast. Growth should be sufficient to keep the balance firmly in favor of trucking carriers throughout the year.”<sup>29</sup>

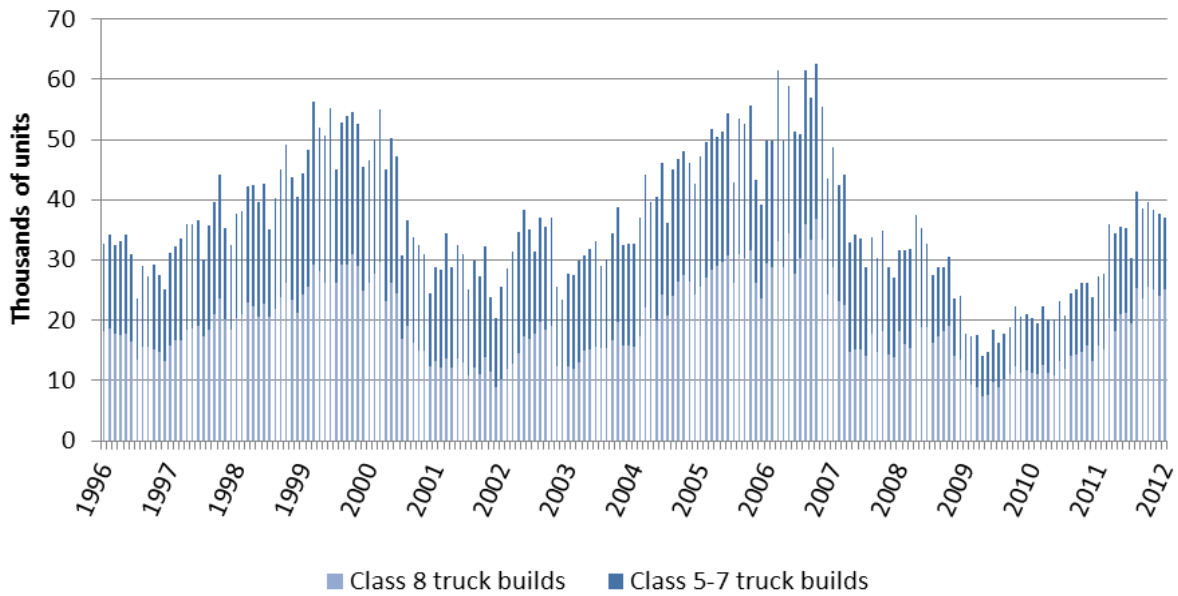
In particular, sales of steel wheels in the relevant size range are tied to medium and heavy truck production, as well as trailer production.<sup>30</sup> Monthly U.S. truck build data by ACT Research are presented in figure II-2, which shows the cyclical nature of truck production. Figure II-3 presents average yearly truck production for class 5-7 (medium) and class 8 (heavy) trucks starting in 2005, including yearly forecasts for 2012-15.<sup>31</sup> Trailer production has experienced similar cyclical trends to those in truck production, and is presented in figure II-4.

<sup>29</sup> “FTR’s Trucking Conditions Index Continues Positive Trend,” February 3, 2012, found at [http://www.truckinginfo.com/news/news-detail.asp?news\\_id=75971](http://www.truckinginfo.com/news/news-detail.asp?news_id=75971), retrieved February 10, 2012.

<sup>30</sup> Medium trucks are classified as Class 5 - 7 trucks. Heavy trucks all are classified under Class 8. Class 8 accounts for approximately the same number of trucks sold as Classes 5 through 7 combined.

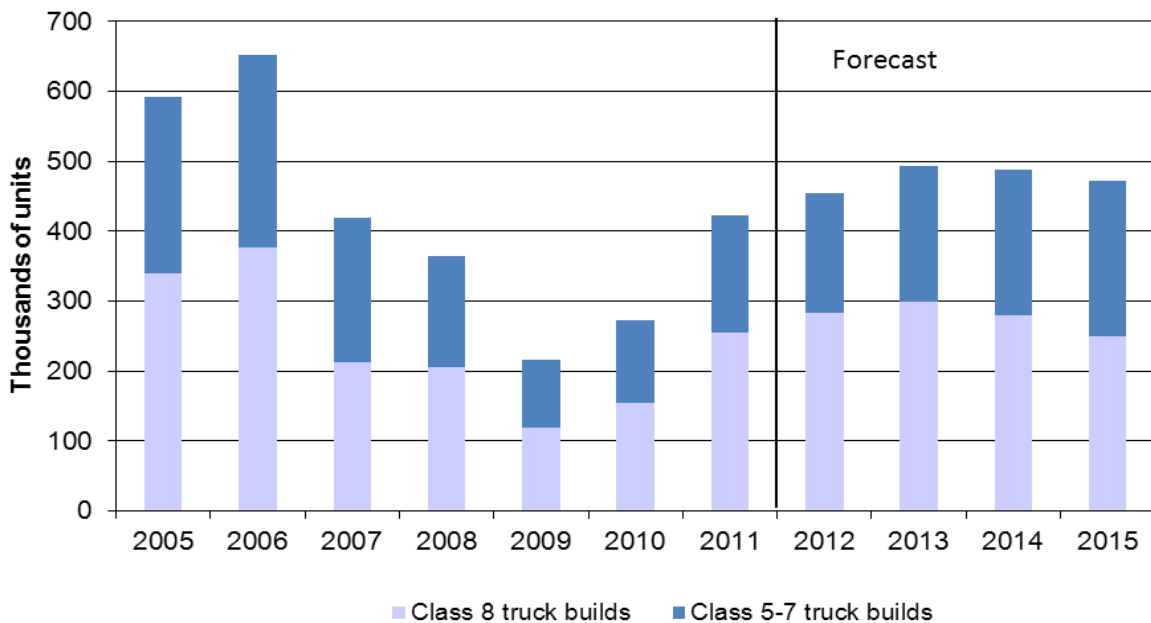
<sup>31</sup> Data are presented before 2008 to show a full truck production cycle, as are data for trailer production.

**Figure II-2**  
**U.S. truck production: Class 5-8 truck builds, monthly, January 1996-March 2011**



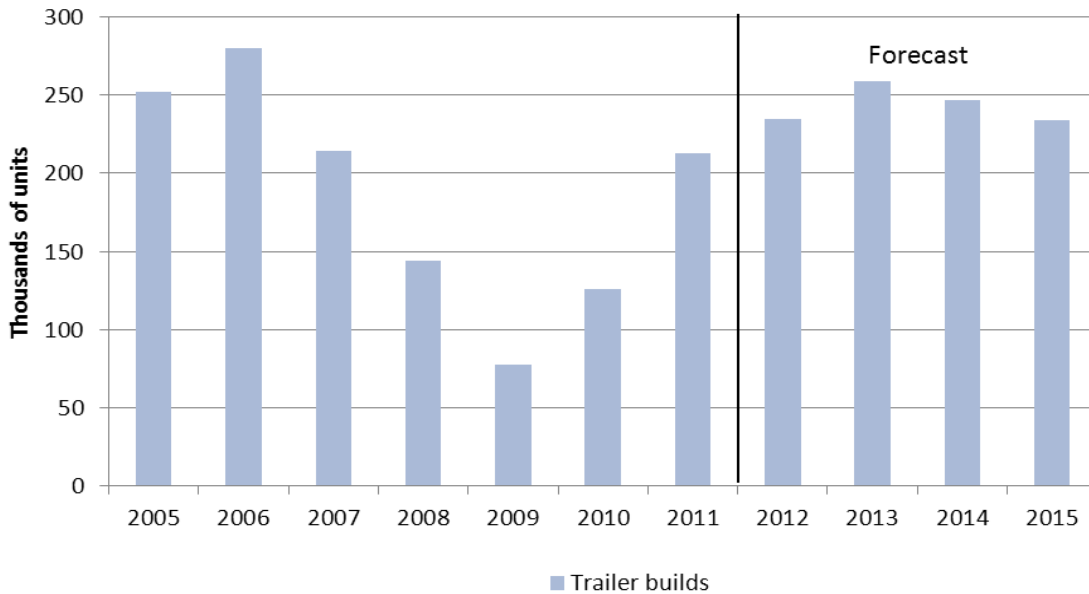
Source: ACT Research and FTR Associates.

**Figure II-3**  
**U.S. truck production: Class 5-8 truck builds, yearly, 2005-11, and forecast 2012-15**



Source: ACT Research and FTR Associates.

**Figure II-4**  
**U.S. trailer production: yearly, 2005-11, and forecast 2012-15**



Source: ACT Research and FTR Associates.

According to data from ACT Research, class 8 truck production was 256,000 units, and class 5-7 production was 167,000 units in 2011, which represent 65.6 and 41.5 percent increases over 2010, respectively.<sup>32</sup> The six-months annualized rate of class 8 truck orders for the final six months of 2011 was 280,000, after a strong December 2011 of approximately 30,000 orders.<sup>33</sup> ACT Research has recently updated its projections to indicate that the peak in demand for commercial vehicles will shift from 2013 to 2014.<sup>34</sup> Order rates dropped in January to approximately 25,000 class 8 truck orders, but are in line with FTR’s forecast of slightly less than 300,000 class 8 truck orders in 2012.<sup>35</sup> FTR reported the reasons for the growth in truck demand:

With solid freight growth, an aged fleet, and rising truck rates, the stage is set for a recovery in new equipment demand. The rebound was modest at first, as truck fleets possessed relatively large numbers of underutilized trucks. However, the stage is now set for a more robust recovery. The strong order intake of the last four months shows confidence

<sup>32</sup> “Accuride Corporation Reports Results for Full Year and Q4 2010, Feb. 24, 2011,” included as respondent CCCME’s postconference brief, exh. 11.

<sup>33</sup> “Class 8 Orders Up in December,” NATSO Truckers News, January 5, 2012, found at <http://www.truckersnews.com/class-8-orders-up-in-december/>, retrieved February 10, 2012.

<sup>34</sup> “ACT: Truck Buying Cycle Peak Moved to 2014,” Truckinginfo.com, March 13, 2012, found at [http://truckinginfo.com/news/news-detail.asp?news\\_id=76331&news\\_category\\_id=29](http://truckinginfo.com/news/news-detail.asp?news_id=76331&news_category_id=29), retrieved March 23, 2012.

<sup>35</sup> “January Truck Orders Drop,” NATSO Truckers News, February 6, 2012, found at <http://www.truckersnews.com/january-truck-orders-drop/>, retrieved February 10, 2012.

is building. Fleets want to modernize their fleets, a process that will take several years. High diesel prices are a threat. Some smaller fleets do not have the surcharge mechanisms to cope with such a strong surge. This may dampen demand, until prices stabilize.<sup>36</sup>

Trailer orders have also been increasing. According to one ACT Research analyst, “Following some mid-year sponginess, the trailer industry ended 2011 on a particularly strong note: Orders in December were a virtual duplication of November’s five-year high, backlogs rose to their highest level this cycle, and cancellations were virtually non-existent.”<sup>37</sup> Industry data indicate that in 2011, 215,815 trailers were built in North America, up from 121,567 in 2010.<sup>38</sup> Industry forecasts project trailer builds to continue increasing in 2012, and reach over 250,000 in 2013.

## **Demand Perceptions**

Producers and importers were asked to discuss trends in U.S. demand since January 2008. Market participant perceptions were in line with trends noted earlier. All three U.S. producers reported that demand had fluctuated,<sup>39</sup> reporting that demand had fallen in 2008 and 2009 but increased in 2010 and 2011.<sup>40</sup> Thirteen of the 24 responding importers reported that demand had fluctuated since 2008, five reported that it had decreased, four reported demand had increased, and two reported demand was unchanged. Seventeen of 31 responding purchasers also reported fluctuating demand. Among the other responding purchasers, eight reported increased demand, and three each reported either decreased or unchanged demand. Factors noted include general economic trends, trends specific to customer type, an increase in OES sales due to older trucks being used longer, and global credit tightening causing less demand from trailer OEMs.

A majority (15 of 22) of responding purchasers indicated that changes in demand for their final goods which incorporate steel wheels had an effect on their demand for steel wheels. Ten of 24 responding purchasers noted fluctuating demand for their final goods, while 7 reported increased demand, 4 reported decreased demand, and 3 indicated that demand was unchanged for their final goods. Purchaser \*\*\* noted decreased demand for school buses. \*\*\* indicated that the automotive sector reached a nadir in 2009, but has recovered and is expected to remain consistent with 2011 levels. \*\*\* indicated that its production of trucks incorporating steel wheels ceased in April 2009, but restarted in May 2011. \*\*\* stated that demand for its trucks have increased; however, the proportion of steel wheels to aluminum wheels has decreased slightly. Purchaser \*\*\* stated that farm wagon sales have increased, increasing their demand for wheels. \*\*\* reported fluctuating demand due to the recession and stricter EPA standards on emissions.

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<sup>36</sup> “Truck and Trailer Outlook,” FTR Associates, April 2011.

<sup>37</sup> “Used Truck Sales Up in December,” NATSO Truckers News, February 6, 2012, found at <http://www.truckersnews.com/used-truck-sales-up-in-december/>, retrieved February 10, 2012.

<sup>38</sup> E-mail from \*\*\*.

<sup>39</sup> \*\*\* also reported that demand had decreased in addition.

<sup>40</sup> \*\*\* reported that demand had both fluctuated and decreased.

## Substitute Products

All responding U.S. producers and 8 of 18 responding importers reported that there were substitutes for steel wheels. The main substitute listed was aluminum wheels.<sup>41</sup> Aluminum wheels could be used on the same types of vehicles as those that use steel wheels.<sup>42</sup> In fact, some trailers use both on the same trailer, with a steel wheel on the inside and an aluminum wheel on the outside.<sup>43</sup> Aluminum wheels are reportedly three times the initial cost of steel wheels, but are approximately 25-30 percent lighter than steel wheels that provide equal load ratings. Petitioners asserted in the preliminary phase, that due to the price difference, there is no competition between aluminum and steel wheels.<sup>44</sup> One trailer OEM, \*\*\*, stated that customers do not make the wheel-type decision until just before they finish their order.<sup>45</sup> However, lighter wheels means reduced fuel expenses, which could outweigh the initial cost difference over the life of the wheel. Aluminum wheels also reportedly provide other benefits such as “improved curb appeal,” tire mount/dismount savings, cleaning savings, downtime savings, and increased driver retention.<sup>46</sup> Accuride recently highlighted one of its new aluminum wheels at the Mid-American Trucking Show, noting that its Accu-Lite aluminum wheels are “the lightest and brightest in the industry.”<sup>47</sup>

Purchasers were also asked questions regarding aluminum wheels. Eleven of 36 responding purchasers noted that they would consider purchasing aluminum wheels in place of steel wheels when making a purchase. Purchasers most often noted that they consider aluminum wheels based on what their customers desire, whereas those that do not consider aluminum wheels noted the higher cost of aluminum wheels. Only four purchasers (\*\*\*) reported switching from steel wheels to aluminum wheels since 2008. The largest change occurred for \*\*\*, which changed from \*\*\* percent aluminum in 2008 to \*\*\* percent aluminum in January-September 2011. \*\*\* reported a change from \*\*\* percent aluminum wheels in 2008 to \*\*\* percent aluminum in January-September 2011. All other responding purchasers noted that the shares had not changed or changed by 2 percentage points or fewer. Most responding purchasers reported that they do not believe the share of aluminum wheels they purchase will change by 2012 or 2013, except for \*\*\*, which indicated that the share of their purchases dedicated to aluminum wheels will increase through the next two years.

\*\*\* indicated that the price of diesel fuel does not alter the demand for steel or aluminum wheels, whereas four of eight responding importers noted that higher fuel prices could shift demand away from steel wheels. Fourteen purchasers reported that diesel prices have had no effect on the steel wheel market, and three reported diesel prices having little effect. Three purchasers reported an increase in demand for aluminum wheels and two noted an increase in demand for lighter wheels in general. Purchaser \*\*\* stated that diesel prices have a large effect on the school bus industry: as diesel prices increase, replacing buses becomes too expensive and more buses are repaired instead. Purchaser \*\*\* reported that unstable diesel prices have led to an increased number of RFQs requiring efficiency studies or ratings.

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<sup>41</sup> Two other importers noted substitutes for steel wheels in addition to aluminum wheels. Importer \*\*\* noted that AWP wheels could be used in AWP tire wheel assemblies, and importer \*\*\* noted that spoke wheels could be used on container chassis.

<sup>42</sup> Despite being lighter than steel wheels, aluminum wheels can carry the same load weights and have a similar extended lifespan. Conference transcript, p. 61 (Caulfield) and p. 145 (T. M. Cunningham).

<sup>43</sup> Staff telephone interview with \*\*\*. He estimated that \*\*\* sells more than \*\*\* with that specification each year.

<sup>44</sup> Conference transcript, p. 33 (Schagrin).

<sup>45</sup> Staff telephone interview with \*\*\*.

<sup>46</sup> Respondent CCCME’s postconference brief, p. 17 and conference transcript, p. 105 (G. Orr).

<sup>47</sup> Accuride News Release, March 30, 2011, included in respondent CCCME’s posthearing brief as exh. 2.

In their questionnaire responses, \*\*\* noted that no new fuel efficiency standards have been established or changed since January 2008 in the commercial vehicle market, but \*\*\* stated that “fuel economy incentives have begun to be offered increasing aluminum penetration in the market” both inside and outside the United States. Additionally, \*\*\* stated that the United States seems to be pushing for more legislation that would drive more sales toward aluminum wheels. \*\*\* reported no changes in demand for steel wheels due to fuel efficiency standards, while \*\*\* noted that fuel efficiency standards have increased demand for aluminum wheels slightly. Sixteen purchasers noted that fuel efficiency standards had no effect on the market for steel wheels, two noted that there has been a minimal effect, and five noted a movement toward lighter wheels, either aluminum or lighter steel wheels.

Aluminum wheels reportedly have been gaining market share at the expense of steel wheels.<sup>48</sup> Respondents assert that \*\*\*.<sup>49</sup> Market share data for domestic and imported steel wheels sold to OEMs and non-OEMs, along with the same data from \*\*\*, are presented in table II-7.

**Table II-7**

**Wheels: Reported market shares of steel and aluminum wheels, by channel of distribution, 2008-10, January-September 2010, and January-September 2011**

\* \* \* \* \*

Data regarding unit values for OEM and non-OEM sales of aluminum wheels show that aluminum wheels cost approximately \$200 per wheel. Most responding firms reported that aluminum wheel prices did not affect the price of steel wheels because they were more expensive. Only one importer (\*\*\*) stated that the price of aluminum wheels affects the price of steel wheels, though it noted that aluminum wheels are “outrageously expensive to use” \*\*\*.

***Product changes***

Producer Accuride reported that it introduced its Statesman wheel, which is a heavier wheel than its Acculite wheel (more than 80 pounds, compared with less than 70 pounds, respectively) in order to compete with imports from China.

Producer \*\*\* indicated that its wide-base (14") wheel products will be \*\*\* in 2012. A wide-base wheel is a wheel that takes the place of two standard wheels and reduces overall tire weight.<sup>50</sup> A representative of \*\*\* stated that wide-base wheels have become very popular, with demand doubling each year due to weight reductions, easier wheel inspections, and less risk of a serious accident if a blowout occurs. Currently, he estimates that 80 percent of his wide-base wheel sales on new trailers are for aluminum wheels and 20 percent for steel wheels.<sup>51</sup> Alcoa is introducing a new series of aluminum wide-base wheels weighing 58 pounds per wheel. Alcoa estimates that switching from 22.5 by 8.25 wheels to its aluminum wide base (14") wheels on an 18-wheeler can save 1,400 pounds.<sup>52</sup>

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<sup>48</sup> Conference transcript, p. 14 (Lowe) and p. 33 (Schagrin).

<sup>49</sup> Respondent CCCME’s posthearing brief, pp. 19-20 and exh. 3.

<sup>50</sup> See, e.g., Michelin’s X One website, which states that using wide base wheels could reduce a truck’s weight by at least 740 pounds. Found at <http://www.michelintruck.com/michelintruck/tires-retreads/xone/xOne.jsp>, retrieved February 14, 2012.

<sup>51</sup> Staff telephone interview with \*\*\*.

<sup>52</sup> “Alcoa Introduces New Series of Wide Base Wheels,” Trucking Info, January 12, 2012, found at [http://www.truckinginfo.com/news/news-detail.asp?news\\_id=75816&news\\_category\\_id=47](http://www.truckinginfo.com/news/news-detail.asp?news_id=75816&news_category_id=47), retrieved February 14, 2012.



## *Cost share*

Although steel wheels are intended for use on trucks, trailers, and other heavy vehicles, the cost share of final end-use products accounted for by steel wheels depends greatly upon the defined end use. Purchasers, importers, and producers estimate the percentage of the total cost of steel wheels in end uses ranged from a high of up to 50 percent for wheel/tire assemblies, 20 to 15 percent for a tire mounted and installed on a truck or a trailer, 7 percent for farm wagons, 2 to 5 percent of the cost of trailers and chassis, and a low of less than 1 percent of the cost of a semi truck or bus.

## **Demand Outside the United States**

Both Accuride and Hayes, 6 of 13 responding importers, and 5 of 13 responding purchasers noted that demand outside the United States had been fluctuating as well.<sup>53</sup> Four purchasers and two importers indicated that demand outside the United States had increased and three purchasers and four importers indicated that there had been no change. One importer noted that demand outside the United States had decreased, stating that its sales to Mexico in 2010 were only 70 percent of 2008 levels. A purchaser (\*\*\*) also reported a decrease in demand outside the United States, reporting that it cannot compete in aftermarket steel wheels in Canada or Mexico. Reasons stated by producers, importers and purchasers for fluctuating demand include the global economic downturn, gas prices, emissions regulations, and an OEM resurgence. \*\*\* reported that emerging economies including Brazil, Russia, India, and China (BRIC countries) have increasing demand for transportation vehicles. Truck sales projections submitted by Petitioners from JD Power and Associates estimate that heavy commercial truck sales worldwide will decrease by 1.9 percent in 2012 (but increase by 17 percent in North America), and increase in 2013 by 6.2 percent (buoyed by a 19 percent increase in Western Europe and 10 percent in North America). Worldwide medium truck sales are projected to remain flat in 2012, but increase 6 percent in 2013.<sup>54</sup>

## **SUBSTITUTABILITY ISSUES**

The degree of substitution between domestic and imported steel wheels depends upon such factors as relative prices, quality, weight, and conditions of sale (e.g., price discounts/rebates, lead times between order and delivery dates, payment terms, product services, etc.). Based on available data, staff believes that overall there is a moderate to high degree of substitutability between domestically produced steel wheels and steel wheels imported from China.

## **Purchaser Characteristics**

Questionnaires were sent to 142 purchasers of steel wheels, including those firms thought to be purchasing or importing steel wheels. Questionnaire responses were received from 44 purchasers, with 37 reporting that they had purchased steel wheels since January 1, 2008. Responses from these purchasers account for 32.7 percent of commercial shipments of steel wheels in 2010.<sup>55</sup>

Fifteen purchasers reported that they are distributor/resellers, seven are OEM commercial truck manufacturers, seven are OEM other vehicle manufacturers, five are OEM trailer manufacturers, five are OEM service/repair providers, two are OES providers for commercial vehicles, two are OES providers for

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<sup>53</sup> \*\*\* reported both fluctuating and decreasing demand for steel wheels outside the United States.

<sup>54</sup> Petitioners' posthearing brief, exh. 12.

<sup>55</sup> These data represent approximately \*\*\* percent of U.S. commercial shipments, \*\*\* percent of commercial shipments of imports from China, and \*\*\* percent of commercial shipments from nonsubject countries.

other vehicles, two are retailers, and six described themselves in some other way.<sup>56</sup> Caterpillar, Inc., a large purchaser of off-the-road steel wheels, attended the Commission's hearing and filed a posthearing brief, but did not complete a purchaser's questionnaire. Caterpillar, Inc. was not sent a purchaser's questionnaire since it was not listed as one of the top customers of any participant in the preliminary phase of these investigations. Most purchasers noted contacting between one to three suppliers before making a purchase, although seven purchasers noted that they can contact up to five or more suppliers. Purchasers noted that their purchasing frequency varied considerably; some purchase daily whereas others purchase yearly.

### **Knowledge of Country Sources**

Twenty-eight purchasers noted familiarity with steel wheels from the United States, and 18 stated they are familiar with steel wheels from China. In addition, a number of purchasers are familiar with certain steel wheels from nonsubject countries: nine are familiar with steel wheels from Mexico, six from Canada, three from Turkey, and one each from India, Japan, and South Africa.

Seven of 35 responding purchasers reported that they were aware of new suppliers that entered the market since January 2008, becoming aware of suppliers in foreign countries through trade shows, visiting sales personnel from the suppliers, and brochures. Most firms that became aware of Chinese suppliers were vaguely aware of them but had not made contact with them; however, \*\*\* both reported being approached by \*\*\* during this time period.

Purchasers were asked about what type of suppliers they have been approached by since January 2008. Fourteen of 35 responding purchasers reported receiving approaches from domestic suppliers, ranging from general business as part of existing relationships to solicitations for new customers, while 14 of 34 responding purchasers reported being approached by suppliers from China. Seven of 35 responding purchasers reported being approached by nonsubject foreign firms since that time.<sup>57</sup>

The number of steel wheels that purchasers reported buying since January 2008 is reported in table II-8. The majority of purchases reported were of domestic steel wheels. Purchasers were asked about their general purchase patterns since January 2008. Five out of 21 responding purchasers reported that their purchases of Chinese steel wheels remained constant since January 2008, while five purchasers reported increased purchases, three reported decreased purchases, and nine reported fluctuation of purchases. Covering the same period, 4 of 13 purchasers reported constant purchases from nonsubject sources, while six reported fluctuation in purchases, three reported an increase, and a single firm reported a decrease.<sup>58</sup> Of the six purchasers that reported reasons for purchasing from one country only, firms reported the competitiveness and reliability of existing relationships and the need/desire to purchase from domestic sources only. One purchaser (\*\*\*) reported that while Chinese suppliers had been reliable and steady, domestic producers had blocked their attempts to purchase domestically produced steel wheels. All changes reported by purchasers are presented in table II-9.

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<sup>56</sup> These other purchasers described themselves as: a public transit provider, an OEM agricultural and off-road equipment manufacturer, a buyer of intermodal chassis from OEM manufacturers, a tire and wheel assembler, a tractor assembler, and an end user for farm use. Purchasers were able to identify themselves as more than one type of purchaser.

<sup>57</sup> Purchasers were approached by suppliers from Mexico, Canada, Taiwan, Korea, Venezuela, Brazil, Turkey, Malaysia, India, and Vietnam.

<sup>58</sup> Nine firms reported that they did not purchase steel wheels from China, while ten purchasers reported that they did not purchase steel wheels from nonsubject countries.

**Table II-8**  
**Steel wheels: Purchasers' reported purchase quantities, by country, 2008-10 and January-September 2011**

|  | 2008      | 2009    | 2010      | Jan. - Sept. 2011 |
|--|-----------|---------|-----------|-------------------|
| <b>Quantity (number of wheels)</b>   |           |         |           |                   |
| United States <sup>1</sup>   | 986,172   | 558,225 | 980,229   | 1,106,009         |
| China <sup>2</sup>   | 285,817   | 86,496  | 258,216   | 196,630           |
| Canada   | 209,994   | 143,889 | 213,023   | 242,152           |
| Mexico   | 45,040    | 62,028  | 85,640    | 92,248            |
| All other sources <sup>3</sup>   | 31,705    | 7,992   | 12,503    | 15,607            |
| Total  | 1,558,728 | 858,630 | 1,549,611 | 1,652,646         |
| <p><sup>1</sup> This includes purchases from the United States ***, and accounts for *** of the reported purchases of steel wheels manufactured in the United States and have unit values between *** dollars per wheel.</p> <p><sup>2</sup> China includes *** partial rims that were purchased by *** in 2011.</p> <p><sup>3</sup> This includes purchases from Brazil, Colombia, the Czech Republic, Denmark, France, Germany, Ireland, Italy, Japan, the Netherlands, South Africa, Sweden, Turkey, the United Kingdom, and "unknown" sources.</p> <p>Source: Compiled from data submitted in response to Commission questionnaires.</p> |           |         |           |                   |

**Table II-9**  
**Steel wheels: Reported purchase pattern changes since January 2008, by country**

|  | Decrease | Increase | No change | Fluctuate | No purchases |
|--|----------|----------|-----------|-----------|--------------|
| <b>Purchase source: (Number of purchasers)</b>                                 |          |          |           |           |              |
| United States  | 3        | 3        | 10        | 12        | 6            |
| China  | 3        | 5        | 5         | 9         | 9            |
| Other countries  | 1        | 3        | 4         | 6         | 10           |
| Source: Compiled from data submitted in response to Commission questionnaires. |          |          |           |           |              |

## Factors Affecting Purchasing Decisions

Purchasers were asked a variety of questions to determine what factors influence their decisions when buying certain steel wheels. Information obtained from their responses indicates that several factors are considered important by purchasers, particularly quality and price.

### Major Factors in Purchasing

Purchasers were asked to identify the three major factors considered by their firm in deciding from which firm to buy certain steel wheels (table II-10). Thirty-two out of 35 purchasers listed either quality or price among the leading factors in their decision,<sup>59</sup> with quality being the single most important factor for 16 out of 35 firms, and price being the most mentioned factor across all rankings. Availability/capacity was the third most frequently mentioned factor, though it was only the most important factor for one purchaser. Eight purchasers reported that customer requests and specifications were the most important factor. Purchasers also mentioned reliability and on-time delivery, traditional relationships, and other factors.

**Table II-10**  
**Steel wheels: Ranking factors used in purchasing decisions, as reported by U.S. purchasers**

| Factor                           | Number of firms reporting |        |       |       |
|----------------------------------|---------------------------|--------|-------|-------|
|                                  | First                     | Second | Third | Total |
| Price                            | 8                         | 14     | 6     | 28    |
| Quality/durability               | 16                        | 8      | 3     | 27    |
| Availability/capacity            | 1                         | 6      | 5     | 12    |
| Customer requests/specifications | 8                         | 0      | 3     | 11    |
| Reliability/on-time delivery     | 0                         | 3      | 4     | 7     |
| Traditional supplier             | 1                         | 0      | 3     | 4     |
| Other <sup>1</sup>               | 1                         | 1      | 5     | 7     |

<sup>1</sup> Other includes "performance history (Q,D,S)" ranked as the first most important factor; product range ranked once as the second most important factor and twice as the third most important factor; lead times ranked twice as the third most important factor; and warranty and field support ranked once as the third most important factor.

Source: Compiled from data submitted in response to Commission questionnaires.

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<sup>59</sup> The three firms that did not list these two factors —\*\*\*, \*\*\*, and \*\*\*— prioritized conformance to specifications.

Eighteen responding purchasers also reported that they have purchased certain steel wheels from one source although a comparable product was available at a lower price from another source. Reasons provided include: reliability of supply, quality, transportation costs, customer specifications, contractual commitments, and the tendency for suppliers to match other suppliers prices. \*\*\* reported instances where it purchased lower-priced foreign wheels which were much lower quality, and therefore it had to replace the wheels for its customers at cost.

In addition to indicating the three most important factors influencing their purchasing decisions, purchasers were asked to assess the importance of 20 factors related to the terms of sale of the certain steel wheels they purchase. As indicated in table II-11, product consistency was considered a “very important” factor by all responding purchasers (33 out of 33).<sup>60</sup> Almost all responding purchasers indicated that availability, initial price, and meeting industry-standard quality were “very important” factors in their purchasing decisions (32, 32, and 31 purchasers, respectively). In addition to these factors, more than three-quarters of responding purchasers indicated that reliability of supply and delivery time were “very important” factors in their purchasing decisions. Post-purchase factors such as lifetime cost, fuel economy standards, and diesel prices, and maintenance ease were not listed as “very important” factors in the purchasing decision by most purchasers.

### *Initial price and lifetime costs*

As indicated previously in table II-10, price was named by 8 of 35 responding purchasers as the most important factor generally considered in deciding from whom to purchase certain steel wheels, by 14 purchasers as the number two factor, and as the number three factor by 6 other responding purchasers. Also, as indicated in table II-11, 32 of 35 responding purchasers indicated that the initial price paid was a “very important” factor in their purchase decisions. In contrast, purchasers were more divided when reporting the relative importance of lifetime costs: while 10 firms reported that they were “very important”, 16 firms reported that they were “somewhat important” and nine firms reported that they were “not important.”

Comparing the stated importance of price in the purchasing decision to actual purchasing experiences, most firms reported that they tend to purchase at the lowest prices available. A plurality of responding purchasers (15 of 34), however, indicated that their firm would “usually” purchase certain steel wheels offered at the lowest price, while four purchasers \*\*\* reported that they “always” purchase at the lowest price available. An additional ten purchasers reported that they “sometimes” purchase steel wheels offered at the lowest price. Five purchasers \*\*\* reported that they “rarely/never” purchase steel wheels at the lowest price.

Purchasers were asked to identify the importance of lifetime costs in comparison to the initial costs inherent in the price of steel wheels. Twenty-two of 33 responding purchasers reported that they considered only initial costs or mostly initial costs in their purchasing decisions, while nine firms reported that the consideration of both costs were equal. Two purchasers (\*\*\*) reported that they mostly considered lifetime costs. Similarly, 32 of 33 responding purchasers reported that they “always” or “usually” consider initial cost in their purchasing decisions for steel wheels (\*\*\*) “sometimes” considers initial cost), while 13 of 33 responding purchasers reported the same for lifetime costs.

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<sup>60</sup> While product consistency was considered a “very important” factor by all purchasers, consistency issues related to the supplying firms themselves (including bankruptcies, mergers, and/or acquisitions) did not affect sourcing decisions for 30 of 34 reporting purchasers. The four reporting purchasers that did experience effects (\*\*\*) mentioned the bankruptcies of \*\*\*.

**Table II-11**  
**Steel wheels: Importance of factors used in purchasing decisions as reported by U.S. purchasers**

| Factor                             | Number of firms reporting <sup>1</sup> |                    |               |
|------------------------------------|--|--------------------|---------------|
|                                    | Very important                         | Somewhat important | Not important |
| Product consistency                | 33                                     | 0                  | 0             |
| Initial price                      | 32                                     | 3                  | 0             |
| Availability                       | 32                                     | 1                  | 0             |
| Quality meets industry standards   | 31                                     | 2                  | 1             |
| Reliability of supply              | 30                                     | 3                  | 1             |
| Delivery time                      | 25                                     | 7                  | 1             |
| Quality exceeds industry standards | 19                                     | 13                 | 2             |
| Delivery terms                     | 19                                     | 11                 | 3             |
| Technical support/service          | 17                                     | 15                 | 2             |
| Wheel weight                       | 15                                     | 10                 | 9             |
| Lifetime costs                     | 10                                     | 16                 | 9             |
| Minimum quantity requirements      | 9                                      | 15                 | 10            |
| Packaging                          | 9                                      | 14                 | 11            |
| U.S. transportation costs          | 9                                      | 15                 | 10            |
| Discounts offered                  | 7                                      | 14                 | 15            |
| Product range                      | 7                                      | 21                 | 6             |
| Maintenance ease                   | 7                                      | 19                 | 8             |
| Extension of credit                | 5                                      | 11                 | 18            |
| Fuel economy                       | 4                                      | 6                  | 24            |
| Diesel prices                      | 2                                      | 6                  | 26            |
| Other factor <sup>2</sup>          | 3                                      | 0                  | 0             |

<sup>1</sup> Not all purchasers responded for all factors.  
<sup>2</sup> \*\*\* identified "powder coat finish" as very important and \*\*\* identified "order fulfillment ratios" as very important. The third purchaser reporting a very important "other factor," \*\*\*, noted that "weight is viewed as a good thing" in its products.

Source: Compiled from data submitted in response to Commission questionnaires.

## *Quality*

As stated above, quality was identified by 16 of the 35 responding purchasers as the most important factor generally considered in deciding from whom to purchase certain steel wheels, while eight other responding purchasers indicated that it was the number two factor (table II-10). Thirty-one of 34 responding purchasers indicated that quality meeting industry standards was a “very important” factor in their purchasing decisions and 19 of 34 responding purchasers indicated that quality exceeding industry standards was a “very important” factor in their purchasing decisions. Purchasers named a number of factors they consider in evaluating quality, including: meeting stress-tolerance requirements, finishing and painting, design and appearance, dimensional requirements, DOT standards, irrigation industry standards, lateral and radial runout, weight, load capacity, and passing third-party tests. According to one trailer manufacturer, steel wheels are a “Class I Safety Item,” meaning that suppliers must be selected carefully based on quality considerations.<sup>61</sup>

Purchasers were further asked how often certain steel wheels from different country sources meet minimum quality standards. Seventeen of 27 responding purchasers<sup>62</sup> noted that domestically produced steel wheels “always” meet minimum quality standards, nine noted that they “usually” do, and the remaining firm (\*\*\*) noted that it “sometimes” does. Similarly, 13 of 20 responding purchasers indicated that steel wheels imported from China “always” meet minimum quality standards, while the remaining seven noted that they “usually” do. Four of eight responding purchasers noted that steel wheels imported from Canada “always” meet minimum quality standards, and four reported that they “usually” do. Eight of ten responding purchasers noted that steel wheels imported from Mexico “always” meet minimum quality standards, while one firm (\*\*\*) reported that they “usually” do and one firm (\*\*\*) reported that they “sometimes” do.<sup>63</sup>

Purchasers were also asked to characterize the market by stating how often steel wheels meet DOT standards. Twenty-five of 33 responding purchasers reported that steel wheels “always” have to meet DOT standards, while the remaining eight reported that they “rarely/never” do.<sup>64</sup> When asked how often Chinese steel wheels meet these standards, 15 of 21 responding purchasers reported that they “always” do, one said that it “sometimes” does, and five said that they “rarely/never” do. When asked how frequently the firms themselves require the steel wheels they purchase to meet company standards which exceed DOT standards, 13 firms reported that they “always” do, 1 reported that it “usually” does, and 15 reported that they “rarely/never” do.

## *Certification/pre-qualification*

Twenty-seven of 35 responding purchasers reported that they required all suppliers to become certified or pre-qualified. Eight purchasers do not require any type of certification or prequalification.<sup>65</sup> Certifications can include meeting ISO standards, Smither Scientific Services testing, Standard Labs

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<sup>61</sup> Staff telephone interview with \*\*\*.

<sup>62</sup> Six responding firms did not know whether U.S.-produced steel wheels met minimum quality specifications, compared to 11 firms unfamiliar with Chinese-produced steel wheels, 22 with Canadian steel wheels, and 21 with Mexican steel wheels.

<sup>63</sup> Purchasers were also given the option to list whether other countries met minimum quality standards. All four purchasers that noted Turkish steel wheels (\*\*\*) indicated that they “always” or “usually” met minimum quality standards. \*\*\* reported that Japanese steel wheels “usually” did, \*\*\* reported that steel wheels from India “usually” did. \*\*\* reported that steel wheels from Colombia “rarely/never” did.

<sup>64</sup> Purchasers that responded that steel wheels “rarely/never” meet DOT standards were firms that used steel wheels primarily for off-road or agricultural purposes.

<sup>65</sup> These purchasers include \*\*\*.

testing, meeting SAE recommended guidelines, DOT certification, on-site visits, destructive tests, and internal sampling. Most purchasers indicated that qualification/certification takes between three weeks to six months, but some firms reported that the process can take as little as three days or more than two years.<sup>66</sup>

Four purchasers reported that at least one supplier since 2008 had failed in their attempts to qualify their certain steel wheels. \*\*\* reported that wheels produced in the United States were not heavy enough for their farm equipment. \*\*\* reported that \*\*\* had capacity issues, while \*\*\* had paint finish issues. \*\*\* reported that \*\*\* did not produce adequate DOT approval, and that its Smithers test data was marginal. \*\*\* reported qualification failures due to wear, assembly failures, deflection, and hardness. While \*\*\* did not report any suppliers failing to pass qualifications, it noted that it had quality issues with \*\*\* in 2008 with finish and premature rusting, but that the producer remedied this issue in 2009 by using a powder coating and meeting the import standard.

**Country of origin**

Purchasers were asked how frequently they and their customers made purchasing decisions based on the country of origin or the producer of certain steel wheels (table II-12). Purchasers indicated that the producer is a more important factor than country of origin. Twelve of 36 purchasers reported that the producer was “always” or “usually” a basis for purchasing decisions; however, 17 firms reported that the producer was “rarely/never” a factor. Firms reported that the producer was less important to their customers, with 21 of 33 purchasers reporting that this was “rarely/never” a basis for customers’ purchases, and an additional 9 purchasers reporting that this was “sometimes” a basis for customers’ purchases.

**Table II-12**  
**Steel wheels: Purchaser responses to questions regarding the origin of their purchases**

| Purchaser/customer decision   | Always | Usually | Sometimes | Rarely/Never |
|---|--------|---------|-----------|--------------|
| Purchaser makes purchase decision based on country of origin            | 2      | 2       | 2         | 29           |
| Purchaser makes purchase decision based on the manufacturer             | 10     | 2       | 7         | 17           |
| Purchaser’s customer makes purchase decision based on country of origin | 0      | 0       | 9         | 25           |
| Purchaser’s customer makes purchase decision based on the manufacturer  | 0      | 3       | 9         | 21           |

Source: Compiled from data submitted in response to Commission questionnaires.

Twenty-nine of 35 responding purchasers reported that country of origin “rarely/never” factors into their purchasing decisions. \*\*\* reported that it “sometimes” bases its purchasing decisions on country of origin, citing customer needs, while \*\*\* reported the same, citing the Buy America qualification for its U.S.-produced trucks. \*\*\* reported that they “usually” base their purchasing decisions on country of origin, with \*\*\* reporting that there is “less hassle purchasing in the (United States).” \*\*\* reported that they “always” base purchasing decisions on country of origin.<sup>67</sup> While 25 purchasers reported that country of origin “rarely/never” factors into the purchasing decisions of their

<sup>66</sup> OEMs typically reported longer qualification times than other responding firms. \*\*\*.

<sup>67</sup> \*\*\* reported that it “rarely/never” bases purchasing decisions on country of origin, but stated that “Buy America is a requirement on new buses.”



customers, 9 firms indicated that it is “sometimes” a factor for customers. \*\*\* reported an understanding that their customers would “shy away from anything made in China,” while \*\*\* stated that customers prefer domestic wheels.<sup>68</sup> When asked to specifically identify source countries that they or their customers prefer, 24 of 30 responding purchasers reported having no preference, with 6 purchasers responding that they or their customers prefer the United States as a source and 1 preferring China.

In a separate question, purchasers were asked about the importance of purchasing domestically produced steel wheels. Twenty-nine of 35 responding purchasers reported that this was not important. Three purchasers reported that purchases of domestic product were required by law: \*\*\* reported that 100 percent of its purchases were domestic as a result of regulation and \*\*\* reported that 3 percent of its purchases were covered by regulation (\*\*\* did not report the share). Three responding purchasers reported that purchasing domestic steel wheels was a requirement made by customers.<sup>69</sup> \*\*\* reported that it purchased domestically because of new technology and safety reasons.

Purchasers were also asked to compare changes in the availability of steel wheels across countries. Most purchasers reported no changes in availability for the United States, China, Canada, Mexico, and other countries. Twenty-five of 32 responding purchasers reported that certain grades/types/sizes of wheels were not limited to single producers. Seven firms (\*\*\*) reported that due to the specific nature of some of the steel wheels they purchase, they were limited to specific firms.

### ***Lead times***

The two leading U.S. producers sold \*\*\* of their steel wheels on a produced-to-order basis, with the remainder being sold from inventory. Topy America sold \*\*\* of its steel wheels from inventory, with \*\*\* being sold on a produced-to-order basis. Six of the 14 responding importers mainly sold produced-to-order steel wheels, 6 sold mainly from U.S. inventories, and 2 sold mainly from foreign inventories. Accuride reported typical lead times from both inventories and produced-to-order channels are \*\*\* days. Hayes Lemmerz reported shorter lead times for produced-to-order steel wheels (\*\*\* days) than from inventories (\*\*\* days). \*\*\* reported that wheels from inventories were already in stock. Importers reported that lead times from U.S. inventories ranged from 2 to 7 days, lead times from foreign inventories ranged from 30 to 45 days, and lead times for produced-to-order steel wheels ranged from 24 to 90 days, with 4 of the 6 responding importers reporting lead times of 60 to 90 days.<sup>70</sup>

## **Comparisons of Domestic Products, Subject Imports, and Nonsubject Imports**

### **Comparisons of Domestic Products and Subject Imports**

Producers, importers, and purchasers were asked how frequently steel wheels produced in the United States and China were interchangeable. Both responding U.S. producers, 8 of 15 responding importers, and 12 of 19 responding purchasers reported that the domestic and Chinese steel wheels are “always” or “frequently” interchangeable (table II-13). Among those that reported that domestic and imported Chinese steel wheels are “sometimes” or “never” interchangeable, importers and purchasers frequently cited a lack of interchangeability across wheels made by different firms, as many design and technical elements require existing production capacity and relationships with the producing firms. \*\*\*, as both an importer and a purchaser, reported that it tended to use only one model of wheel from one supplier for specific uses, limiting interchangeability across both firms and countries. Other firms,

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<sup>68</sup> \*\*\* also stated that they had customers that based purchasing decisions on country of origin, referencing brand preference and quality concerns.

<sup>69</sup> The three firms were: \*\*\*.

<sup>70</sup> \*\*\*.

**Table II-13**

**Steel wheels: Perceived degree of interchangeability of product produced in the United States and in other countries**

| Country pair              | Number of U.S. producers reporting |     |     |     | Number of U.S. importers reporting |   |   |   | Number of U.S. purchasers |   |   |   |
|---------------------------|------------------------------------|-----|-----|-----|------------------------------------|---|---|---|---------------------------|---|---|---|
|                           | A                                  | F   | S   | N   | A                                  | F | S | N | A                         | F | S | N |
| U.S. vs. China            | ***                                | *** | *** | *** | 5                                  | 3 | 6 | 1 | 7                         | 5 | 6 | 1 |
| U.S. vs. Canada           | ***                                | *** | *** | *** | 8                                  | 4 | 3 | 0 | 4                         | 2 | 2 | 0 |
| U.S. vs. Mexico           | ***                                | *** | *** | *** | 6                                  | 4 | 2 | 0 | 4                         | 5 | 1 | 0 |
| U.S. vs. other countries  | ***                                | *** | *** | *** | 5                                  | 4 | 1 | 0 | 3                         | 1 | 2 | 0 |
| China vs. Canada          | ***                                | *** | *** | *** | 3                                  | 4 | 2 | 1 | 1                         | 3 | 1 | 1 |
| China vs. Mexico          | ***                                | *** | *** | *** | 3                                  | 2 | 2 | 1 | 3                         | 2 | 1 | 1 |
| China vs. other countries | ***                                | *** | *** | *** | 4                                  | 4 | 1 | 0 | 3                         | 1 | 2 | 0 |

Note.—A=always; F=frequently; S=sometimes; N=never.

Source: Compiled from data submitted in response to Commission questionnaires.

including \*\*\*, reported that different countries had inherently different specifications, specifically in the diameter of the center bore, capacity of wheels, and the number of bolt holes.

***Non-price factors***

As indicated in table II-14, both responding producers and 9 of 16 importers reported that differences other than price between U.S.-produced steel wheels and imports of steel wheels from China are “sometimes” or “never” a significant factor in their firm’s sales of steel wheels. The U.S. producers reported that differences other than price were \*\*\* important when comparing steel wheels produced in China and the United States. Responses by importers were more mixed. When comparing the United States to China, “sometimes” was the most frequent response with eight firms, however, the next largest number of importers, six, reported there were “always” differences. In contrast, when comparing U.S. or Chinese product with nonsubject steel wheels, “sometimes” and/or “never” were the most common responses.

Importers reported a number of differences other than price across countries, primarily focusing on availability, commercial/customer support, differences in product range and specifications available, and perceived differences in quality. One importer, \*\*\*, stated that with imported steel wheels, better coatings come standard. \*\*\* stated that if “American produced wheels would have 100 percent powder coating, higher tensile strength spun centers and consistent delivery times, all things would be equal.” In its preliminary questionnaire response, importer \*\*\* stated that for its Chinese wheels, the packaging and paint are better than domestic product, the gross axle weight rating is higher, and that its wheels are sold with the valve stem included.<sup>71</sup>

<sup>71</sup> \*\*\* did not provide a description in the final questionnaire.

**Table II-14**

**Steel wheels: Perceived significance of differences other than price between product produced in the United States and in other countries**

| Country pair              | Number of U.S. producers reporting |     |     |     | Number of U.S. importers reporting |   |   |   | Number of U.S. purchasers |   |   |   |
|---------------------------|------------------------------------|-----|-----|-----|------------------------------------|---|---|---|---------------------------|---|---|---|
|                           | A                                  | F   | S   | N   | A                                  | F | S | N | A                         | F | S | N |
| U.S. vs. China            | ***                                | *** | *** | *** | 6                                  | 1 | 8 | 1 | 7                         | 5 | 5 | 1 |
| U.S. vs. Canada           | ***                                | *** | *** | *** | 2                                  | 1 | 3 | 4 | 1                         | 3 | 4 | 0 |
| U.S. vs. Mexico           | ***                                | *** | *** | *** | 2                                  | 0 | 2 | 4 | 3                         | 2 | 3 | 0 |
| U.S. vs. other countries  | ***                                | *** | *** | *** | 0                                  | 0 | 5 | 2 | 0                         | 1 | 4 | 0 |
| China vs. Canada          | ***                                | *** | *** | *** | 2                                  | 2 | 3 | 0 | 1                         | 2 | 2 | 0 |
| China vs. Mexico          | ***                                | *** | *** | *** | 1                                  | 1 | 3 | 0 | 2                         | 2 | 1 | 0 |
| China vs. other countries | ***                                | *** | *** | *** | 0                                  | 0 | 4 | 1 | 0                         | 1 | 4 | 0 |

Note.—A=always; F=frequently; S=sometimes; N=never.

Source: Compiled from data submitted in response to Commission questionnaires.

Several importers reported that low availability of domestically produced wheels was a major non-price factor that had caused them to import steel wheels. \*\*\* indicated that there did not appear to be availability for the types of wheels approved by their clients in the United States. \*\*\*.<sup>72</sup> According to importer \*\*\*.<sup>73</sup> Two purchasers (\*\*\*) indicated that they had sales refused from foreign suppliers due to impending tariffs as a result of the ongoing dumping and subsidy investigations.

In contrast to both producers and importers, the majority of purchasers (12 of 18 responding) reported that differences other than price between domestically produced steel wheels and Chinese steel wheels are “always” or “frequently” a significant factor in their firm’s purchases of steel wheels. Purchasers generally cited quality, lead times, and availability as major non-price factors used to differentiate domestically produced and Chinese steel wheels. \*\*\* noted that it puts Chinese imports through an approval process before they are used in production. \*\*\* reported that heavier wheels from China have the necessary capacity to support the farm equipment that it produces.

As seen in table II-15, a majority of responding purchasers reported that U.S.-produced steel wheels and Chinese imports of steel wheels are comparable across most specified factors. Nine of 20 responding purchasers reported that domestically produced steel wheels had a “superior” delivery time, while 12 of 21 responding purchasers reported that domestically produced steel wheels had an “inferior” initial price. Five firms reported that U.S. producers had “superior” minimum quantity requirements, five firms reported that they had better product range, and six firms reported that domestically produced wheels had better wheel weight.

<sup>72</sup> \*\*\*.

<sup>73</sup> Email from \*\*\*.

**Table II-15**

**Steel wheels: Comparisons between U.S.-produced and subject Chinese, Canadian, and Mexican certain steel wheels as reported by U.S. purchasers**

| Factor  | U.S. vs China                     |    |    | U.S. vs Canada |   |   | U.S. vs Mexico |    |   |
|---|-----------------------------------|----|----|----------------|---|---|----------------|----|---|
|   | S                                 | C  | I  | S              | C | I | S              | C  | I |
|   | <i>Number of firms responding</i> |    |    |                |   |   |                |    |   |
| Availability  | 4                                 | 14 | 2  | 0              | 7 | 0 | 2              | 9  | 0 |
| Delivery terms  | 3                                 | 14 | 3  | 0              | 7 | 0 | 2              | 9  | 0 |
| Delivery time   | 9                                 | 8  | 3  | 1              | 6 | 0 | 3              | 8  | 0 |
| Diesel prices   | 2                                 | 7  | 4  | 0              | 6 | 0 | 0              | 9  | 0 |
| Discounts offered   | 2                                 | 11 | 3  | 0              | 7 | 0 | 0              | 11 | 0 |
| Extension of credit   | 1                                 | 11 | 3  | 0              | 6 | 0 | 0              | 10 | 0 |
| Fuel economy standards  | 3                                 | 8  | 3  | 0              | 7 | 0 | 0              | 10 | 0 |
| Initial price   | 1                                 | 8  | 12 | 0              | 7 | 0 | 0              | 10 | 1 |
| Lifetime cost   | 1                                 | 11 | 5  | 0              | 7 | 0 | 0              | 11 | 0 |
| Maintenance ease  | 3                                 | 13 | 2  | 0              | 7 | 0 | 1              | 10 | 0 |
| Minimum quantity requirements   | 5                                 | 11 | 2  | 0              | 7 | 0 | 0              | 11 | 0 |
| Packaging   | 3                                 | 12 | 3  | 0              | 7 | 0 | 1              | 10 | 0 |
| Product consistency   | 3                                 | 13 | 4  | 0              | 7 | 0 | 2              | 9  | 0 |
| Quality meets industry standards  | 3                                 | 16 | 1  | 0              | 7 | 0 | 2              | 9  | 0 |
| Quality exceeds industry standards  | 3                                 | 12 | 2  | 0              | 7 | 0 | 2              | 9  | 0 |
| Product Range   | 5                                 | 11 | 3  | 1              | 6 | 0 | 3              | 9  | 0 |
| Reliability of supply   | 4                                 | 13 | 3  | 0              | 7 | 0 | 2              | 9  | 0 |
| Technical support/service   | 5                                 | 12 | 1  | 0              | 7 | 0 | 3              | 8  | 0 |
| U.S. transportation costs   | 2                                 | 9  | 5  | 1              | 5 | 0 | 4              | 7  | 0 |
| Wheel weight  | 6                                 | 9  | 2  | 0              | 7 | 0 | 2              | 8  | 0 |
| Note.--S=first listed country's product is superior; C=both countries' products are comparable; I=first listed country's product is inferior.<br>Note.--Not all companies gave responses for all factors.<br>Source: Compiled from data submitted in response to Commission questionnaires. |                                   |    |    |                |   |   |                |    |   |

## Wheel Weight

Imported Chinese steel wheels are typically heavier than wheels produced in the United States. According to quantity data presented in Part IV, \*\*\* of steel wheels produced in the United States between January 2008 and September 2011 weighed 75 pounds or less.<sup>74</sup> In contrast, \*\*\* percent of steel wheels from China weighed over 75 pounds in 2008 and 2009. By September 2011, however, this share had decreased to \*\*\* percent.<sup>75</sup> Weighted average data presented in Part V indicates that Chinese wheels weigh more than domestically produced wheels over all product types (82.7 pounds vs. 70.5 pounds).<sup>76 77</sup>

Most firms (25 of 35 responding purchasers) reported that they did not switch between heavier and lighter wheels since January 2008. Of those that did switch, five switched from heavier to lighter steel wheels, four switched from lighter to heavier steel wheels, and one firm switched back and forth. The majority of responding firms either purchased over 90 percent heavy steel wheels or over 90 percent lighter steel wheels. As noted previously with respect to aluminum wheels, lighter wheels can offer long-term benefits in terms of better fuel economy. Some purchasers, in particular large OEM purchasers, look for the lightest weight wheel to cut down on lifetime costs.<sup>78</sup> \*\*\* reported switching to lighter wheels because its suppliers in China had started producing a lighter wheel. \*\*\* reported that the switch to lighter wheels was the result of a “push” from the two major domestic producers, while \*\*\* cited customers’ preference for fuel economy savings. Purchaser \*\*\* switched to imported steel wheels that were heavier because the lighter steel wheels produced domestically were not supporting the agricultural equipment that it produced. Similarly, \*\*\* reported that trucks used for the same application can be driven in different environments, which may require heavier-duty wheels. \*\*\* switched to the heavier wheels because they were less expensive.

## Comparisons of Domestic Products and Nonsubject Imports

Producers, importers, and purchasers were asked to compare domestic product to that from Canada, Mexico, and other countries as well. \*\*\* responding producers reported that domestically produced steel wheels were “always” interchangeable with steel wheels from Canada and Mexico (table II-13). \*\*\* reported that steel wheels from other nonsubject countries were “sometimes” interchangeable, noting that for a number of comparisons, i.e., those with respect to Germany and other nonsubject countries, steel wheels are only sometimes interchangeable, due to differences in the diameter of the bolt circle used for mounting the wheel. \*\*\* indicated that steel wheels across all countries are always interchangeable. The majority of importers and purchasers reported that product from different nonsubject countries were either “always” or “frequently” interchangeable with product from the United States.

\*\*\* U.S. producers reported that there were “never” factors other than price that impacted their sales of domestically produced steel wheels relative to those from nonsubject countries (table II-14). At least half of responding importers reported that their sales of domestically produced wheels versus those produced in nonsubject countries were “sometimes” or “never” impacted by non-price differences. In contrast, all responding purchasers reported that non-price factors at least “sometimes” were a factor in

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<sup>74</sup> These data from Part IV include all sizes of wheels.

<sup>75</sup> These data also include demountable rims, which typically weigh less than 75 pounds.

<sup>76</sup> These statements refer to a standard commercial truck wheel, which is 22.5" in diameter by 8.25" wide.

<sup>77</sup> Respondents noted that China cannot produce a lightweight standard commercial vehicle wheel, specifically one that is under 70 pounds. Hearing transcript, p. 213 (Hatton). In the pricing data for 22.5" x 8.25" wheels presented in Part V, the lightest wheel imported from China weighs \*\*\* pounds.

<sup>78</sup> Staff telephone interview with \*\*\*, and hearing transcript, p. 221 (T. M. Cunningham).

whether to purchase domestic versus nonsubject-produced steel wheels. While four responding purchasers reported that non-price factors “sometimes” played a role in their purchasing decisions between U.S.-produced and Canadian steel wheels, three reported that non-price factors were “frequently” a factor, and one (\*\*\*) reported that they always were a factor, citing quality as an important factor. These factors were even more relevant in comparing wheels imported from Mexico with domestic steel wheels, as three firms reported that non-price factors “always” played a role in the purchasing decision, two reported that they “frequently” did, and three reported that they “sometimes” did.

As shown in table II-15, steel wheels from the United States and those imported from Canada were considered comparable across all 20 purchase factors. When comparing U.S. steel wheels to those imported from Mexico, a majority of purchasers noted comparability across all 20 factors, but those produced domestically were considered superior on 13 factors by several purchasers, and one purchaser considered steel wheels from the United States inferior to those from Mexico on initial price.

### **Comparisons of Subject Imports and Nonsubject Imports**

As indicated in tables II-13 and II-14, all market participants were asked to report on interchangeability and factors other than price when comparing steel wheels from China and those from Canada, Mexico, and other nonsubject countries. The results were similar to those reported above. Producers reported that steel wheels were interchangeable between sources, and that factors other than price did not make a difference in sales of steel wheels made by different countries. The majority of importers generally supported this position, although certain importers reported low interchangeability and factors other than price, such as quality, that they take into account. Purchasers also had varied positions, but generally reported low interchangeability and “always” or “frequently” taking into account factors other than price when purchasing Chinese or nonsubject steel wheels.

## **ELASTICITY ESTIMATES**

This section discusses elasticity estimates for the steel wheel industry. Parties were encouraged to comment on these estimates if desired in an appendix to their prehearing briefs. Only respondent Zhejiang responded with respect to one estimate: substitutability.

### **U.S. Supply Elasticity**

The domestic supply elasticity for steel wheels measures the sensitivity of the quantity supplied by U.S. producers to changes in the U.S. market price of steel wheels. The elasticity of domestic supply depends on several factors including the level of excess capacity, the ease with which producers can alter capacity, producers’ ability to shift to production of other products, the existence of inventories, and the availability of alternate markets for U.S.-produced steel wheels. Based on the low production capacity utilization levels and the existence of production alternatives for some producers, but mitigated by relatively low inventories and exports, the U.S. industry presently has a somewhat large ability to increase shipments to the U.S. market; an estimate in the range of 3 to 5 is suggested.

### **U.S. Demand Elasticity**

The U.S. demand elasticity for steel wheels measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of steel wheels. This estimate depends on factors discussed earlier such as the existence, availability, and commercial viability of substitute products, as well as the component share of steel wheels in the production of any downstream products. The majority of the wheels sold in the United States are shipped to OEMs for incorporation into expensive trucks and trailers, of which steel wheels have a minimal cost share and are an essential component. One main

alternative product exists (aluminum wheels), but is much more costly than steel wheels. Based on the available information, the aggregate demand for steel wheels is likely to be inelastic, in a range of -0.3 to -0.6.

### **Substitution Elasticity**

The elasticity of substitution depends upon the extent of product differentiation between the domestic and imported products.<sup>79</sup> Product differentiation, in turn, depends upon such factors as quality, conditions of sale, and wheel weight. Steel wheels imported from China are typically heavier than their domestically produced counterparts when looked at overall, though each customer type has their own preference for which weight of wheel to use. Some purchasers indicated a preference for domestic wheels based on factors such as Buy America provisions or safety consideration. Based on available information, the elasticity of substitution between domestic and subject steel wheels is likely to be in the range of 2 to 5. Respondent Zhejiang noted that substitution is somewhat limited due to their lack of lightweight product from China and the lack of qualification of Chinese steel wheels at leading truck and trailer OEMs.<sup>80</sup>

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<sup>79</sup> The substitution elasticity measures the responsiveness of the relative U.S. consumption levels of the subject imports and the domestic like products to changes in their relative prices. This reflects how easily purchasers switch from the U.S. product to the subject products (or vice versa) when prices change.

<sup>80</sup> Respondent Zhejiang's posthearing brief, answers to Commissioner's questions, p. 52.





### **PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, AND EMPLOYMENT**

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the subsidies and margin of dumping was presented earlier in this report and information on the volume of imports of the subject merchandise is presented in *Part IV*. Information regarding pricing of domestic and subject merchandise is presented in *Part V*. Information on the other factors specified is presented in this section and/or *Part VI* and (except as noted) is based on the questionnaire responses of three firms that accounted for \*\*\* percent of known U.S. production of steel wheels during 2010.

#### **U.S. PRODUCERS**

The Commission issued producer questionnaires to the petitioners (Accuride and Hayes Lemmerz) and to three additional firms (GKN, Topy, and Titan). Completed questionnaire responses were received from Topy and from petitioners Accuride and Hayes Lemmerz. GKN, identified late in the final phase of these investigations as a domestic producer, submitted a partially completed questionnaire response.<sup>1</sup>

Accuride, headquartered in Evansville, IN, identifies itself as one of the largest and most diversified manufacturers and suppliers of commercial vehicle components in North America. Its products include commercial vehicle wheels, wheel-end components and assemblies, truck body and chassis parts, and other commercial vehicle components. The firm states that it holds a prominent North American market position in the production of steel wheels, forged aluminum wheels, brake drums, disc wheel hubs, and metal bumpers in commercial vehicles. The company produces steel wheels (18" - 24.5" nominal diameter) in a plant in Henderson, KY, and also operates a heavy-duty truck aluminum wheel plant in Erie, PA. Accuride has steel wheel production facilities not only in the United States, but also in Canada and Mexico, because, as the firm explained, many of its customers have facilities in all three countries. The firm has domestic distribution warehouses for its products located in Indianapolis, IN.<sup>2</sup>

Hayes Lemmerz claims to be the world's largest producer of automotive and commercial highway steel and aluminum wheels. On February 1, 2012, the acquisition of Hayes Lemmerz by Brazilian producer Iochpe-Maxion S.A. was finalized. The resulting combination of the wheel businesses of Iochpe-Maxion and Hayes Lemmerz created "Maxion Wheels," a global wheels business with 20 manufacturing facilities in 12 countries and a presence in every major automotive region.<sup>3</sup> Hayes Lemmerz reported that it has \*\*\* subsidiaries that produce 18"- 24.5" steel wheels in the United States, Germany (Hayes Lemmerz Werke GmbH), and Spain (Hayes Lemmerz Manresa S.L.) and \*\*\* Brazil (Borlem S.A. Empreendimentos Industriais), Turkey (Hayes Lemmerz Jantas Jant Sanayi ve Ticaret A.S.), and India (Kalyani Hayes Lemmerz Ltd.). In addition, Hayes Lemmerz is related by virtue of its common parent in Brazil to two 18" - 24.5" steel wheel production facilities in Brazil (Iochpe-Maxion S.A.), one in Mexico (Maxion Fumagalli de Mexico C.V.), and one in China (Maxion (Nantong) Wheels

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<sup>1</sup> Because of the limited data provided late in the proceeding, information from GKN's questionnaire is presented separately and aggregated with data from other U.S. producers in tables C-2 and C-3, respectively.

<sup>2</sup> Conference transcript, p. 15 (Schomer); CCCME postconference brief, p. 14; Domestic producers' postconference brief, p. 11; and Accuride Corp., Form 10-K, *Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Fiscal Year Ended December 31, 2010*, pp. 3-4.

<sup>3</sup> "Iochpe-Maxion Finalizes Acquisition of Hayes Lemmerz," February 1, 2012, Hayes Lemmerz company website, <http://www.hayes-lemmerz.com/index.php>.

Co. Ltd.).<sup>4</sup> Hayes Lemmerz currently operates two steel wheel facilities in the United States—one in Sedalia, MO, and one in Akron, OH.<sup>5</sup> The Sedalia, MO plant produces 14- to 18-inch steel wheels for passenger cars and light trucks (e.g., Ford F Series trucks).<sup>6</sup> The facility in Akron, OH manufactures primarily 22.5- and 24.5-inch steel wheels for heavy-duty truck applications and wheels for various military vehicles.<sup>7</sup>

Topy America, Inc., a wholly owned subsidiary of Topy Industries in Tokyo, Japan, is headquartered in Frankfort, KY. Topy operates five locations in the United States: (1) a passenger car and light truck steel wheel manufacturing facility in Frankfort, KY, (2) \*\*\*, (3) a \*\*\* location for \*\*\* off-the-road (“OTR”) large steel wheels (up to 63” in diameter) used on mining and construction trucks in Elk Grove Village, IL,<sup>8</sup> (4) \*\*\*, and (5) a facility that assembles undercarriage tracks for bulldozers in Smyrna, TN (no wheels are used in this assembly process). Topy manufactures steel wheels at its Frankfort, KY, location for use on passenger cars and light trucks, with the largest being 18” in diameter. The 18” steel wheel it produces is \*\*\*. Topy also manufactures at its Frankfort, KY, facility steel wheels less than 18” in diameter. It supplies these domestically produced smaller sized steel wheels to \*\*\* Mexico and \*\*\* Canada for assembly on OEM passenger cars. During 2010, Topy’s domestically produced 18” steel wheels accounted for \*\*\* percent of its total domestic production of all sizes of steel wheels; steel wheels less than 18” in diameter accounted for the remaining \*\*\* percent.<sup>9</sup>

GKN plc, headquartered in the United Kingdom, wholly owns steel wheel manufacturing facilities located in China, Denmark, Italy, the United Kingdom, and the United States. These facilities manufacture steel wheels in a variety of sizes, including steel wheels from 18"- 24.5" in nominal diameter. In the United States, GKN Armstrong Wheels, Inc. (“GKN”) manufactures primarily off-road steel wheels for a number of markets, including the agricultural, construction, industrial, and mining machinery industries and is reportedly one of North America’s leading suppliers of wheels and wheel components for agricultural machinery. The firm also manufactures \*\*\*.<sup>10</sup> In the United States, it produces steel wheels in rim widths from 4” to 36” and in diameters from 12” to 63”. At its facility in Armstrong, IA, GKN produces single piece, drop center steel wheels of 12” to 24” diameter and at the firm’s Estherville, IA facility, GKN primarily produces multi-piece steel wheels and single piece drop center steel wheels from 24” to 54” in diameter. Tire and wheel assemblies and low-volume specialty steel wheels are produced at GKN’s Wichita, KS facility.<sup>11</sup>

A subsidiary of Titan International, Inc., Titan Wheel claims to be the world’s largest manufacturer of off-highway wheels. Headquartered in Quincy, IL, Titan’s primary markets for its steel wheels include agriculture, earthmoving/construction, and consumer applications.<sup>12</sup> However, industry participants testified that Titan specializes in much larger tires and steel wheels than the sizes of wheels

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<sup>4</sup> Conference transcript, p. 25 (Hampton); Hayes Lemmerz company website, [http://www.hayes-lemmerz.com/wheels\\_overview.php](http://www.hayes-lemmerz.com/wheels_overview.php); and Hayes Lemmerz producer questionnaire response.

<sup>5</sup> Hayes Lemmerz also operated as many as five aluminum wheel facilities in the United States, but all have been closed in the last decade. The last of these plants was closed in 2008. Conference transcript, p. 23 (Hampton).

<sup>6</sup> Approximately 15 percent of the production at Hayes Lemmerz’s Sedalia, MO facility are 18-inch steel wheels for the light truck applications. Conference transcript, p. 53 (Kato).

<sup>7</sup> Conference transcript, p. 23 (Hampton).

<sup>8</sup> \*\*\*.

<sup>9</sup> Topy company website, <http://www.topyamerica.com/AboutUs.aspx>; see also producer questionnaire response of Topy.

<sup>10</sup> GKN reported that \*\*\*. Staff telephone interview with \*\*\*.

<sup>11</sup> GKN Wheels company website, <http://www.gkn.com>; and GKN Armstrong Wheels, Inc., [http://www.iadg.com/venture\\_award\\_winner\\_GKN.aspx](http://www.iadg.com/venture_award_winner_GKN.aspx).

<sup>12</sup> Titan company website, <http://www.titan-intl.com/content/titan-wheel>.

that are the subject of these investigations. The company generally produces steel wheels and tires for use with very large, off-the-road excavation tractors and other types of big, off-the-road vehicles. Because of its specialty in those tires, the firm also makes its own steel wheels to be paired with its tires. Titan's major business is in steel wheels larger than 24.5 inches in diameter. Petitioners' counsel reported that the small-size end of Titan's production range is the very largest of the range of the scope of these investigations.<sup>13</sup>

Presented in table III-1 is a list of known domestic producers of steel wheels and each company's position on the petition, production location(s), related and/or affiliated firms engaged in the production of 18" - 24.5" steel wheels, and estimated share of reported production of steel wheels in 2010.

**Table III-1**

**Steel wheels: U.S. producers, positions on the petition, U.S. production locations, related and/or affiliated firms, and shares of 2010 reported U.S. production**

| Firm             | Position on petition | U.S. production location(s)                     | Related and/or affiliated firms  | Share of estimated 2010 production (percent) |
|------------------|----------------------|---|--|--|
| Accuride         | Petitioner           | Henderson, KY                                   | <ul style="list-style-type: none"> <li>Canada: Accuride Canada (***)</li> <li>Mexico: Accuride de Mexico (***)</li> </ul>  | ***  |
| GKN <sup>1</sup> | ***                  | Armstrong, IA<br>Estherville, IA<br>Wichita, KS | <ul style="list-style-type: none"> <li>China: GKN Wheels Liuzhou (***)</li> <li>Denmark: GKN Wheels Nagbol (***)</li> <li>Italy: GKN Wheels Carpenedolo (***)</li> <li>United Kingdom: GKN Wheels Telford (***)</li> </ul>   | ***  |
| Hayes Lemmerz    | Petitioner           | Akron, OH<br>Sedalia, MO                        | <ul style="list-style-type: none"> <li>Brazil: Borlem S.A. Empreendimentos Industriais (***)</li> <li>Brazil: Iochpe-Maxion S.A. (Limera and Cruziero facilities) (***)</li> <li>China: Maxion (Nantong) Wheels Co. Ltd. (***)</li> <li>Germany: Hayes Lemmerz Werke GmbH (***)</li> <li>India: Kalyani Hayes Lemmerz Limited (***)</li> <li>Mexico: Maxion Fumagalli de Mexico C.V. (***)</li> <li>Spain: Hayes Lemmerz Manresa S.L. (***)</li> <li>Turkey: Hayes Lemmerz Jantas Jant Sanayi ve Ticaret A.S. (***)</li> </ul> | ***  |
| Titan            | ( <sup>2</sup> )     | Quincy, IL                                      | ( <sup>2</sup> )   | ***  |
| Topy             | *** <sup>3</sup>     | Frankfort, KY                                   | <ul style="list-style-type: none"> <li>Japan: Topy Industries, Ltd. (parent corporation)</li> </ul>  | ***  |

<sup>1</sup> Limited information and data in response to the Commission's producer's questionnaire was provided by GKN because the firm was identified as a domestic producer of steel wheels late in the final phase of these investigations. Therefore, GKN's production estimate for 2010 is included in this table and other limited data from the firm are presented in tables C-2 and C-3, but complete data from GKN are not included in the remaining tables presented in the body of this report.

<sup>2</sup> Titan did not provide a response to the Commission's questionnaire in these investigations. Therefore, the petition's estimate of Titan's 2010 production is included in this table but no other data were provided.

<sup>3</sup> Topy indicated "\*\*\*\*".

Note.—Because of rounding, shares may not total to 100.0 percent.

Source: Compiled from data submitted in response to Commission questionnaires.

<sup>13</sup> Conference transcript, p. 50 (Schagrin).

As indicated in table III-1, all four responding domestic producers are related to foreign producers of steel wheels in nonsubject countries. In addition, both GKN and Hayes Lemmerz are related to foreign producers of subject steel wheels in China. GKN \*\*\* is related to a firm in China \*\*\*. As discussed in greater detail below, Accuride, Hayes Lemmerz, and Topy directly imported steel wheels from nonsubject sources during the period examined in these investigations. However, they reported that they do not directly import or domestically purchase imports of subject steel wheels from China.

### U.S. CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

U.S. producers' capacity, production, and capacity utilization data for steel wheels are presented in table III-2.<sup>14</sup> Accuride, which accounted for \*\*\* of total domestic capacity to produce steel wheels, reported no changes to its capacity level during the period examined in the final phase of these investigations. There were also no reported changes in the level of capacity reported by Topy. However, because of changes in product mix and the method in which Hayes Lemmerz allocated its overall plant capacity to steel wheels 18"-24.5" in diameter, the aggregate capacity data reported show an overall increase during the period examined in these investigations. Domestic production of steel wheels fell from 2008 to 2009, but increased in 2010 to a level that was \*\*\* percent below that reported for 2008. Domestic production was \*\*\* percent higher in January-September 2011 compared with January-September 2010. Capacity utilization reported by the U.S. producers of steel wheels fell by \*\*\* percentage points from \*\*\* percent in 2008 to \*\*\* percent in 2009 but rebounded by \*\*\* percentage points to \*\*\* percent in 2010, and reached \*\*\* percent, the highest level during the period for which data were collected, in January-September 2011.

**Table III-2**  
**Steel wheels: U.S. capacity, production, and capacity utilization, 2008-10, January-September 2010, and January-September 2011**

\* \* \* \* \*

The domestic steel wheel producers were asked in Commission questionnaires to describe the constraints that set the limit on their production capacity for steel wheels. \*\*\* indicated that the \*\*\* operation was the constraint limiting the current production capacity of \*\*\* steel wheel facilities. Accuride indicated that \*\*\* products it produces at its facility in Henderson, KY are steel wheels measuring 18 to 24.5 inches in nominal diameter. The domestic producer reported that "\*\*\*\*." Hayes Lemmerz reported that it produces \*\*\* commercial highway steel wheels measuring 18 to 24.5 inches in nominal diameter at its production facility in Akron, OH, and that it produces 18-inch steel wheels, as well as smaller sizes of steel wheels, at its facility in Sedalia, MO. Hayes Lemmerz reported that the different wheels that it produces at its facility in Sedalia, MO, are "\*\*\*\*." The firm reported that greater than \*\*\* percent of the steel wheels that it produces at its facility in Sedalia, MO, are steel wheels measuring less than 18 inches in nominal diameter. On the other hand, the company reported that the production capacity at its facility in Akron, OH, \*\*\* between the products ranging from 18 to 24.5 inches "\*\*\*\*." Topy reported that it manufactures \*\*\* steel wheels at its Frankfort, KY, location for use \*\*\*. It also reported that it manufactures \*\*\*. Topy reported that \*\*\* percent of the steel wheels that it produces at its facility in Frankfort, KY, are steel wheels \*\*\*. It indicated that \*\*\*.

In the Commission's questionnaire, U.S. producers were asked if they had experienced any plant openings, relocations, expansions, acquisitions, consolidations, closures, or prolonged shutdowns because of strikes or equipment failure; curtailment of production because of shortages of materials; or any other

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<sup>14</sup> No domestic firm reported production of steel wheels in a foreign trade zone.

change in the character of their operations or organization relating to the production of steel wheels since January 1, 2008. \*\*\* reported such changes; their responses to this inquiry are presented in table III-3. Although Accuride and Hayes Lemmerz filed petitions for relief under Chapter 11 of the Bankruptcy Code during the period examined in the final phase of these investigations, both indicated that the proceedings did not negatively affect the firms' ability to operate and make timely shipments of steel wheels to their customers.<sup>15</sup>

**Table III-3**  
**Steel wheels: U.S. producers' comments concerning changes in the character of operations**

\* \* \* \* \*

Accuride and Topy reported that they \*\*\* regarding the production of 18 to 24.5 inch steel wheels. Hayes Lemmerz indicated that its facility in Sedalia, MO, \*\*\*.

### U.S. PRODUCERS' SHIPMENTS

Data on U.S. producers' shipments of steel wheels are presented in table III-4. Accuride, Hayes Lemmerz, and Topy accounted for \*\*\* percent, \*\*\* percent, and \*\*\* percent of U.S. shipments in 2010, respectively. The domestic commercial market accounted for all of the U.S. producers' U.S. shipments of steel wheels and for greater than \*\*\* percent of the U.S. producers' total shipments of steel wheels throughout the period for which data were collected in these investigations. By 2010, U.S. producers' U.S. shipments of steel wheels accounted for more than \*\*\* percent of total shipments.

**Table III-4**  
**Steel wheels: U.S. producers' shipments, by types, 2008-10, January-September 2010, and January-September 2011**

\* \* \* \* \*

Domestic producers' U.S. shipments of steel wheels fell, in terms of both quantity and value, from 2008 to 2009, but partially recovered in 2010. Overall, domestic producers' U.S. shipments, in terms of quantity, fell by \*\*\* percent from 2008 to 2010. Reported U.S. shipment quantities were \*\*\* percent higher in January-September 2011 compared with January-September 2010. Accuride, Hayes Lemmerz, and Topy individually reported similar trends in the quantity of U.S. shipments during the period examined in the final phase of these investigations.<sup>16</sup> The unit value of U.S. producers' U.S. shipments fell from \$\*\*\* per wheel in 2008 to \$\*\*\* per wheel in 2010, but partially recovered to \$\*\*\* during January-September 2011.

Export shipments by domestic producers, in terms of quantity, fell by \*\*\* percent from 2008 to 2010, but were \*\*\* percent higher in January-September 2011 as compared with the same partial-year period in 2010. The unit values of exports were consistently higher than the unit value of U.S. shipments and followed a somewhat different trend, increasing from 2008 to 2009, but falling in 2010. The unit values of exports were lower during January-September 2011 than in the comparable period in 2010. Export unit values ranged from a period low of \$\*\*\* per wheel in 2010 to a period high of \$\*\*\* per wheel in 2009. The primary export markets reported by both Accuride and Hayes Lemmerz were \*\*\*. Topy commercially shipped all of its domestic production of steel wheels (all 18" in diameter) to \*\*\* in

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<sup>15</sup> Conference transcript, pp. 72-75 (Schomer and Kato).

<sup>16</sup> Although not presented in this chapter, GKN likewise reported similar trends in U.S. shipments.

the United States and it reported no exports of its domestically produced 18" - 24.5" steel wheels during the period examined in the final phase of these investigations.

The average unit values reported by the three reporting domestic producers varied throughout the period examined, reflecting the product mix sold by each of the producers. Unit value data on U.S. producers' shipments of steel wheels, by firm, are presented in table III-5. The unit values reported by \*\*\* are consistently higher than those reported by the other two domestic producers, ranging from a low of \*\*\* per wheel to a high of \*\*\* per wheel for U.S. shipments during the period examined in these investigations. The unit values of \*\*\* steel wheels (\*\*\*) were consistently the lowest of the three domestic producers throughout the period, ranging from a low of \$\*\*\* per wheel in 2008 to a high of \$\*\*\* per wheel in 2009. Unit values for wheels produced by \*\*\*. Further information concerning domestic producers' U.S. shipments, by types of steel wheels and customers are presented in parts I, II, and IV of this report.

**Table III-5**  
**Steel wheels: Unit values of U.S. producers' shipments, by types and by firms, 2008-10, January-September 2010, and January-September 2011**

\* \* \* \* \*

### U.S. PRODUCERS' INVENTORIES

Data collected on domestic producers' end-of-period inventories of steel wheels are presented in table III-6. U.S. producers' end-of-period inventories, which were equivalent to between \*\*\* and \*\*\* percent of U.S. producers' total shipments during the period examined in these investigations, declined overall, both in terms of quantity and as a share of production and shipments. U.S. producers' end-of-period inventories decreased by \*\*\* percent from 2008 to 2010, and were \*\*\* percent lower in January-September 2011 than in the comparable period in 2010.

**Table III-6**  
**Steel wheels: U.S. producers' end-of-period inventories, 2008-10, January-September 2010, and January-September 2011**

\* \* \* \* \*

## U.S. PRODUCERS' IMPORTS AND PURCHASES

U.S. producers' imports and purchases of steel wheels are presented in table III-7. None of the reporting domestic steel wheel producers reported direct imports or purchases of imports of subject steel wheels from China.<sup>17</sup> As shown, however, \*\*\* reporting U.S. producers made domestic purchases of steel wheels and/or directly imported steel wheels from countries other than China during the period for which information was collected in these investigations. \*\*\*.<sup>18</sup>

**Table III-7**

**Steel wheels: U.S. producers' imports and purchases, 2008-10, January-September 2010, and January-September 2011**

\* \* \* \* \*

\*\*\*. The firm also indicated that since it produces and sells the same steel wheels in the United States as it produces in Mexico, it sells its Mexican-produced steel wheels in the United States at the same price it sells its domestically produced product.<sup>19</sup> Furthermore, Accuride reported \*\*\*.<sup>20</sup>

Domestic producer Hayes Lemmerz reported that it \*\*\*. Hayes Lemmerz stated the following in its questionnaire response: \*\*\*.<sup>21</sup> Hayes Lemmerz also reported \*\*\*. The firm explained in its questionnaire response that this \*\*\*.

\*\*\*.

Respondents have alleged that domestically produced steel wheels have been displaced by the U.S. producers' nonsubject imports from affiliated firms and that the domestic producers have chosen to supplement their U.S. production of steel wheels with imports from affiliated firms because they do not have the capacity in the United States to meet the existing demand for steel wheels in the subject size ranges.<sup>22</sup> In 2010, the three responding domestic producers together reported direct U.S. imports and domestic purchases of \*\*\* steel wheels from nonsubject sources, whereas total reported U.S. imports of steel wheels from nonsubject sources amounted to \*\*\* wheels. The combined capacity to produce steel wheels in the United States by the three domestic producers was \*\*\* in 2010. Operating at \*\*\* percent of capacity in that year, had these domestic producers been able to operate at full capacity, their reported data suggests they could have produced an additional \*\*\* wheels. In 2010, plants with capacity to produce \*\*\*.

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<sup>17</sup> \*\*\*. In addition, \*\*\*.

<sup>18</sup> Although unrelated, Hayes Lemmerz has had technical assistance agreements with Cofre, a steel and aluminum wheel manufacturer in Colombia. Hayes Lemmerz, 10-K405 SEC Filing, April 18, 2000, <http://sec.edgar-online.com/hayes-lemmerz-international-inc/10-k405-annual-report-regulation-s-k-item-405/2000/04/18/section3.aspx>.

<sup>19</sup> Conference transcript, pp. 34 (Schagrin) and 57 (Schomer).

<sup>20</sup> \*\*\*.

<sup>21</sup> \*\*\*.

<sup>22</sup> Conference transcript, p. 119 (Walker); and AWS postconference brief, p. 9.

## U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

The aggregate employment data for the steel wheel production facilities operated by Accuride and Hayes Lemmerz are presented in table III-8.<sup>23</sup> In the aggregate, U.S. steel wheel producers reported an overall decline of \*\*\* percent in the number of production and related workers employed in the manufacture of steel wheels during 2008-10. The number of production and related workers employed during January-September 2011, however, was \*\*\* percent higher than reported in the comparable period in 2010. All other employment indicators presented, with the exception of productivity, showed an overall decline from 2008 to 2010. From 2008 to 2009, all employment indicators presented (other than unit labor costs) showed a decline, whereas from 2009 to 2010, the number of employees and unit labor costs fell, while the remaining employment indicators presented increased. All employment indicators presented, with the exception of unit labor costs, hourly wages, and hours worked per employee, were higher during the first three quarters of 2011 than reported in the comparable period in 2010.

Accuride reported \*\*\*.

### Table III-8

**Steel wheels: U.S. producers' employment-related data, 2008-10, January-September 2010, and January-September 2011**

\* \* \* \* \*

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<sup>23</sup> The employment data presented in this report include only the information provided by Accuride and Hayes Lemmerz because the data provided by Topy in its questionnaire response were erroneous.



## PART IV: U.S. IMPORTS, APPARENT CONSUMPTION, AND MARKET SHARES

### U.S. IMPORTERS

Importer questionnaires were sent to 178 firms identified as possible importers of subject steel wheels (18" - 24.5" nominal diameter), including U.S. producers of such steel wheels.<sup>1</sup> Usable questionnaire responses were received from 32 companies, reflecting approximately three quarters of total steel wheel imports in 2010.<sup>2</sup> Table IV-1 lists all responding U.S. importers of steel wheels from China and other sources, their locations, and their shares of U.S. imports, in 2010. As the table illustrates, \*\*\* were the largest importers of the subject merchandise. These four firms together accounted for more than \*\*\* of total reported subject U.S. imports from China in 2010. \*\*\* were the largest importers of steel wheels from nonsubject countries (primarily from Brazil, Canada, and Mexico), accounting for more than \*\*\* of total reported U.S. imports from all nonsubject countries in 2010.<sup>3</sup>

**Table IV-1**  
**Steel wheels: U.S. importers, sources of imports, U.S. headquarters, and shares of imports in 2010**

\* \* \* \* \*

### U.S. IMPORTS

As previously indicated in *Part I* of this report, the imported steel wheels subject to these investigations are reported under HTS subheading 8708.70, which covers road wheels for motor vehicles and parts and accessories of such wheels and encompasses several tariff rate lines and subordinate statistical reporting numbers that are believed to include both subject and nonsubject merchandise.<sup>4</sup> Therefore, a presentation of U.S. imports based on the applicable HTS statistical reporting numbers would result in an overstatement of subject U.S. imports. The parties participating in these investigations generally agree that the Commission should base the presentation of U.S. import data on the data provided by U.S. importers in their responses to the Commission's importer questionnaire.<sup>5</sup> Therefore, the U.S. import data presented in the body of this report are based on the data provided in response to the Commission's importer questionnaires.

Table IV-2 presents data for U.S. imports of steel wheels from China and all other sources. According to importer questionnaire data submitted in the final phase of these investigations, China was

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<sup>1</sup> The Commission sent questionnaires to those firms identified in the petition, along with firms that, based on a review of data provided by U.S. Customs and Border Protection ("Customs"), may have imported a measurable amount of steel wheels in any one year since 2008. In addition, importer questionnaires (as well as purchaser questionnaires) were sent to companies identified as purchasers in these investigations.

<sup>2</sup> The Commission received questionnaire responses from 15 additional firms indicating that they had not imported steel wheels of 18" - 24.5" in diameter during 2008-10. Nine firms indicated that they were purchasers of the product in the United States rather than importers. Eighteen firms could not be located for delivery of the importers' questionnaire and 104 firms did not respond to the Commission's request for information.

<sup>3</sup> \*\*\*.

<sup>4</sup> Commerce listed an additional 55 HTS statistical reporting numbers in its final determinations under which the subject wheels and their parts, whether or not combined or shipped with other articles, may have been imported. *Certain Steel Wheels From the People's Republic of China: Final Affirmative Countervailing Duty Determination, Final Affirmative Critical Circumstances Determination*, 77 FR 17017, March 23, 2012.

<sup>5</sup> Petitioners' prehearing brief, p. 3; and Zhejiang's prehearing brief, p. 60.

the largest single source of U.S. imports of steel wheels during 2010 and the first nine months of 2011. China's share of total reported U.S. imports of steel wheels fell from \*\*\* percent in 2008 to \*\*\* percent in 2009, but climbed to \*\*\* percent in 2010. China accounted for \*\*\* percent of total U.S. imports during January-September 2011 as compared with \*\*\* percent in January-September 2010. The quantity of U.S. imports from China fell by \*\*\* percent from \*\*\* wheels in 2008 to \*\*\* wheels in 2009, but increased by \*\*\* percent to \*\*\* wheels in 2010--a level \*\*\* percent below that reported in 2008.

**Table IV-2**

**Steel wheels: U.S. imports, by sources, 2008-10, January-September 2010, and January-September 2011**

\* \* \* \* \*

During 2008, Mexico was the largest source of U.S. imports, accounting for \*\*\* percent of the total quantity of reported U.S. imports of steel wheels. However, by January-September 2011, Mexico's share of total U.S. imports was much lower at \*\*\* percent, as \*\*\* reduced their quantity of U.S. imports from Mexico after 2008. Largely driven by \*\*\*'s reduction in U.S. imports of steel wheels from Canada, the share of total U.S. imports held by Canadian steel wheels fell from \*\*\* percent in 2008 to \*\*\* percent in 2010, and was \*\*\* percent during January-September 2011. The share of total U.S. imports held by all other sources combined increased from \*\*\* percent in 2008 to \*\*\* percent in 2010 as \*\*\*. During January-September 2011, U.S. imports of steel wheels from all other sources combined (largely Brazil) accounted for \*\*\* percent of total U.S. imports.

The unit values of steel wheel imports from China generally fell from \$\*\*\* per wheel in 2008 to \$\*\*\* per wheel in 2010, but were \$\*\*\* per wheel during January-September 2011 compared with \$\*\*\* per wheel during January-September 2010. The unit values of steel wheels from China were consistently lower than those for steel wheels imported from Canada during the period examined in the final phase of these investigations, but were consistently higher than those for steel wheels imported from Mexico. During 2008 and 2009, the unit values of steel wheels from China were lower than all other nonsubject import sources combined, but were higher during the remaining periods when \*\*\*.

### NEGLIGENCE

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.<sup>6</sup> Negligible imports are generally defined in the Tariff Act of 1930, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or the initiation of the investigation. The petition in these investigations was filed on March 30, 2011. According to data collected in response to importer questionnaires in the final phase of these investigations, U.S. imports of steel wheels from China accounted for \*\*\* percent of total U.S. imports of steel wheels during the 12-month period from April 1, 2010 to March 30, 2011.

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<sup>6</sup> Sections 703(a)(1), 705(b)(1), 733(a)(1), and 735(b)(1) of the Act (19 U.S.C. §§ 1671b(a)(1), 1671d(b)(1), 1673b(a)(1), and 1673d(b)(1)).

## CRITICAL CIRCUMSTANCES

### Countervailing Duty Determination

As indicated in Part I, Commerce's final CVD determination found critical circumstances to exist with respect to all producers/exporters of the subject merchandise in China except for the Centurion companies, the Xingmin companies, and the Jingu companies.<sup>7</sup> Therefore, five of the eight Chinese producers that provided the Commission with questionnaire responses in this final phase of the investigations are subject to Commerce's final CVD affirmative critical circumstances finding. These five Chinese firms are Dong Feng, Shandong Shengtai, Xiamen Sunrise, Shandong Jining, and Jiaying Stone. According to U.S. importer questionnaires submitted in the final phase of these investigations, the majority of the following firms' imports of subject merchandise into the United States from China were sourced from companies in China for which critical circumstances were found in Commerce's final CVD determination: \*\*\*.<sup>8</sup> The subject U.S. imports reported by these firms were equivalent to \*\*\* percent of the five Chinese producers' total reported exports to the United States during 2010.

\*\*\*.<sup>9</sup> The subject steel wheels that \*\*\* imports from China are greater than 75 pounds and are sold to trailer OEMs.

\*\*\*. The subject steel wheels that \*\*\* imports from China are greater than 75 pounds and are medium-duty steel wheels used in \*\*\* industrial/construction applications.

\*\*\*. The steel wheels that \*\*\* imports from China are heavy-duty steel wheels weighing greater than 65 pounds for use on commercial vehicles (e.g., trucks and trailers).

\*\*\*. The subject steel wheels that \*\*\* imports from China are greater than 75 pounds and are heavy-duty steel wheels sold to trailer OEMs.

\*\*\*.<sup>10</sup> The subject steel wheels that \*\*\* imports from China are greater than 75 pounds and are used in off-road construction applications.

\*\*\*.<sup>11</sup> \*\*\*'s steel wheel product line ranges from 4 to 63 inches in diameter line and includes steel wheels for agriculture, industrial, heavy duty truck, forestry, consumer, earthmoving/mining, construction, and military applications.<sup>12</sup> \*\*\* reported in its importer questionnaire response that its subject steel wheels imports from China are greater than 75 pounds and are heavy-duty steel wheels used in off-road applications.

Presented in table IV-3 (CVD) are data concerning U.S. imports of subject steel wheels reported by these six firms for two consecutive 6-month periods prior to the filing of the petition on March 30, 2011, as well as for one 6-month period after the filing of the petition.<sup>13</sup> These data show that U.S. imports of subject merchandise for which critical circumstances were found by Commerce in its CVD determinations increased by \*\*\* percent in the six months after the petition was filed compared with the six months before, and U.S. inventories of such subject wheels were \*\*\* percent greater after the petition was filed than before.

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<sup>7</sup> *Certain Steel Wheels From the People's Republic of China: Final Affirmative Countervailing Duty Determination, Final Affirmative Critical Circumstances Determination*, 77 FR 17017, March 23, 2012.

<sup>8</sup> This listing includes only those firms that identified in their U.S. importer questionnaire response the foreign manufacturers of the steel wheels they imported into the United States.

<sup>9</sup> \*\*\*.

<sup>10</sup> \*\*\*.

<sup>11</sup> \*\*\*.

<sup>12</sup> \*\*\*.

<sup>13</sup> The following firms reported a minority (i.e., less than one-half) of their subject U.S. imports as being from companies in China for which critical circumstances were found in the final CVD determination: \*\*\*. Therefore, the data for these firms is not included in table IV-3 (CVD).

**Table IV-3 (CVD)**  
**Steel wheels: U.S. imports of subject merchandise made by \*\*\*, April-September 2010, October 2010-March 2011, April-September 2011**

\* \* \* \* \*

**Antidumping Duty Determination**

Commerce’s final LTFV determination found critical circumstances to exist with respect to one Chinese producer, Jining Centurion, and all other producers/exporters of the subject merchandise in China, except for the separate-rate companies examined.<sup>14</sup> Therefore, two of the eight Chinese producers that provided the Commission with questionnaire responses in this final phase of the investigations are subject to Commerce’s final LTFV critical circumstances finding. These two Chinese firms are Jining Centurion and Shandong Shengtai. According to U.S. importer questionnaires submitted in the final phase of these investigations, the majority of the following firms’ imports of subject merchandise into the United States from China were sourced from companies in China for which critical circumstances were found in Commerce’s final LTFV determination: \*\*\*. The subject U.S. imports from these firms were equivalent to \*\*\* percent of the two Chinese producers’ total reported exports to the United States during 2010.

\*\*\*. The steel wheels that \*\*\* imports from China are heavy-duty steel wheels weighing greater than 65 pounds for use on trailers, construction and agriculture vehicles, and off-the-road vehicles. \*\*\*.

\*\*\*. \*\*\* reported in its importer questionnaire response that its subject steel wheels imports from China are greater than 75 pounds and are heavy-duty steel wheels used on semi-trailers.

\*\*\* reported that it imported \*\*\* steel wheels from China during 2010 for use in off-road construction applications. \*\*\*.

Presented in table IV-3 (AD) are data concerning U.S. imports of subject steel wheels reported by Centurion, West Worldwide, and Vanguard, for two consecutive 6-month periods prior to the filing of the petition on March 30, 2011, as well as for one 6-month period after the filing of the petition.<sup>15</sup> These data show that U.S. imports of subject merchandise for which critical circumstances were found by Commerce in its LTFV determinations increased by \*\*\* percent in the six months after the petition was filed compared with the six months before, and U.S. inventories of such subject steel wheels were \*\*\* percent greater after the petition was filed than before. The petitioner argued that these data show that the U.S. importers “stocked up” on subject merchandise in the United States in order to avoid paying potential duties.<sup>16</sup>

**Table IV-3 (AD)**  
**Steel wheels: U.S. imports of subject merchandise made by \*\*\*, April-September 2010, October 2010-March 2011, April-September 2011**

\* \* \* \* \*

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<sup>14</sup> The separate-rate companies examined are as follows: Zhejiang Jingu, Shandong LandStar, Shandong Jining, Wuxi Superior, Shandong Xingmin, Xiamen Sunrise, Jiaying Stone, Xiamen Topu, and Dongfeng. *Certain Steel Wheels From the People’s Republic of China: Notice of Final Determination of Sales at Less Than Fair Value and Partial Affirmative Final Determination of Critical Circumstances*, 77 FR 17021, March 23, 2012.

<sup>15</sup> Importer \*\*\* reported a minority (i.e., less than one-half) of its subject U.S. imports as being from companies in China for which critical circumstances were found in the final LTFV determination. Therefore, the data for \*\*\* is not included in table IV-3 (AD).

<sup>16</sup> Petitioners’ prehearing brief, p. 25.

## APPARENT U.S. CONSUMPTION

### Steel Wheels

Demand for steel wheels is dependent on the performance of the industries that use the wheels. These industries, in turn, are directly affected by general economic conditions, gas prices, interest rates, government regulations, and consumer spending. Conference testimony suggests that domestic consumption of steel wheels generally lags the general economic activity in the United States by six to nine months. The commercial trucking industry, which is the largest domestic consumer of steel wheels of 18" - 24.5" in diameter, is a highly cyclical industry that has historically endured substantial fluctuations in demand. This industry has typically experienced a seven-year demand cycle, which has included four to five years of high demand offset by a two to three year decline. Relatively strong conditions for the commercial truck and trailer industry were reported from 2004 to 2006; however, a marked decline began during the second quarter of 2007. The bottom of the cycle occurred in 2009 when demand for commercial trucks and trailers dropped to its lowest level. During 2010, commercial vehicle production levels rose and further increases are expected through 2015 as general economic conditions continue to become more favorable.<sup>17</sup>

Data concerning apparent U.S. consumption of steel wheels during the period for which data were collected are shown in table IV-4 and figure IV-1. The U.S. consumption data presented are calculated based on U.S. producers' and U.S. importers' U.S. shipments of steel wheels as compiled from Commission questionnaire responses. In terms of quantity, U.S. consumption of steel wheels fell by \*\*\* percent from \*\*\* wheels in 2008 to \*\*\* wheels in 2009 but increased by \*\*\* percent to \*\*\* wheels in 2010. The U.S. consumption of steel wheels was \*\*\* percent higher at \*\*\* wheels during January-September 2011 than in the comparable period in 2010. As the demand for steel wheels is highly dependent of the performance of the commercial vehicle industry, the trend in apparent U.S. consumption steel wheels has closely followed the trend for commercial vehicle production.

Respondents argued that the demand for steel wheels over the next three to four years is expected to "be substantially greater than domestic producers' supply capability."<sup>18</sup> During 2010, apparent U.S. consumption of steel wheels (\*\*\* wheels) was equivalent to \*\*\* percent of U.S. producers' domestic capacity (\*\*\* wheels). During January-September 2011, apparent U.S. consumption of steel wheels (\*\*\* wheels) was greater than U.S. producers' domestic capacity (\*\*\* wheels).

**Table IV-4**

**Steel wheels: U.S. shipments of domestic product, U.S. shipments of imports, and apparent U.S. consumption, 2008-10, January-September 2010, and January-September 2011**

\* \* \* \* \*

**Figure IV-1**

**Steel wheels: Apparent U.S. consumption, by sources, 2008-10, January-September 2010, and January-September 2011**

\* \* \* \* \*

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<sup>17</sup> AWS postconference brief, pp. 14-15; petitioners' postconference brief, p. 2; Accuride Corp., Form 10-K for the Year Ended December 31, 2010, pp. 15-16; TTT postconference brief, pp. 13-14; CCCME postconference brief, p. 19-21, 27, and 33; conference transcript, p. 59 (Weisend); respondents' prehearing brief, pp. 4-5; and Zhejiang prehearing brief, p. 23.

<sup>18</sup> Preliminary conference transcript, p. 129 (Rogers).

## Steel Wheel Weight

As noted previously in *Parts I and II*, respondents contend that the U.S. market makes a distinction among wheels based on weight and that the Chinese industry produces heavier wheels than are produced by the petitioners in the United States. Moreover, they argue that the Chinese industry produces off-the-road steel wheels that are not manufactured by Accuride and Hayes Lemmerz. These off-the-road steel wheels are manufactured from heavier steels and are designed to accommodate heavier load applications than those for on-road vehicle use.<sup>19</sup>

In the final phase of these investigations, the Commission requested U.S. producers and importers of steel wheels to provide their U.S. shipment quantities and values based on weight for the following three categories: (1) less than 65 pounds, (2) 65-75 pounds, and (3) greater than 75 pounds. Presented in table IV-5 are U.S. producers' and U.S. importers' U.S. shipments of steel wheels (18" - 24.5" nominal diameter), organized first by source and then by weight.

**Table IV-5**

**Steel wheels: U.S. shipments of domestic product, U.S. shipments of imports, and apparent U.S. consumption, by source and by weight, 2008-10, January-September 2010, and January-September 2011**

\* \* \* \* \*

These data show that during 2010 the majority of the U.S. producers' U.S. shipments were of steel wheels weighing 65-75 pounds while almost \*\*\* were of wheels weighing less than 65 pounds. A lesser share (\*\*\*) of U.S. producers' U.S. shipments were of the heavier weight steel wheels (i.e., greater than 75 pounds). The data also show that \*\*\* percent of U.S. shipments of the Chinese imports were of steel wheels weighing greater than 75 pounds during 2010, with the remainder accounted for by steel wheels weighing 65-75 pounds. U.S. shipments of steel wheels imported from Canada were \*\*\* between wheels weighing 65-75 pounds and more than 75 pounds during 2010, with wheels weighing less than 65 pounds accounting for a lesser share. In that same year, U.S. shipments of imports from Mexico and all other nonsubject sources (primarily from Brazil in 2010) were overwhelmingly wheels weighing less than 65 pounds.

Presented in table IV-6 are the shares of U.S. producers' and U.S. importers' U.S. shipments of steel wheels (18" - 24.5" nominal diameter), organized first by weight and then by source. These data show that during the period examined in these investigations, the domestic producers accounted for the bulk of steel wheels weighing 65-75 pounds, whereas the Chinese steel wheels accounted for the largest share of steel wheels weighing more than 75 pounds.

**Table IV-6**

**Steel wheels: U.S. shipments of domestic product and U.S. shipments of imports, by weight and by source, 2008-10, January-September 2010, and January-September 2011**

\* \* \* \* \*

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<sup>19</sup> Respondent CCCME's postconference brief, pp. 5 and 7; respondents' prehearing brief, pp. 3, 12, 32, and 35; and Zhejiang's prehearing brief, pp. 2-7.

## Medium Duty vs. Heavy Duty

Presented in table IV-7 are U.S. producers' and U.S. importers' U.S. shipments of steel wheels (18" - 24.5" nominal diameter) by type. For purposes of collecting data in these investigations, "medium duty" steel wheels are defined as typically 18" - 19.5" in nominal diameter and used on "personal" trucks produced by auto companies for individuals (e.g., pickup trucks). "Heavy duty" steel wheels are defined as typically 20" - 24.5" in nominal diameter and used on "commercial vehicles" (e.g., 18 wheel units built by semi truck and trailer companies for trucking companies). Data reported by questionnaire respondents in the "other" category include steel wheels for use in construction, agricultural, and off-the-road vehicles.

**Table IV-7**

**Steel wheels: U.S. shipments of domestic product and U.S. shipments of imports, by type, 2008-10, January-September 2010, and January-September 2011**

\* \* \* \* \*

Presented in table IV-8 are the shares of U.S. producers' and U.S. importers' U.S. shipments of steel wheels (18" - 24.5" nominal diameter), organized first by type and then by source. These data show that during the most recent periods examined in these investigations, the domestic producers accounted for the largest share of medium duty steel wheels and the majority of heavy duty steel wheels, whereas the Chinese steel wheels accounted for the overwhelming majority of "other" steel wheels (i.e., steel wheels for use in construction, agricultural, and off-road vehicles).

**Table IV-8**

**Steel wheels: U.S. shipments of domestic product and U.S. shipments of imports, by type and by source, 2008-10, January-September 2010, and January-September 2011**

\* \* \* \* \*

## U.S. MARKET SHARES

U.S. market share data are presented in table IV-9. The U.S. producers' share of the domestic market increased overall from \*\*\* percent in 2008 to \*\*\* percent in 2010. The U.S. producers' share was \*\*\* percent in January-September 2011 as compared with \*\*\* percent in January-September 2010. The share of the U.S. market held by subject imports of steel wheels from China fell from \*\*\* percent in 2008 to \*\*\* percent in 2009 but increased to \*\*\* percent in 2010. China's share was \*\*\* percent in January-September 2011 as compared with \*\*\* percent in January-September 2010. The petitioners argued that the subject imports from China did not "gain enormous market share" from 2008 to 2010 because the domestic producers reacted to the low-priced imports by "holding down and even cutting their prices."<sup>20</sup> They explained that until the filing of the petition at the end of March 2011, subject U.S. imports from China actually made large gains in the trailer OEM, OES, and aftermarket segments.<sup>21</sup> The petitioners argued further that the Chinese producers would have made larger gains in the U.S. market share if the domestic producers' three-year contracts with truck manufacturers had not remained in place, but they asserted that many of these contracts are expiring or due for renegotiation soon.<sup>22</sup> The share of the U.S. market held by imports of steel wheels from nonsubject countries, fell overall from \*\*\* percent in 2008 to

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<sup>20</sup> Petitioners' postconference brief, p. 15; petitioners' prehearing brief, p. 8.

<sup>21</sup> Petitioners' prehearing brief, p. 9.

<sup>22</sup> Petitioners' postconference brief, p. 15; petitioners' prehearing brief, p. 8.

\*\*\* percent in 2010. The share held by nonsubject countries was \*\*\* percent in January-September 2011 as compared with \*\*\* percent in January-September 2010.

**Table IV-9**  
**Steel wheels: U.S. consumption and market shares, 2008-10, January-September 2010, and January-September 2011**

\* \* \* \* \*

**RATIO OF IMPORTS TO U.S. PRODUCTION**

Information concerning the ratio of imports to U.S. production of steel wheels is presented in table IV-10. Subject steel wheel imports from China were equivalent to \*\*\* percent of U.S. production during 2008. This level fell to \*\*\* percent during 2009 before rising to \*\*\* percent in 2010. Subject steel wheel imports from China were equivalent to \*\*\* percent of U.S. production during January-September 2010 and \*\*\* percent during the comparable period in 2011. The ratio of U.S. imports from both Canada and Mexico to U.S. production fell throughout the period examined during the final phase of these investigations; however the ratio of U.S. imports from other nonsubject sources (primarily Brazil) to U.S. production increased from 2008 to 2010 but was lower at \*\*\* percent during the first three-quarters of 2011 than in the comparable period of 2010.

**Table IV-10**  
**Steel wheels: U.S. production, U.S. imports, and ratios of imports to U.S. production, 2008-10, January-September 2010, and January-September 2011**

\* \* \* \* \*



## PART V: PRICING AND RELATED INFORMATION

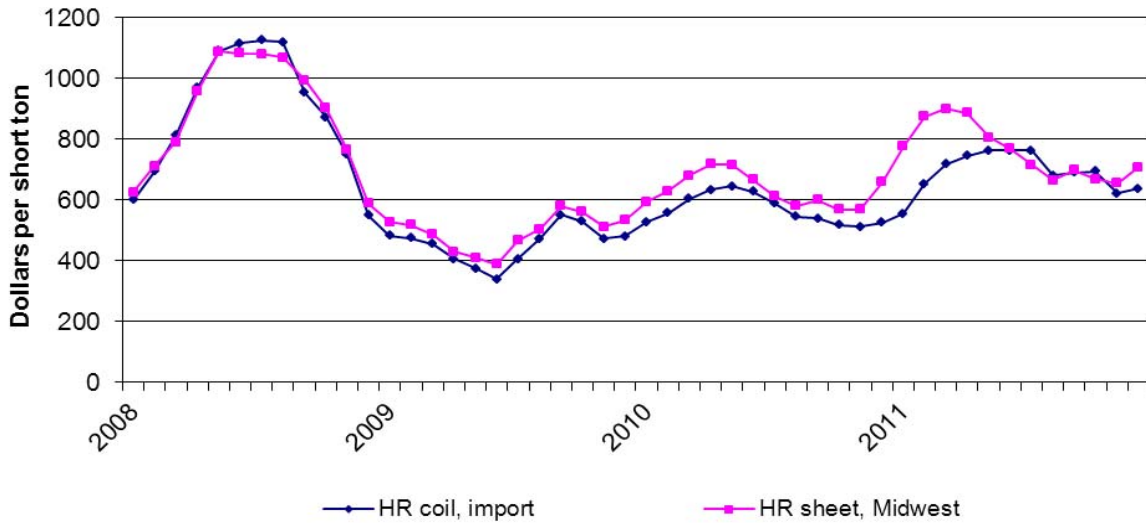
### FACTORS AFFECTING PRICES

Prices of steel wheels purchased by U.S. users depend on the size, load limit, configuration, and weight of the wheels. The finish applied to the wheel may alter prices as well. Prices may also reflect the nature of the purchase agreement, including the quantity purchased; whether the agreement is a spot sale or a longer-term contract; and surcharges for raw materials, transportation, fuel, and/or energy.

#### Raw Material Costs

Raw materials—in particular steel sheet—account for a substantial portion of the steel wheel production costs. During 2008-10, raw materials accounted for \*\*\* to \*\*\* percent of the cost of goods sold. Figure V-1 presents the price of hot-rolled steel since 2008. These steel prices peaked in mid-2008 before declining in late 2008 and early 2009. Since late 2010, hot-rolled prices increased through the first half of 2011, but decreased in the second half of the year. Petitioners indicated that most of their contracts with larger customers include raw material surcharges.<sup>1</sup>

**Figure V-1**  
**Hot-rolled steel: Price indices for hot-rolled steel, monthly, January 2008-December 2011**



Source: *American Metal Market*.

<sup>1</sup> Conference transcript, p. 66 (Kato and Schomer).

## U.S. Inland Transportation Costs

Steel wheels are sold on an f.o.b. basis. \*\*\* estimated the cost of U.S. inland transportation, as \*\*\* reported that transportation is arranged by the purchaser.<sup>2</sup> Ten of 12 responding importers reported that U.S. inland transportation costs range from 2 to 6.5 percent (with an average of 3.5 percent).<sup>3</sup>

Producers and importers were also asked to estimate the percentage of their sales that occurred within 100 miles of their storage or production facility, between 100 and 1,000 miles, and over 1,000 miles. \*\*\* indicated that between \*\*\* of their shipments were made within 100 miles, \*\*\* of their sales were shipped between 101 and 1,000 miles to their customers, and between \*\*\* of their sales were shipped more than 1,000 miles away from their production facility. Accuride stated that the steel wheels that it produces and imports are stored in a warehouse in Indianapolis, IN, where it ships mixed truckloads of steel wheels to aftermarket customers.<sup>4</sup> Importers' shipments reportedly are somewhat closer to their warehouses or storage facilities. Four of 15 responding importers reported shipping all their steel wheels to customers within 100 miles of their warehouses or storage facilities, while another three reported shipping all steel wheels between 101 and 1,000 miles. For the remaining eight importers, approximately 29 percent is shipped within 100 miles, 60 percent between 101 and 1,000 miles, and 12 percent more than 1,000 miles from their warehouse or storage facility.

Seventeen of 19 responding importers reported arranging transportation for the steel wheels they sell, whereas \*\*\*.<sup>5</sup> \*\*\* sell on an f.o.b. basis only, while only 3 importers sell on an f.o.b. basis and 17 importers sell on a delivered basis.

## PRICING PRACTICES

### Pricing Methods

#### General Methods

U.S. producers establish prices in a variety of ways. \*\*\* reported using contracts, set price lists, and transaction-by-transaction negotiations. Additionally, both major producers include raw material surcharges within their contracts.<sup>6</sup> The majority of responding importers (13 of 24) sell via set price lists, 10 sell on a transaction-by-transaction basis, and 5 sell via contracts. Three importers also described other means of arriving at prices they charge in the United States: "comparable prices and competitive studies" (\*\*\*), "cost plus" (\*\*\*), and "a variety of factors in the marketplace including, but not limited to, reliability, name recognition, and availability" (\*\*\*).

Producer Accuride indicated that \*\*\* percent of its 2010 steel wheels sales were pursuant to long-term contracts (greater than one year in length), \*\*\* percent were via short-term contracts (typically of one year in length), and \*\*\* percent occurred on the spot market. Producer Hayes reported that \*\*\*

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<sup>2</sup> Most of the qualitative market analysis in this chapter focuses on the two largest producers, Accuride and Hayes Lemmerz. These two companies produce steel wheels designed primarily for commercial trucks. The third producer, \*\*\*, is much smaller in terms of shipments, and designs wheels specifically for use as spares wheels for passenger vehicles. Due to the differences in market share and end-use of products, \*\*\* is excluded from qualitative analysis in this chapter but not from totals or averages.

<sup>3</sup> The other two responding importers, \*\*\*, reported these costs to be \*\*\* percent, respectively.

<sup>4</sup> Conference transcript, p. 19 (Schomer).

<sup>5</sup> This might reflect certain differences between customers of U.S. producers and U.S. importers. U.S. producers typically sell to larger OEMs or distributors, whereas importers may sell to smaller purchasers. *See, e.g.*, Conference transcript, p. 100 (G. Orr) and pp. 135-136 (Rogers).

<sup>6</sup> Conference transcript, p. 15 (Schomer).

percent of its sales were via long-term contracts, \*\*\* percent via short-term contracts, and \*\*\* percent on the spot market.<sup>7</sup> Long-term contracts are two to three years in length for truck OEMs.<sup>8</sup> Trailer OEMs reportedly have begun trying to emulate truck OEMs in pursuing more long-term contracts (two to three years in length) rather than one-year contracts.<sup>9</sup> These long-term contracts do not typically fix quantity, and are non-exclusive so purchasers could buy steel wheels from other sources. As a result, petitioners contend that the service arms of OEMs have begun to purchase steel wheels from China.<sup>10</sup> Producer Hayes noted that \*\*\*<sup>11</sup> while producer Accuride indicated that \*\*\*.<sup>12</sup>

Nine of 16 responding importers reported selling exclusively on the spot market. \*\*\* reported selling only via long-term contracts, while \*\*\* reported selling only via short-term contracts. Two of the remaining four reported selling a majority of their steel wheels on the spot market: 87 percent spot/13 percent long-term contract (\*\*\*) and 66 percent spot/34 percent short-term contract (\*\*\*). \*\*\* reported selling 20 percent on the spot market and 80 percent via long-term contracts. The final importer (\*\*\*) reported selling 25 percent on the spot market and 75 percent via short-term contracts. As with U.S. producers' contracts, U.S. importers' long-term contracts are typically between 14 and 48 months in length, while short-term contracts are typically one year in length. Two of the three responding importers (\*\*\*) with contracts of at least a year in length noted that only prices are fixed, while one firm (\*\*\*) reported that both prices and quantities are fixed.<sup>13</sup> Three of the four responding importers with short term contracts—\*\*\*—reported that only prices are fixed, while one responding importer with short term contracts (\*\*\*) reported that both prices and quantities are fixed. All three importers with long-term contracts and two of the four importers with short-term contracts reported that prices could be renegotiated.

## Current Contracts

Petitioners reported that a number of their contracts are expiring at the end of 2012.<sup>14</sup> Specifically, \*\*\*.<sup>15</sup>  
\*\*\*.<sup>16</sup>  
\*\*\*.<sup>17</sup>  
\*\*\*.<sup>18</sup>  
\*\*\*.<sup>19</sup>  
Finally, \*\*\*.<sup>20</sup>

---

<sup>7</sup> \*\*\*.

<sup>8</sup> Conference transcript, p. 26 (Kato).

<sup>9</sup> Conference transcript, p. 107 (T. M. Cunningham).

<sup>10</sup> Conference transcript, p. 26 (Kato).

<sup>11</sup> E-mail from \*\*\*.

<sup>12</sup> E-mail from \*\*\*.

<sup>13</sup> \*\*\*.

<sup>14</sup> Hearing transcript, p. 86 (Dauch).

<sup>15</sup> Petitioner's posthearing brief, exh. 7.

<sup>16</sup> E-mail from \*\*\*.

<sup>17</sup> E-mail from \*\*\* and \*\*\*.

<sup>18</sup> E-mails from \*\*\*.

<sup>19</sup> E-mail from \*\*\*.

<sup>20</sup> E-mail from \*\*\*.

Petitioners indicated that Daimler in Europe has contracted with a Chinese steel wheel manufacturer for truck produced in the European market. Daimler's parent company in Europe, Daimler AG stated that \*\*\* \*\*\*,<sup>21</sup> \*\*\*.<sup>22</sup>

### **Sales Terms and Discounts**

Producer Accuride reported offering \*\*\*. Hayes stated that it offers \*\*\*. Among responding importers, 12 of 24 do not have a discount policy. However, nine firms offer quantity discounts and four offer annual total volume discounts. In addition, one importer offers an early pay discount, two offer customer-specific discounts, and one offers promotional discounts on specific parts.

### **Price Leadership**

Purchasers were asked to identify any firm in the industry as a price leader. Six firms were identified by 17 purchasers. Accuride was mentioned by 10 purchasers, Hayes by 7 purchasers,<sup>23</sup> Titan by 4 purchasers (mostly by off-road/agricultural wheel purchasers), and Topy and GKN by one purchaser (an off-road wheel purchaser). Additionally, Chinese producer Jingu was noted as being the lowest-price Chinese producer of steel wheels by one purchaser.

### **OEM vs. OES Pricing**

Purchasers were asked whether they pay the same price for wheels in one role (e.g., for new truck vs. for truck repair) as in another role. Ten of 17 responding purchasers noted that they pay the same price, while 7 reported paying different prices. Four purchasers, including \*\*\*, noted that pricing in a service role can be higher due to increased packaging costs.

Purchasers were also asked if they purchase wheels for both roles at the same time or separately. Seven purchase wheels separately for their OEM and OES operations, five purchase wheels at the same, and two purchasers do both. Of these two purchasers, \*\*\* sells to both OEM and OES customers, and \*\*\* reported that some of its shipments go to different warehouse locations and are shipped separately, whereas other shipments may include both types in order to fill a container to reduce shipping costs.

### **PRICE DATA**

The Commission requested U.S. producers and importers of steel wheels to provide quarterly data for the total quantity and f.o.b. value of steel wheels that were shipped to unrelated customers in the U.S. market that were either produced in the United States or imported from China or nonsubject countries Canada, Mexico, and their largest non-North American source. Data were requested for the period January 2008 to September 2011. The products for which pricing data were requested are as follows:

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<sup>21</sup> E-mail from \*\*\*.

<sup>22</sup> Ibid.

<sup>23</sup> One purchaser (\*\*\*) characterized Hayes' South American wheels as "the cheapest overall."

**Product 1.**—22.5 inches by 8.25 inches steel wheels, regardless of coating, weighing 65 to 75 lbs., inclusive, sold to Original Equipment Manufacturers for production (OEMs).

**Product 2.**—22.5 inches by 8.25 inches steel wheels, regardless of coating, weighing 65 to 75 lbs., inclusive, sold to Original Equipment Manufacturers for servicing their equipment (OES).

**Product 3.**—22.5 inches by 8.25 inches steel wheels, regardless of coating, weighing 65 to 75 lbs., inclusive, sold to firms other than OES/OEMs.

**Product 4.**—22.5 inches by 8.25 inches steel wheels, regardless of coating, weighing more than 75 lbs. sold to Original Equipment Manufacturers for production (OEMs).

**Product 5.**—22.5 inches by 8.25 inches steel wheels, regardless of coating, weighing more than 75 lbs. sold to Original Equipment Manufacturers for servicing their equipment (OES).

**Product 6.**—22.5 inches by 8.25 inches steel wheels, regardless of coating, weighing more than 75 lbs. sold to firms other than OES/OEMs.

Products 1-3 are for sales of steel wheels weighing 65-75 pounds across three different types of customers, while products 4-6 are steel wheels weighing more than 75 pounds across the same three different types of customers.<sup>24</sup> Two U.S. producers and 17 importers of steel wheels from China and/or nonsubject countries provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters. Thirteen of the 17 importers reported data for imports from China.<sup>25</sup> By quantity, pricing data reported by responding firms in January 2008 to September 2011 accounted for approximately 65.2 percent of reported U.S. producers' U.S. shipments of steel wheels, and 60.8 percent of reported U.S. shipments of subject imports from China.<sup>26</sup>

Tables V-1 through V-6 and figures V-2 through V-7 present these data on a product-by-product basis. Product 1 was the largest volume product among the six products, accounting for more than \*\*\* percent of the pricing product data, and \*\*\* percent of total wheel shipments by domestic producers between January 2008 and September 2011.<sup>27 28</sup> Product 6 (wheels greater than 75 pounds sold to non-OEM/non-OES purchasers) was the next largest volume pricing product. It was also the largest volume product imported from China, accounting for 52.8 percent of all commercial shipments of imports from

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<sup>24</sup> In the preliminary phase, two products corresponding to steel wheels greater than 85 pounds accounted for only 0.8 percent of total pricing data volumes, with most of this volume coming from \*\*\*. Their low volumes and sporadic frequency may not be indicative of overall pricing comparisons and were therefore not listed as a separate pricing product in the final phase of these investigations.

<sup>25</sup> Seven firms supplied nonsubject pricing data. Pricing data for Canada was supplied by two firms (\*\*\*); Brazil, one firm (\*\*\*); Germany, one firm (\*\*\*); Japan, one firm (\*\*\*); Mexico, two firms (\*\*\*); and Turkey, three firms (\*\*\*). Not all data supplied were comparable, but tabular and graphical presentations of the comparable data, along with subject and domestic pricing data, are presented in appendix D.

<sup>26</sup> For nonsubject countries presented in appendix D, these figures are \*\*\* percent for Canada, and \*\*\* percent for Mexico. The rounding of small sales volumes resulted in \*\*\* percent coverage for Germany.

<sup>27</sup> There were some nonsubject imports of this product as well. These are presented in Appendix D. \*\*\*.

<sup>28</sup> In order for changes in quantities to be visible, please note that the scale for the quantities sold in figure V-2 (product 1) differs from those in the remainder of the pricing product figures.

China during the same period. Sales of product 1 and 3 (65-75 pound steel wheels sold to OEMs) imported from China were reported by \*\*\* and \*\*\*, both of which noted that they only sell to trailer OEMs.<sup>29</sup>

**Table V-1**

**Steel wheels: Weighted-average f.o.b. prices and quantities of domestic and imported product 1 and margins of underselling/(overselling), by quarters, January 2008-September 2011**

\* \* \* \* \*

**Table V-2**

**Steel wheels: Weighted-average f.o.b. prices and quantities of domestic and imported product 2 and margins of underselling/(overselling), by quarters, January 2008-September 2011**

\* \* \* \* \*

**Table V-3**

**Steel wheels: Weighted-average f.o.b. prices and quantities of domestic and imported product 3 and margins of underselling/(overselling), by quarters, January 2008-September 2011**

\* \* \* \* \*

**Table V-4**

**Steel wheels: Weighted-average f.o.b. prices and quantities of domestic and imported product 4<sup>1</sup> and margins of underselling/(overselling), by quarters, January 2008-September 2011**

\* \* \* \* \*

**Table V-5**

**Steel wheels: Weighted-average f.o.b. prices and quantities of domestic and imported product 5 and margins of underselling/(overselling), by quarters, January 2008-September 2011**

\* \* \* \* \*

**Table V-6**

**Steel wheels: Weighted-average f.o.b. prices and quantities of domestic and imported product 6<sup>1</sup> and margins of underselling/(overselling), by quarters, January 2008-September 2011**

\* \* \* \* \*

**Figure V-2**

**Steel wheels: Weighted-average quarterly f.o.b. prices and quantities of domestic and imported product 1, January 2008-September 2011**

\* \* \* \* \*

**Figure V-3**

**Steel wheels: Weighted-average quarterly f.o.b. prices and quantities of domestic product 2, January 2008-September 2011**

\* \* \* \* \*

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<sup>29</sup> Data for demountable rims have been excluded from the presented prices.

**Figure V-4**  
**Steel wheels: Weighted-average quarterly f.o.b. prices and quantities of domestic and imported product 3, January 2008-September 2011**

\* \* \* \* \*

**Figure V-5**  
**Steel wheels: Weighted-average quarterly f.o.b. prices and quantities of domestic and imported product 4, January 2008-September 2011**

\* \* \* \* \*

**Figure V-6**  
**Steel wheels: Weighted-average quarterly f.o.b. prices and quantities of domestic and imported product 5, January 2008-September 2011**

\* \* \* \* \*

**Figure V-7**  
**Steel wheels: Weighted-average quarterly f.o.b. prices and quantities of domestic and imported product 6, January 2008-September 2011**

\* \* \* \* \*

Producers and importers were asked the average weight of each of the wheels included in each pricing product. The average weight of products 1, 2, and 3 for domestically produced steel wheels was \*\*\* pounds. For these products imported from China, \*\*\* reported that its products 1 and 3 weighed \*\*\* pounds, \*\*\* stated that its wheels in these categories weighed \*\*\* pounds.<sup>30</sup> Importers \*\*\* did not have any sales to the largest truck or trailer OEMs; the largest trailer OEM that purchased from these importers was \*\*\*. For products 4, 5, and 6, the weights averaged \*\*\* pounds for domestic producers and 82.9 pounds for U.S. importers of steel wheels from China.

### Price Trends

In general, weighted-average U.S. quarterly f.o.b. prices of domestic products did not change greatly between periods with the following exceptions: between the first and second quarters of 2008, products 5 and 6 (both of which weigh more than 75 pounds) decreased by \*\*\* percent, respectively;<sup>31</sup> between the second and third quarters of 2009, product 5 increased by \*\*\* percent; and between the second and third quarters of 2011, products 2 and 5 (both of which are sold to OES purchasers) increased \*\*\* percent, respectively. Four of six pricing products fluctuated within a band of +/- \*\*\* percent of its period average price.<sup>32</sup> Between the first and last quarter of data, only product 5 changed more (see table V-7).

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<sup>30</sup> No data were reported for product 2. Importer \*\*\* reported only wheels that are not competitive with those listed in the pricing products. Staff were able to contact \*\*\* to disaggregate demountable rim data from wheel data. Importer \*\*\* also indicated that data it had initially reported were actually for demountable rims. E-mail from \*\*\*.

<sup>31</sup> In early 2008, Accuride introduced the “Statesman” model wheel, developed specifically to compete with imported Chinese steel wheels in the aftermarket. Conference transcript, p. 18 (Schomer).

<sup>32</sup> The products which did not fit into this band are products 5 and 6. However, if the last quarter of data were to be excluded from product 5 and the first quarter of 2008 from product 6, these products would also fit within the +/- \*\*\* percent band.

**Table V-7**  
**Steel wheels: Summary of weighted-average f.o.b. prices for products 1-6 from the United States and China**

\* \* \* \* \*

In general prices of domestically produced pricing products increased slightly between the second quarter of 2008 and the first quarter of 2009, then decreased through the end of 2009.<sup>33</sup> Across six of the seven quarters of observable data for 2010 and 2011, weighted-average prices moved less than \*\*\* percent. In general, weighted-average price movements between quarters were less than \*\*\* percent for each quarter since 2008.

Prices for steel wheels imported from China were more volatile than domestic prices for most pricing products. Weighted-average price changes among all pricing products changed by more than 8 percent during three of the period's fifteen quarters. Otherwise, weighted-average prices changed less than 6 percent per quarter. There were no shipments of imported Chinese product 2, and there were no shipments of imported Chinese product 1 or product 3 (65-75 pound wheels sold to OEMs and non-OEM/OES) until the first quarter of 2011, after which point quantities increased \*\*\*.

Imported Chinese product 4 (wheels greater than 75 pounds sold to OEMs) generally fell during from the end of 2008 until the second quarter of 2011, but never increased or decreased by more than \*\*\* percent from quarter to quarter. Prices of imported Chinese product 5 (wheels greater than 75 pounds sold to OES) changed the most since the first quarter of 2008, and have increased in each quarter since the first quarter of 2010. Prices of product 6 imported from China (wheels greater than 75 pounds sold to non-OEM/non-OES firms), the product with the greatest subject import volume, increased slightly during 2008, generally decreased through 2009, and generally increased in 2010. These prices then declined for the first two quarters of 2011 before increasing by \*\*\* percent in the third quarter of 2011.

### Price Comparisons

Price comparisons between U.S.-produced and imported steel wheels were reported in 51 instances. U.S. imports of steel wheels from China were priced below domestic prices in 49 of the 51 quarters of comparison (table V-8). With respect to OEM sales (products 1 and 4), the imported product was always priced below its domestic counterpart, with margins ranging from 8.2 to 32.0 percent. For OES sales (product 5), margins ranged from 10.1 to 29.0 percent. With respect to non-OEM/non-OES sales (products 3 and 6), the imported product undersold its domestic counterpart, by 0.8 to 18.7 percent. Product 6 (heavyweight wheels sold to non-OEM/non-OES firms), which accounted for approximately \*\*\* of shipments of steel wheels imported from China, undersold domestic steel wheels by an average of 10.6 percent. The largest average margins of underselling—greater than 20 percent— were recorded for products 4 and 5 (wheels greater than 75 pounds sold to OEMs and OES firms).

The pricing data displayed no distinct pattern of underselling with respect to time, as shown in the underselling timeline presented in figure V-8.

**Figure V-8**  
**Steel wheels: Margins of underselling by product, quarterly, January-March 2008 - July-September 2011**

\* \* \* \* \*

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<sup>33</sup> Domestic weighted-average prices are heavily influenced by movements in the price of Product 1 (65-75 pound wheels sold to OEMs) due to the large quantities sold.



**Table V-8**

**Steel wheels: Number of quarters of underselling and highest and lowest margins of underselling, by product number, January 2008-September 2011**

| Product      | Number of quarters of underselling | Number of quarters of overselling | Margins of underselling |                 |             | Margins of overselling |                 |               |
|--------------|------------------------------------|-----------------------------------|-------------------------|-----------------|-------------|------------------------|-----------------|---------------|
|              |                                    |                                   | Average (percent)       | Range (percent) |             | Average (percent)      | Range (percent) |               |
|              |                                    |                                   |                         | Min             | Max         |                        | Min             | Max           |
| 1            | 3                                  | 0                                 | 14.1                    | 8.2             | 19.0        | --                     | --              | --            |
| 2            | 0                                  | 0                                 | --                      | --              | --          | --                     | --              | --            |
| 3            | 2                                  | 1                                 | 11.8                    | 7.9             | 15.8        | (12.2)                 | (12.2)          | (12.2)        |
| 4            | 15                                 | 0                                 | 27.3                    | 24.0            | 31.4        | --                     | --              | --            |
| 5            | 15                                 | 0                                 | 21.8                    | 10.1            | 29.0        | --                     | --              | --            |
| 6            | 14                                 | 1                                 | 10.6                    | 0.8             | 18.7        | (0.6)                  | (0.6)           | (0.6)         |
| <b>Total</b> | <b>49</b>                          | <b>2</b>                          | <b>19.4</b>             | <b>0.8</b>      | <b>31.4</b> | <b>(6.4)</b>           | <b>(0.6)</b>    | <b>(12.2)</b> |

Source: Compiled from data submitted in response to Commission questionnaires.

**LOST SALES AND LOST REVENUES**

The Commission requested that U.S. producers of steel wheels report any instances of lost sales and lost revenues experienced due to competition from imports from China since January 1, 2008.<sup>34</sup> One producer reported six firms at which they had allegedly lost sales. There were no allegations of lost revenues. All of the lost sales allegations are presented in table V-9 and are discussed in more detail below. There were 20 lost sales allegations totaling \$\*\*\*.<sup>35</sup> Staff were able to contact all of the listed purchasers. Sixteen of the lost sales allegations were at least somewhat confirmed, totaling \$\*\*\*. Additional information, where relevant, is summarized in the individual responses below.

\* \* \* \* \*

<sup>34</sup> All investigated allegations were submitted in preliminary phase of this proceeding. A few additional allegations were submitted in the final phase, but all alleged activity occurred prior to the filing of the petition.

<sup>35</sup> In the final phase, one petitioner submitted four additional lost sales allegations that pre-date the petition filing date. These allegations were not investigated. As stated in the Commission’s producer questionnaire, any such allegations pre-dating the petition filing date must be submitted with the Petition.

<sup>36</sup> Fax from \*\*\*.

<sup>37</sup> Fax from \*\*\*.

<sup>38</sup> Fax from \*\*\*.

<sup>39</sup> Fax from \*\*\*.

<sup>40</sup> Fax from \*\*\*.

<sup>41</sup> Fax from \*\*\* and staff telephone interview with \*\*\*.

**Table V-9**  
**Steel wheels: U.S. producers' lost sales allegations**

\* \* \* \* \*

## PART VI: FINANCIAL EXPERIENCE OF THE U.S. PRODUCERS

### BACKGROUND

Two U.S. producers, Accuride and Hayes Lemmerz, reported their financial results related to operations on steel wheels.<sup>1</sup> Financial results were based on U.S. generally accepted accounting principles (“GAAP”) with Accuride reporting on a calendar-year basis and Hayes Lemmerz reporting on a fiscal-year basis.<sup>2 3</sup> The U.S. producer questionnaire response of Hayes Lemmerz was verified by staff on February 27-28, 2012. Changes resulting from verification are reflected in this and other sections of the staff report, as appropriate.<sup>4</sup>

While Accuride and Hayes Lemmerz are producers of steel wheels, the scope of each company’s overall establishment operations is different.<sup>5</sup> As discussed in Part III of this report, Accuride and Hayes Lemmerz both entered and exited Chapter 11 bankruptcy during the period examined. As a result, their reported financial results effectively represent the operations of predecessor and successor companies.<sup>6</sup>

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<sup>1</sup> \*\*\*. USITC auditor final-phase notes.

<sup>2</sup> Hayes Lemmerz reported its financial results for fiscal years 2009, 2010, and 2011 ending January 31. Since these fiscal years substantially correspond to the 2008, 2009, and 2010 calendar years reported by Accuride, they are referred to as such in this section of the report.

<sup>3</sup> Steel wheels revenue reflects commercial sales consisting primarily of U.S. sales and a smaller share of exports. \*\*\*. USITC auditor preliminary-phase notes.

<sup>4</sup> Verification report (Hayes Lemmerz), p. 2.

<sup>5</sup> At the end of the period, Accuride identified the following reportable segments: Wheels, Gunitite, Brillion Iron Works, and Imperial Group. Accuride 2011 10-Q (Q3), pp. 17-18. Accuride’s Wheels segment includes the following major product categories: Heavy and medium-duty steel wheels, heavy and medium-duty aluminum wheels, light truck steel wheels, and military wheels. Accuride 2010 10-K, p. 3, p. 10.

Brazilian-based Iochpe-Maxion, which concluded its acquisition of Hayes Lemmerz on February 1, 2012, reportedly operates a wheel and chassis division, an automotive components division, and participates in a joint venture with U.S.-based Amstead Industries that produces railway freight cars, railway wheels, and industrial and railway castings. Iochpe-Maxion “Background and Corporate Profile,” found at <http://www.iochpe-maxion.com.br/index.htm>, retrieved February 22, 2012. \*\*\*. E-mail with attachments from Hayes Lemmerz to USITC auditor, February 6, 2012.

<sup>6</sup> Accuride entered and exited Chapter 11 bankruptcy on October 8, 2009 and February 26, 2010, respectively. Prior to bankruptcy, the company was in default under its prepetition senior credit facility and the indenture governing its prepetition senior subordinated notes. Accuride 2010 10-K, p. 4. The company’s bankruptcy declaration indicated that poor and deteriorating market conditions prior to and during the period examined led to its bankruptcy filing. October 8, 2009 Accuride Bankruptcy Declaration, pp. 12-13. Accuride reportedly exited bankruptcy with a more a flexible capital structure, including a \$308-million term loan and \$140 million of convertible notes. “Wheel maker Accuride exits Chapter 11,” *Metal Bulletin Daily*, February 26, 2010, Issue 201, p. 75.

Hayes Lemmerz entered and exited Chapter 11 bankruptcy on May 18, 2009 and December 21, 2009, respectively. Hayes Lemmerz U.S. producer questionnaire, response to question II-2. In its previous 2001 bankruptcy, Hayes Lemmerz reportedly cited excessive debt, poorly integrated acquisitions and underperforming facilities as the primary factors leading to bankruptcy. <http://delawarebankruptcy.foxrothschild.com/2009/06/articles>, retrieved on April 25, 2011. With respect to its 2009 bankruptcy, a Hayes Lemmerz company official stated that “{t}he Chapter 11 filings were precipitated by an unprecedented slowdown in industry demand and a tightening of credit markets. These filings will allow us to reduce our debt and restructure our balance sheet.” “Hayes Lemmerz Enters into Pre-Negotiated Bankruptcy Reorganization,” *Foundry Management & Technology*, June 2009, Vol. 137 Issue 6, p. 4. Pursuant to its bankruptcy restructuring, Hayes Lemmerz secured \$200 million in exit financing and reportedly reduced its U.S. debt to \$240 million from \$720 million. Also, the company’s U.S. legacy retiree pension and medical liabilities were reduced from over \$250 million to less than \$75 million. “Hayes Lemmerz Emerges from  
(continued...)

## OPERATIONS ON STEEL WHEELS

Income-and-loss data for operations on steel wheels are presented in table VI-1. Table VI-2 presents selected company-specific financial information. A variance analysis of the financial results of steel wheels is presented in table VI-3.<sup>7</sup>

**Table VI-1**

**Steel wheels: Results of operations, 2008-10, January-September 2010, and January -September 2011**

\*            \*            \*            \*            \*            \*            \*

**Table VI-2**

**Steel wheels: Results of operations, by firm, 2008-10, January-September 2010, and January -September 2011**

\*            \*            \*            \*            \*            \*            \*

**Table VI-3**

**Steel wheels: Variance analysis of financial results, 2008-10, January-September 2010, and January-September 2011**

\*            \*            \*            \*            \*            \*            \*

### Revenue

As shown in table VI-1, the industry’s total sales fell sharply in 2009 and then recovered somewhat in 2010. This pattern is consistent with an acceleration of declining downstream demand in 2009, which reportedly began prior to the period examined, and a subsequent modest recovery in demand in 2010.<sup>8 9</sup> While both U.S. producers reported similar patterns of period-to-period changes in total sales,

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<sup>6</sup>(...continued)

Chapter 11,” *Mergers & Acquisitions Report*, January 4, 2010, Vol. 23 Issue 1, p. 9.

<sup>7</sup> The Commission’s variance analysis is calculated in three parts: sales variance, cost of goods sold (“COGS”) variance, and sales, general and administrative (“SG&A”) expenses variance. Each part consists of a price variance (in the case of the sales variance) or a cost variance (in the case of the COGS and SG&A variances) and a volume (quantity) variance. The sales or cost variance is calculated as the change in unit price/cost times the new volume, while the volume variance is calculated as the change in volume times the old unit price/cost. Summarized at the bottom of the respective tables, the price variance is from sales, the cost/expense variance is the sum of those items from COGS and SG&A, respectively, and the net volume variance is the sum of the sales, COGS, and SG&A volume variances. All things being equal, a stable overall product mix generally enhances the utility of the Commission’s variance analysis. As indicated in the Revenue section of this part of the report, however, product mix did change somewhat during the period. Additionally, as noted in the Cost of Goods Sold and Gross Profit and SG&A Expenses and Operating Income or (Loss) sections of this part of the report, the industry’s financial results include non-recurring items in COGS and SG&A expenses.

<sup>8</sup> In its 2009 bankruptcy declaration, Accuride noted that truck fleets began delaying purchases in late 2007 as the U.S. economy began to slow and the freight environment weakened. In 2008 and 2009, demand reportedly declined further due to the downturn in the economy and tightened credit terms. October 8, 2009 Accuride Bankruptcy Declaration, pp. 12-13. The sales section of table VI-3 variance analysis shows that the decline in total steel wheels revenue in 2009 compared to 2008 was primarily due to a negative volume variance and to a lesser extent to a

(continued...)

\*\*\* U.S. producer in terms of steel wheels sales volume, reported a larger decline (2008-09) and subsequent recovery (2009-10) \*\*\*. In contrast, \*\*\*.<sup>10</sup>

As indicated in Part III of this report and as compared to \*\*\* share of sales reflect a \*\*\* percentage of higher value heavy-duty wheels and a corresponding \*\*\* of wheels weighing between 65-75 pounds. \*\*\* product mix fluctuated and for much of the period reflects a \*\*\* in lower value medium-duty wheels and a corresponding \*\*\* in the share of wheels weighing less than 65 pounds. In table VI-2, these general differences in company-specific product mix appear to be reflected in \*\*\* throughout the period. As shown in table VI-2, \*\*\* is consistent with a shift in its product mix to \*\*\* of lower value medium-duty wheels and a corresponding \*\*\* in the share of heavy-duty wheels, while its \*\*\* average sales value in interim 2011 is consistent with a shift to \*\*\* heavy-duty wheels. While \*\*\* variability, period-to-period changes in its product mix were \*\*\*.

### Cost of Goods Sold and Gross Profit

Raw material costs, representing the majority of total COGS (\*\*\* percent on a cumulative basis), primarily reflect the cost of steel with corresponding fluctuations in price generally transferred to customers in the form of pass-through provisions.<sup>11 12</sup> As a percentage of total COGS, raw material costs remained within a relatively narrow range from a low of \*\*\* percent in 2009 to a high of \*\*\* percent in interim 2011. On an average per wheel basis, raw material cost followed the same directional trend as average sales value for much of the period.

Direct labor and other factory costs (\*\*\* percent and \*\*\* percent, respectively, of total COGS on a cumulative basis) make up the remainder of total COGS. The relatively small share of direct labor as a share of total COGS (ranging from a low of \*\*\* percent in 2010 to a high of \*\*\* percent in 2009), in conjunction with the higher share of other factory costs (inclusive of non-recurring items) (ranging from a low of \*\*\* percent in interim 2011 to a high of \*\*\* percent in 2009), is generally consistent with a highly automated steel wheels production process.<sup>13 14</sup>

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<sup>8</sup>(...continued)  
negative price variance.

<sup>9</sup> Accuride 2010 10-K, p. 41. The sales section of the table VI-3 variance analysis shows that the subsequent increase in total revenue in 2010 compared to 2009 was due entirely to a positive volume variance which was partially offset by a negative price variance.

<sup>10</sup> These differences do not appear to be directly related to the timing of each company's bankruptcy entry/exit. As noted in the Restructuring and Bankruptcy section of this part of the report, Accuride and Hayes Lemmerz both operated during bankruptcy pursuant to debtor-in-possession status. Neither company's day-to-day steel wheels operations were reportedly impacted by bankruptcy.

<sup>11</sup> Conference transcript, pp. 16 and 30 (Schomer and Weisend); Petition, p. I-4.

\*\*\*. Letter from Schagrin Associates on behalf of Accuride, April 27, 2011. \*\*\*. E-mail with attachment from Hayes Lemmerz to USITC auditor, April 27, 2011.

<sup>12</sup> Conference transcript, pp. 16, 66 (Schomer) and p. 66 (Kato).

<sup>13</sup> Conference transcript, p. 21 (Noll). E-mail with attachment from Hayes Lemmerz to USITC auditor, April 27, 2011.

<sup>14</sup> Accuride and Hayes Lemmerz both described similar costs which make up total conversion costs (i.e., direct labor and other factory costs). Accuride's conversion costs, in addition to direct labor, \*\*\*. Letter from Schagrin Associates on behalf of Accuride, April 27, 2011. Similarly, as described by Hayes Lemmerz, non-direct labor conversion costs include \*\*\*. E-mail with attachment from Hayes Lemmerz to USITC auditor, April 27, 2011.

On an average per wheel basis, table VI-1 shows that COGS reached its highest level in 2009 with non-recurring charges accounting for the majority of the 2008-09 increase.<sup>15</sup>

Notwithstanding changes in the level of total SG&A expenses and corresponding SG&A expense ratios, as discussed below, the industry's pattern of gross profitability was a more important driver in terms of explaining its operating income during the period. While Accuride and Hayes Lemmerz both reported \*\*\* of full-year gross profit in 2008, each company reported \*\*\* in that year, as well as in subsequent periods (see table VI-2).<sup>16</sup> \*\*\* gross profit margin reported by Accuride, the \*\*\* reported of the period, Accuride indicated that its 2008 gross profit margin was \*\*\*.<sup>17</sup> Similarly and with regard to its \*\*\* the expected/normal range of gross profit for steel wheels.<sup>18</sup> While a number of factors potentially come into play, \*\*\* in both product mix, as noted above, as well as other important aspects such as marketing strategies and customer mix.<sup>19</sup>

In conjunction with a negative price variance between 2008 and 2009 (see table VI-3), the higher overall average COGS in 2009 resulted in a contraction of the industry's gross profit on an absolute basis and as a percent of sales. The gross profit section of the variance analysis shows that, notwithstanding the continued decline in average sales value, which in turn generated a negative price variance, gross profit increased in 2010 compared to 2009 due to the combination of a positive cost variance and a positive net volume variance. In contrast, the continued relative improvement in gross profitability in interim 2011 was due to both a positive price variance, the only one of the period, and a positive volume variance which were partially offset by a negative cost variance. As shown in table VI-2, \*\*\* gross profit margins in interim 2011 compared to interim 2010.<sup>20 21</sup>

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<sup>15</sup> \*\*\*. Verification report, p. 7. \*\*\*. E-mail with attachments from Hayes Lemmerz to USITC auditor, February 6, 2012.

\*\*\*.

<sup>16</sup> As shown in table VI-2, \*\*\*.

<sup>17</sup> Accuride stated that \*\*\*. E-mail with attachment from Accuride to USITC auditor, February 6, 2012.

<sup>18</sup> According to Hayes Lemmerz, \*\*\*. E-mail with attachments from Hayes Lemmerz to USITC auditor, February 6, 2012.

<sup>19</sup> With respect to product mix and marketing in general, Accuride stated that \*\*\*. Letter from Schagrin Associates on behalf of Accuride, April 27, 2011. In a posthearing response to a question at the Commission's hearing, \*\*\*. Response to hearing question from Commissioner Pinkert, Petitioners' prehearing brief, p. A-17. With respect to the aftermarket channel specifically, Accuride's 2010 10-K states that "{e}ffective May 2009, {Accuride} implemented a consolidated aftermarket distribution strategy for our wheels, wheel-end components, and Highway Original aftermarket brand. In support of this initiative, we closed two existing warehouses and opened a distribution center strategically located in the Indianapolis, Indiana, metropolitan area. As a result, customers can order steel and aluminum wheels, brake drums/rotors, automatic slack adjusters, bumpers, fuel tanks, and battery boxes on one purchase order, improving freight efficiencies and improved inventory turns for our customers. This capability is a strategic advantage over our single product line competitors. The aftermarket infrastructure enables us to expand our manufacturing plant direct shipments to larger aftermarket customers utilizing a virtual distribution strategy that allows us to maintain and enhance our competitiveness by eliminating unnecessary freight and handling through the distribution center." Accuride 2010 10-K, p. 13.

<sup>20</sup> With regard to the level of its gross profit margin at the end of the period, Accuride stated that \*\*\*. E-mail with attachment from Accuride to USITC auditor, February 6, 2012.

<sup>21</sup> While acknowledging \*\*\*. E-mail with attachment from Hayes Lemmerz to USITC auditor, February 6, 2012.

## SG&A Expenses and Operating Income or (Loss)

Overall SG&A expenses (inclusive of non-recurring items) were only marginally lower in 2009 compared to 2008 which, in conjunction with lower revenue, resulted in a corresponding increase in the industry's SG&A expense ratio: from a low of \*\*\* percent of sales in interim 2011 to a high of \*\*\* percent of sales in 2009 (see table VI-1). As shown in table VI-2, this pattern was largely attributable to \*\*\* which were classified as SG&A expenses.<sup>22</sup> (Note: These items are identified separately in table VI-1.) In contrast, \*\*\* throughout the period which is generally consistent with testimony at the staff conference indicating that the company took a number of steps to reduce SG&A-related expenses.<sup>23</sup>

Together with a higher overall SG&A expense ratio in 2009, the decline in the industry's gross profit margin, as noted above, generated an overall operating loss in 2009. In 2010 the industry's overall SG&A expense ratio declined compared to 2009 (inclusive of the above-referenced non-recurring items) which, in conjunction with a corresponding increase in gross profit margin, resulted in operating income in 2010. At the end of the period, the continued decline in the industry's SG&A expense ratio, an expanded gross profit margin, and higher corresponding sales volume combined to generate a relatively large increase in operating income between interim 2010 and interim 2011. As shown in table VI-2 and consistent with the discussion regarding the level of company-specific \*\*\*.

## Bankruptcy and Restructuring

Hayes Lemmerz's bankruptcy lasted for approximately 7 months (from mid-May 2009 to mid-December 2009) and therefore is reflected in its entirety in the company's FY 2010 financial results (included in calendar-year 2009 as indicated in footnote 2 of this part of the report). In contrast, Accuride's bankruptcy was somewhat shorter, lasting approximately 5 months (from early October 2009 to late February 2010), and spanned two fiscal periods. As a result, the year of Accuride's bankruptcy exit (2010) primarily reflects its post-bankruptcy operations.

With respect to the industry's financial results, the bankruptcy reorganizations of Accuride and Hayes Lemmerz are most directly reflected in the form of large bankruptcy-related items presented below operating income in table VI-1.<sup>24</sup> As noted above, a portion of \*\*\*. In addition to these items, both companies also reported full-year declines in their interest expense after 2009 which is consistent with debt restructuring pursuant to bankruptcy.

As described by Accuride, \*\*\*.<sup>25</sup> Similarly, according to Hayes Lemmerz, \*\*\*.<sup>26</sup> The absence of direct operational changes as a result of bankruptcy is generally consistent with testimony at the staff

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<sup>22</sup> As described by Accuride, \*\*\*. E-mail with attachment from Accuride to USITC auditor, February 6, 2012. \*\*\*. E-mail from Accuride to USITC auditor, February 15, 2012.

<sup>23</sup> Conference transcript, p. 76 (Hampton).

<sup>24</sup> In 2009, the year Hayes Lemmerz exited bankruptcy, the company reported a net bankruptcy-related charge of \*\*\*. In 2010, the year it exited bankruptcy, Accuride originally reported a net bankruptcy-related charge of \*\*\*. E-mail from Accuride to USITC auditor, February 15, 2012. USITC auditor final-phase notes.

<sup>25</sup> E-mail with attachment from Accuride to USITC auditor, February 6, 2012.

<sup>26</sup> Hayes Lemmerz U.S. producer questionnaire, response to III-11. \*\*\*. E-mail with attachment from Hayes Lemmerz to USITC auditor, February 6, 2012.

Accuride stated that \*\*\*. Accuride U.S. producer questionnaire, response to III-11.

conference and the hearing which indicated that neither company's steel wheels operations were disrupted.<sup>27</sup>

While the bankruptcy reorganizations of Accuride and Hayes Lemmerz did not involve specific restructuring of manufacturing operations, as indicated above, restructuring activity, unrelated to bankruptcy, is reflected in each company's financial results. \*\*\*.<sup>28</sup> \*\*\*.<sup>29</sup>

### **CAPITAL EXPENDITURES, RESEARCH AND DEVELOPMENT EXPENSES, TOTAL NET ASSETS, AND RETURN ON INVESTMENT**

Data on capital expenditures and research and development ("R&D") expenses related to operations on certain steel wheels are presented in table VI-4. Data on total net assets and corresponding return on investment ("ROI") for the full-year periods (2008 through 2010) are presented in table VI-5.

**Table VI-4**  
**Steel wheels: Capital expenditures and R&D expenses by firm, 2008-10, January-September 2010, and January-September 2011**

\* \* \* \* \*

**Table VI-5**  
**Steel wheels: Total net assets and return on investment by firm, 2008-10**

\* \* \* \* \*

Capital expenditures declined in 2009 compared to 2008 and then increased in 2010. According to Accuride, \*\*\*. As described by Hayes Lemmerz, \*\*\*.<sup>30</sup>

As shown in table VI-4, overall R&D expenses declined throughout the period. As described by Accuride, \*\*\*.<sup>31</sup> The decline in total assets in 2009 shown in table VI-5 \*\*\*.<sup>32</sup> In a similar manner but reflecting \*\*\*.<sup>33</sup>

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<sup>27</sup> Conference transcript, p. 73 (Kato) and p. 74 (Schomer). Both companies were operated pursuant to "debtor in possession" status during their respective bankruptcies. Accuride 2010 10-K, p. 4. "Hayes Lemmerz Enters into Pre-Negotiated Bankruptcy Reorganization," *Foundry Management & Technology*, June 2009, Vol. 137 Issue 6, p. 4.

<sup>28</sup> With respect to this restructuring, Accuride stated that \*\*\*. E-mail with attachment from Accuride to USITC auditor, February 6, 2012. \*\*\*.

<sup>29</sup> E-mail with attachment from Accuride to USITC auditor, February 6, 2012. \*\*\*.

<sup>30</sup> Accuride stated that \*\*\*. E-mail with attachment from Accuride to USITC auditor, February 6, 2012.

According to Hayes Lemmerz, \*\*\*. E-mail with attachment from Hayes Lemmerz to USITC auditor, February 6, 2012.

<sup>31</sup> Petitioners' postconference brief, Exh. 20. According to Accuride, \*\*\*. Ibid.

<sup>32</sup> Hayes Lemmerz U.S. producer questionnaire, response to III-13.

<sup>33</sup> Petitioners' postconference brief, Exh. 20.



## CAPITAL AND INVESTMENT

The Commission requested U.S. producers to describe any actual or anticipated negative effects of imports of steel wheels from China on their firms' growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of capital investments. The U.S. producers' responses are presented below.

### Actual Negative Effects

|                    |      |
|--------------------|------|
| Accuride           | ***. |
| Hayes Lemmerz      | ***. |
| Topy <sup>34</sup> | ***. |

### Anticipated Negative Effects

|               |      |
|---------------|------|
| Accuride      | ***. |
| Hayes Lemmerz | ***. |
| Topy          | ***. |

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<sup>34</sup> \*\*\*.



## **PART VII: THREAT CONSIDERATIONS AND INFORMATION ON NONSUBJECT COUNTRIES**

The Commission analyzes a number of factors in making threat determinations (see 19 U.S.C. § 1677(7)(F)(i)). Information on the dumping margins and the nature of the subsidies was presented earlier in this report; information on the volume of imports of the subject merchandise and pricing of domestic goods and imports is presented in *Part IV* and *Part V*, respectively; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in *Part VI*. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows. Also presented in this section of the report is information obtained for consideration by the Commission on nonsubject countries.

### **THE INDUSTRY IN CHINA**

#### **Overview**

Petitioners indicated that there may be as many as 50 producers of subject steel wheels in China,<sup>1</sup> and provided a listing of 24 such firms in the petition.<sup>2</sup> However, respondents claimed that they are aware of no more than eight producers in China that are capable of producing the subject steel wheels for the U.S. market.<sup>3</sup> They contend that many companies that produce steel wheels in China: (1) cannot produce steel wheels that are light enough to be acceptable in the U.S. market (i.e., less than 85 pounds);<sup>4</sup> (2) produce only tube-type wheels, which are no longer used in the United States; (3) cannot produce steel wheels that meet minimum U.S. steel safety standards or choose not to do so because of the potential risk of product recalls; and/or (4) produce nonsubject steel wheels that are outside the dimensional specification of the subject merchandise. In addition, they argued that there may be a small number of Chinese producers that are capable of producing the subject steel wheels for the U.S. market, but those companies serve only the Chinese market because of certain barriers to entry in the United States (e.g., language, etc.).<sup>5</sup> The respondents, therefore, argued that the Chinese producers presently lack the ability to compete for truck OEM or major trailer OEM long-term contracts.<sup>6</sup> Moreover, respondents noted that the petitioners required at least two years to be able to produce the lighter weight steel wheel, and that the learning curve for Chinese suppliers would likely be significantly longer.<sup>7</sup>

Respondent CCCME claimed that lightweight steel wheels are difficult to manufacture, and that most Chinese mills cannot produce them because they lack the high tensile steel and/or the processing equipment or mold production experience necessary to produce lightweight steel wheels.<sup>8</sup> Respondents also noted that many Chinese companies cannot produce steel wheels that meet minimum U.S. steel

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<sup>1</sup> Conference transcript, p. 19 (Schomer); transcript, p. 103 (Schagrin).

<sup>2</sup> Petition, exh. I-2.

<sup>3</sup> Respondents' posthearing brief, pp. 3-4.

<sup>4</sup> Respondents claimed that Chinese producers cannot produce the lightweight wheels in the size range demanded by the major OEMs in the United States. Respondents' posthearing brief, p. 9.

<sup>5</sup> Hearing transcript, pp. 173-175 (Wu).

<sup>6</sup> Respondents' posthearing brief, p. 9.

<sup>7</sup> Zhejiang's posthearing brief, p. 30.

<sup>8</sup> Respondent CCCME's postconference brief, pp. 8-9.

safety standards,<sup>9</sup> in part because they lack the technology and equipment and high strength steel necessary to do so.<sup>10</sup> According to respondent Zhejiang Jingu, certain manufacturing equipment (e.g., spinning machines, flow-forming machines) used by Chinese steel wheel producers to produce steel wheels cannot be used to produce light-weight wheels. This technology reportedly has lower accuracy rates and power levels than the more advanced equipment used to produce lighter weight wheels, which limits the ability of Chinese manufacturers to produce wheels with reduced thickness and therefore reduced weight.<sup>11</sup>

Respondents initially contended that, in China, there is “no downstream demand for a lightweight steel wheel, and thus for lightweight steel that could meet those specifications.”<sup>12</sup> Zhejiang Jingu subsequently elaborated that, although Chinese steel producers do produce some types of high strength steel, this steel cannot be used to produce light-weight wheels in commercial quantities because it does not meet production requirements, is not readily available in China’s market, or is too expensive to be cost effective.<sup>13 14</sup>

Finally, the respondents noted that there is no evidence in the record to suggest that any Chinese producer has started the qualification process with a major U.S. truck or trailer OEM, and that none of the five companies providing certifications has either initiated negotiations with the OEMs or begun the qualification process.<sup>15</sup>

Petitioners, however, claimed that Chinese producers are “increasingly developing, marketing, and actually selling increasingly lighter wheels in larger numbers.”<sup>16</sup> Petitioners pointed to a website posting by Jingu, for example, that its “.....*“HSLA Light Wheel” Project is listed as a “National HiTech Project”*,” and that Jingu is “devoted” to reducing wheel weight by 50 percent.<sup>17</sup> Petitioners also highlighted several other Chinese firms, including Shandong Shengtai Wheel Co. and Xiamen Sunrise, that are promoting their lightweight wheels.<sup>18</sup> In addition, petitioners indicated that truck parts are included in the Chinese government’s list of “key auto parts,” including “high-strength steel wheels” that are part of “encouraged” industries entitled to preferential government support.<sup>19</sup>

Moreover, to explain how the transition from heavy to lightweight steel wheels can occur on the same manufacturing equipment, one of the petitioners, citing his company’s experience, indicated that the changeover to lightweight steel from heavier steel required “only some tooling changes to accommodate processing thinner steel” and “\*\*\*.”<sup>20</sup>

One questionnaire respondent noted that its supplier \*\*\* went from offering heavier to lighter wheels, with the weight dropping from \*\*\* to \*\*\* pounds, in contrast to \*\*\*, “the exact opposite of what

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<sup>9</sup> Hearing transcript, p. 174 (Wu).

<sup>10</sup> Hearing transcript, p. 177 (Lowe).

<sup>11</sup> Zhejiang’s posthearing brief, p. 57.

<sup>12</sup> Hearing transcript, p. 242 (Lee).

<sup>13</sup> Zhejiang’s posthearing brief, p. 58.

<sup>14</sup> For additional information regarding certain leading Chinese mills that offer HSLA steel, see petitioners’ posthearing brief, exh. 14 (Wisco, Baosteel, Ansteel).

<sup>15</sup> Respondents’ posthearing brief, p. 11.

<sup>16</sup> Petitioners’ posthearing brief, p. 3.

<sup>17</sup> Petitioners’ posthearing brief, p. 1.

<sup>18</sup> Petitioners’ posthearing brief, p. 2.

<sup>19</sup> Petitioners’ posthearing brief, p. 3.

<sup>20</sup> Petitioners’ posthearing brief, exhibit 7.

everyone in China is offering. Everyone in China is offering a new light weight wheel.”<sup>21</sup> According to \*\*\*, “This was purposeful - we wanted to offer a more fuel effective wheel - to help truck drivers and fleet owners reduce the total cost of ownership of the trailers.”<sup>22</sup>

### Operation on Steel Wheels

The Commission sent foreign producer questionnaires to all firms identified by petitioners as possible producers/exporters of subject steel wheels in China. The following eight producers of steel wheels in China provided responses to the Commission’s request for information: Dongfeng Automotive, Jiaying Stone, Jining Centurion,<sup>23</sup> Shandong Jining, Shandong Shengtai, Shandong Xingmin,<sup>24</sup> Xiamen Sunrise, and Zhejiang Jingu.<sup>25</sup> The firms, along with their shares of reported production and subject exports to the United States (by quantity), are presented in table VII-1. By way of comparison, Chinese respondents submitted a statement by the China Association of Automobile Manufacturers (“CAAM”) stating that total Chinese capacity for subject wheels is about 8 million units annually. The CAAM estimated Chinese capacity to produce subject wheels would increase by 1-2 million wheels by 2012.<sup>26</sup>

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<sup>21</sup> Purchaser questionnaire response of \*\*\*.

<sup>22</sup> Purchaser questionnaire response of \*\*\*.

<sup>23</sup> Jining Centurion and Jining CII were established in China in 2005 to produce a variety of steel wheels, including the subject merchandise. The companies share a common majority owner, whose sibling owns a minority share of Jining Centurion. Another primary family member wholly owns a disc production facility that is housed within Centurion’s production facility, is devoted exclusively to Centurion’s production of subject merchandise, and is the primary source for a step in Centurion’s production process. *Issues and Decision Memorandum for the Final Determination, Re: Countervailing Duty (CVD) Investigation: Certain Steel Wheels from the People’s Republic of China*, International Trade Administration, U.S. Department of Commerce, March 16, 2012, pp. 6-7.

<sup>24</sup> Shandong Xingmin and its subsidiaries, Sino-tex and Tangshan Xingmin, are producers of subject merchandise in China. Shandong Xingmin sold the subject merchandise in China and export markets, whereas Sino-tex sold steel wheels to the Chinese home market. Both of these facilities are located in the Longkou Economic Development District in Shandong Province. Tangshan Xingmin was established in October 2010 as a producer of subject merchandise. *Issues and Decision Memorandum for the Final Determination, Re: Countervailing Duty (CVD) Investigation: Certain Steel Wheels from the People’s Republic of China*, International Trade Administration, U.S. Department of Commerce, March 16, 2012, p. 7. Shandong Xingmin indicated in its response to the Commission’s questionnaire that the establishments covered by its response are for facilities located in the Longkou Economic Development Zone and include the production facility established in late 2010.

<sup>25</sup> As previously indicated in Part I, the following firms in China are owned by Zhejiang Jingu: Chengdu, Zhejiang Wheel World, and Shanghai Yata. Chengdu and Zhejiang Wheel World are Chinese producers of steel wheels. Chengdu produces subject merchandise for sale in the Chinese market. Although Zhejiang Wheel World claimed that it does not manufacture steel wheels that fall within the dimensional specifications of the subject merchandise, Commerce determined that the subject merchandise could be produced by Zhejiang Jingu. Shanghai Yata is a trading company in China that has no production operations but exports the subject merchandise to the United States. *Issues and Decision Memorandum for the Final Determination, Re: Countervailing Duty (CVD) Investigation: Certain Steel Wheels from the People’s Republic of China*, International Trade Administration, U.S. Department of Commerce, March 16, 2012, pp. 5-6. Zhejiang Jingu indicated in its response to the Commission’s questionnaire that the establishments covered by its response are for Zhejiang Jingu and Chengdu.

<sup>26</sup> Respondents’ posthearing brief, p. 4; respondents’ prehearing brief, exh. 2.

**Table VII-1**  
**Steel wheels: Reporting manufacturers/exporters in China, and quantities and shares of reported production and exports to the United States, 2010**

\* \* \* \* \*

The eight responding Chinese producers reported that together they exported \*\*\* steel wheels to the United States during 2010, which staff believes accounts for \*\*\* percent or more of total exports of subject steel wheels from China to the United States based on official Commerce import statistics reported under HTS statistical reporting numbers 8708.70.0500, 8708.70.2500, and 8708.70.4530.<sup>27</sup>

The Commission asked the Chinese producers to indicate whether they or any related firms, have the capability to produce, or have any plans to produce steel wheels in the United States or other countries. \*\*\*. In response to the question concerning whether their firm or any related firms import or have any plans to import 18” - 24.5” steel wheels into the United States, only one firm responded that they had a related U.S. importer of the subject merchandise. Chinese producer Jining Centurion reported that it is related to U.S. importer Centurion Wheels Manufacturing Co. located in Orem, UT.

The Commission also asked the Chinese firms to estimate the shares of their total sales that were represented by sales of steel wheels in the relevant size range; firms’ estimates ranged from \*\*\* percent to \*\*\* percent of total company sales in their most recent fiscal year. \*\*\* of the eight responding firms in China reported data concerning the production of other products (e.g., steel wheels less than 18 inches or more than 24.5 inches nominal diameter) using the same equipment and machinery and employing the same production and related workers as used in the production of the subject steel wheels. The data provided by these firms were allocated based on the share of total production held by the subject steel wheels. The aggregate overall capacity for all products produced using the same equipment and machinery as used in the production of the subject steel wheels by the responding eight Chinese firms amounted to 11.0 million units in 2010.

In response to a question concerning changes in the character of operations concerning the production of steel wheels since January 1, 2008, three of the eight responding producers in China reported \*\*\* plant openings or closings, relocations, expansions, acquisitions, changes in ownership, consolidations, prolonged shutdowns, importation curtailments, revised labor agreements, or other changes in the character of operations. However, five of the responding Chinese producers reported certain changes in the character of operations, including plant expansions, openings, acquisitions, and/or consolidations in relation to their production of subject steel wheels. In addition, three producers in China reported that they anticipated certain changes in the character of their operations or organization relating to the production of 18” - 24.5” steel wheels in the future. Company responses concerning the actual and anticipated changes in the character of their steel wheel operations in China are presented in table VII-2.

**Table VII-2**  
**Steel wheels: Chinese producers’ comments concerning actual and anticipated changes in the character of operations**

\* \* \* \* \*

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<sup>27</sup> Chinese respondents asserted that the Commission has received questionnaire responses from every significant Chinese producer capable of supplying the U.S. market. Chinese respondents’ posthearing brief, responses to select Commission questions, p. 2; and Jingu posthearing brief, p. 4. The petitioners argued, however, that there are at least 18 Chinese manufacturers of subject steel wheels that actively market steel truck wheels in the United States that meet U.S. Department of Transportation specifications. Petitioners’ posthearing brief, exhs. 10 and 11.

Data provided by the eight Chinese steel wheel producers responding to the Commission's questionnaire concerning capacity, production, inventories, and shipments are presented in table VII-3.

**Table VII-3**  
**Steel wheels: China production capacity, production, shipments, and inventories, 2008-10, January-September 2010, and January-September 2011<sup>1</sup>**

| Item  | 2008      | 2009      | 2010      | January-September |           |
|---|-----------|-----------|-----------|-------------------|-----------|
|   |           |           |           | 2010              | 2011      |
| <b>Quantity (number of wheels)</b>  |           |           |           |                   |           |
| Capacity <sup>2</sup>   | 4,599,336 | 4,807,655 | 6,350,884 | 4,769,087         | 5,304,835 |
| Production  | 3,284,891 | 3,068,821 | 5,320,554 | 3,996,874         | 4,233,613 |
| End of period inventories   | 443,108   | 475,261   | 634,820   | 685,124           | 440,057   |
| Shipments:  |           |           |           |                   |           |
| Internal consumption  | 0         | 0         | 0         | 0                 | 0         |
| Home market   | 1,368,350 | 1,648,977 | 2,707,306 | 2,024,518         | 2,300,095 |
| Exports to--  |           |           |           |                   |           |
| The United States   | ***       | ***       | ***       | ***               | ***       |
| European Union  | ***       | ***       | ***       | ***               | ***       |
| India   | ***       | ***       | ***       | ***               | ***       |
| All other markets <sup>3</sup>  | ***       | ***       | ***       | ***               | ***       |
| Total exports   | 1,747,617 | 1,388,724 | 2,456,997 | 1,757,539         | 2,059,300 |
| Total shipments   | 3,115,967 | 3,037,701 | 5,164,303 | 3,782,057         | 4,359,395 |
| <b>Ratios and shares (percent)</b>  |           |           |           |                   |           |
| Capacity utilization  | 71.4      | 63.8      | 83.8      | 83.8              | 79.8      |
| Inventories to production   | 13.5      | 15.5      | 11.9      | 12.9              | 7.8       |
| Inventories to total shipments  | 14.2      | 15.6      | 12.3      | 13.6              | 7.6       |
| Share of total quantity of shipments:   |           |           |           |                   |           |
| Internal consumption  | 0.0       | 0.0       | 0.0       | 0.0               | 0.0       |
| Home market   | 43.9      | 54.3      | 52.4      | 53.5              | 52.8      |
| Exports to--  |           |           |           |                   |           |
| The United States   | ***       | ***       | ***       | ***               | ***       |
| European Union  | ***       | ***       | ***       | ***               | ***       |
| India   | ***       | ***       | ***       | ***               | ***       |
| All other markets <sup>3</sup>  | ***       | ***       | ***       | ***               | ***       |
| All export markets  | 56.1      | 45.7      | 47.6      | 46.5              | 47.2      |
| <p><sup>1</sup> The aggregate data presented were provided by the following eight producers of steel wheels in China: Dongfeng Automotive, Jiaying Stone, Jining Centurion, Shandong Jining, Shandong Shengtai, Shandong Xingmin, Xiamen Sunrise, and Zhejiang Jingu. The data provided by Shandong Jining and Shandong Shengtai were for all sizes of steel wheels produced in their establishments. Adjustments to these reported data were made by Commission staff based on company production data for subject steel wheels. Based on official Commerce import statistics, staff estimates that these eight firms' exports of subject steel wheels to the United States during 2010 accounted for more than *** percent of total Chinese exports of subject steel wheels from China to the United States.</p> <p><sup>2</sup> Reported capacity is based on operating from *** to *** hours per week, *** to *** weeks per year.</p> <p><sup>3</sup> Principal other export markets identified by the Chinese producers include ***.</p> |           |           |           |                   |           |
| Source: Compiled from data submitted in response to Commission questionnaires.  |           |           |           |                   |           |

The reported aggregate capacity of these eight firms to produce subject steel wheels in China increased throughout the period examined in these investigations. Both production and capacity utilization fell from 2008 to 2009 but increased in 2010 to a level above that reported in 2008. Reported capacity utilization was 71.4 percent in 2008, 63.8 percent in 2009, 83.8 percent in 2010, and 79.8 percent during the first nine months of 2011.

Producers of subject steel wheels in China reported no internal consumption of the product throughout the period for which data were requested in these investigations. The Chinese producers' largest single commercial country market for subject steel wheels was the home market, accounting for an overall increasing share of total shipments during 2008-10, although exports accounted for a larger share of shipments in 2008. Home market shipments of steel wheels increased by 97.9 percent from 1.4 million wheels in 2008 to 2.7 million wheels in 2010 and accounted for 52.4 percent of the Chinese producers' total shipments in 2010. Chinese producers' total exports of steel wheels fell from 2008 to 2009 but increased in 2010 to a level above that reported in 2008. Exports accounted for 56.1 percent of the Chinese producers' shipments in 2008, 45.7 percent in 2009, 47.6 percent in 2010, and 47.2 percent during January-September 2011. Exports of subject steel wheels to the United States increased from 2008 to 2010, \*\*\* in terms of quantity from \*\*\* wheels in 2008 to \*\*\* wheels in 2010. However, exports of subject steel wheels to the United States were lower during January-September 2011 as compared with January-September 2010. The share of Chinese producers' total shipments accounted for by exports to the United States also increased from \*\*\* percent in 2008 to \*\*\* percent in 2010, but was lower during the first nine months of 2011 as compared with the same period in 2010.

All eight responding Chinese producers provided projected capacity data for calendar years 2011 and 2012. Three of those producers (\*\*\*) reported no projected capacity changes from 2010 to 2012, whereas five producers (\*\*\*) reported an aggregate increase in capacity of \*\*\* wheels from 2010 to 2012. The producers in China provided explanations for their reported projections. Their explanations are presented in table VII-4.

**Table VII-4**  
**Steel wheels: Chinese producers' explanations for reported projections**

\*       \*       \*       \*       \*       \*       \*

A complete set of projections for calendar years 2011 and 2012 was provided by all eight Chinese steel wheel producers responding to the Commission's questionnaire. These data are presented in table VII-5. These eight Chinese firms projected increases in sales to the home market as well as to export markets, with the United States projected to account for a declining share of total steel wheel shipments.



**Table VII-5**  
**Steel wheels: China's production capacity, production, shipments, and inventories, 2011-12**  
**projections<sup>1</sup>**

| Item   | Projections |           |
|--|-------------|-----------|
|  | 2011        | 2012      |
| <b>Quantity (number of wheels)</b>   |             |           |
| Capacity <sup>2</sup>  | 7,002,103   | 9,391,000 |
| Production   | 5,371,959   | 6,900,000 |
| End of period inventories  | 422,559     | 421,477   |
| Shipments:   |             |           |
| Internal consumption   | 0           | 0         |
| Home market  | 2,880,414   | 4,156,050 |
| Exports to--   |             |           |
| The United States  | ***         | ***       |
| European Union   | ***         | ***       |
| India  | ***         | ***       |
| All other markets <sup>3</sup>   | ***         | ***       |
| Total exports  | 2,608,653   | 2,776,000 |
| Total shipments  | 5,489,067   | 6,932,050 |
| <b>Ratios and shares (percent)</b>   |             |           |
| Capacity utilization   | 76.7        | 73.5      |
| Inventories to production  | 7.9         | 6.1       |
| Inventories to total shipments   | 7.7         | 6.1       |
| Share of total quantity of shipments:  |             |           |
| Internal consumption   | 0.0         | 0.0       |
| Home market  | 52.5        | 60.0      |
| Exports to--   |             |           |
| The United States  | ***         | ***       |
| European Union   | ***         | ***       |
| India  | ***         | ***       |
| All other markets <sup>3</sup>   | ***         | ***       |
| All export markets   | 47.5        | 40.0      |
| <sup>1</sup> The aggregate projections presented were provided by the following eight producers of steel wheels in China: Dongfeng Automotive, Jiaying Stone, Jining Centurion, Shandong Jining, Shandong Shengtai, Shandong Xingmin, Xiamen Sunrise, and Zhejiang Jingu.<br><sup>2</sup> Reported capacity is based on operating from *** to *** hours per week, *** to *** weeks per year.<br><sup>3</sup> Principal other export markets identified by the Chinese producers include ***. |             |           |
| Source: Compiled from data submitted in response to Commission questionnaires.   |             |           |

These data show that shipments from China to the EU, which accounted for a relatively small share of total shipments by Chinese producers throughout the period examined in these investigations, are projected to increase by \*\*\* percent from \*\*\* wheels in 2010 to \*\*\* wheels in 2012. Although all reporting producers reported a projected increase in shipments to the EU, Chinese producer \*\*\* accounted for \*\*\* of the increase.

Respondents argued that China is currently the largest steel wheel market in the world and that the projected “rapid growth in home-grown demand” is justified by the growth seen in China’s economy and trucking industry.<sup>28</sup> Respondents also argued that an increase in the demand for steel wheels in China is expected as the Chinese trucking industry transitions from tube-type wheels to tubeless wheels.<sup>29</sup> They explained further that, while the rate of increase in Chinese domestic demand may have slowed in 2011 compared with 2009 and 2010, demand for steel wheels in China and export markets other than the United States is expected to increase in 2012 and beyond due to the increase in demand for commercial trucks and trailers, including heavy duty trucks.<sup>30</sup> Petitioners, however, argued that the producers of steel wheels in China have expanded capacity in excess of the domestic demand even as Chinese truck sales have started to decline.<sup>31</sup>

### U.S. IMPORTERS’ INVENTORIES

Data collected in these investigations on U.S. importers’ end-of-period inventories of steel wheels are presented in table VII-6.<sup>32</sup> Of the 32 U.S. importers that provided data in response to the Commission’s questionnaire, 12 reported holding U.S. inventories of steel wheels imported from China during the period for which data were collected in these investigations. The U.S. importers holding the largest end-of-period inventories of imported subject steel wheels from China during calendar years 2008-10 were \*\*\*. The aggregate end-of-period inventories held by \*\*\* for 2010 accounted for \*\*\* of all reported U.S. importers’ inventories of subject merchandise during that period. The largest reported inventories held as of September 30, 2011, were reported by U.S. importer \*\*\*, whose end-of-period inventories of subject merchandise accounted for \*\*\* of total reported U.S. importers’ inventories of subject merchandise held on that date. The U.S. importers holding the largest end-of-period inventories of imported steel wheels from nonsubject countries were \*\*\*. The aggregate end-of-period inventories of nonsubject steel wheels held by these \*\*\* U.S. importers for 2010 accounted for \*\*\* percent of all reported U.S. importers’ inventories of nonsubject merchandise during that period.

**Table VII-6**  
**Steel wheels: U.S. importers’ end-of-period inventories of imports, by source, 2008-10, January-September 2010, and January-September 2011**

\* \* \* \* \*

U.S. importers’ inventories of Chinese steel wheels (based on quantity) fell from 2008 to 2009, but increased somewhat in 2010 to a level lower than was reported in 2008. U.S. importers’ inventories of Chinese steel wheels held at the end of the period January-September 2011 were higher than were held

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<sup>28</sup> AWS postconference brief, p. 15.

<sup>29</sup> Respondents’ posthearing brief, pp. 18-20.

<sup>30</sup> Respondents’ posthearing brief, p. 5.

<sup>31</sup> Petitioners’ postconference brief, pp. 1 and 24; petitioners’ prehearing brief, pp. 21-22.

<sup>32</sup> \*\*\* of the six responding steel wheel producers in China reported maintaining inventories of steel wheels in the United States.

at the end of the comparable period in 2010. As a share of imports and U.S. shipments of imports, these inventories increased from 2008 to 2009, but fell in 2010 to comparable levels reported for 2008. These inventories as a share of imports and U.S. shipments of imports were lower at the end of the period January-September 2011 than they were at the end of the comparable period in 2010. There were \*\*\* U.S. inventories of steel wheels imported from Canada and Mexico during the period examined in these investigations. In fact, \*\*\*. In absolute terms, the quantities of end-of-period inventories of steel wheel imports from all other nonsubject sources (primarily from Brazil) increased throughout the period examined, but fell as a share of imports and U.S. shipments of imports.

### **U.S. IMPORTERS' CURRENT ORDERS**

The Commission requested importers to indicate whether they imported or arranged for the importation of steel wheels from China for delivery after September 30, 2011. Five U.S. importers reported that they had placed orders for subject steel wheels from China for delivery into the United States after September 30, 2011. All five U.S. importers reported such imports for delivery during the last quarter of 2011, but only two U.S. importers reported imports for delivery during the first half of 2012. One U.S. importer reported imports for delivery during the third quarter of 2012. Aggregate data reported by these U.S. importers concerning their orders of subject steel wheels from China are presented in table VII-7.

**Table VII-7**  
**Steel wheels: U.S. importers' orders for steel wheel imports from China for delivery into the United States after September 30, 2011**

\* \* \* \* \*

### **ANTIDUMPING INVESTIGATIONS IN THIRD-COUNTRY MARKETS**

Antidumping investigations concerning steel wheel producers in China appear to have been conducted in the following countries: Argentina, Australia, Brazil, India, the European Union, and South Africa.<sup>33</sup> However, the record in these investigations indicates that antidumping duty measures concerning steel wheels produced in China are currently in place only in India. In addition, antidumping duty measures concerning certain tubeless steel demountable rims produced in China are currently in place in Australia. The proceeding concerning imports of Chinese steel wheels into South Africa was terminated, the scope of the proceedings conducted by the European Commission ("EC") covered different wheel merchandise produced in China, and the November 2009 provisional measures in Argentina expired in March 2010. Staff was unable to find evidence of any antidumping duty proceedings concerning wheels and/or rims in Brazil. Information obtained by Commission staff concerning investigations and/or antidumping duty measures in these countries is presented below.

In March 2007, the Government of India made affirmative final determinations and imposed antidumping duties on commercial steel wheels from China in sizes from 16 to 20 inches in nominal diameter. The antidumping duties imposed ranged from \$310.70 to \$368.18 per metric ton and applied to

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<sup>33</sup> Conference transcript, pp. 8 and 36 (Schagrin); Accuride postconference brief, p. 27; and TTT postconference brief, p. 2.

imports into India from all Chinese producers and exporters of steel wheels in that size range.<sup>34</sup> This case was filed by the Indian affiliate of domestic producer Hayes Lemmerz. Hayes Lemmerz argued that the duties assessed by the Government of India on imports of Chinese steel wheels will allow its affiliate in India to survive. However, the firm also argued that it also means that Chinese exports that previously went to India will be entering the United States.<sup>35</sup> Data collected in these investigations from the responding Chinese producers indicate that \*\*\* exported the subject steel wheels to India during the period examined and \*\*\*. These Chinese firms' exports of subject steel wheels to India increased from \*\*\* wheels in 2008 to \*\*\* wheels in 2010. Such exports were lower in January-September 2011 than reported in January-September 2010. Aggregate company projections indicate that subject wheel exports to India are expected to decline to \*\*\* wheels in 2011 but increase to \*\*\* wheels in 2012.

Argentina announced a preliminary affirmative antidumping duty ruling in November 2009 concerning imports of Chinese steel wheels and rims. Provisional antidumping duties of \$3.14 per kilogram were levied by the Government of Argentina on subject imports from all Chinese producers and exporters of steel wheels and rims.<sup>36</sup> The provisional measures imposed by Argentina expired in March 2010 because no action was taken to extend such measures beyond the permitted four-month period. Therefore, Chinese steel wheels imported into Argentina are currently not subject to antidumping duties.<sup>37</sup>

\*\*\* Jining Centurion Wheel Mfg. Co., Ltd. ("JCW"), was named, along with other Chinese manufacturers, in a similar antidumping duty action in Australia in the recent past. \*\*\* the result of the finding was that JCW was the only Chinese manufacturer who was not found to be in violation and was not assessed any antidumping penalties, rates, or tariffs. It appears that the action in Australia to which U.S. steel wheel importer \*\*\* referred in its questionnaire response pertained to certain tubeless steel demountable rims exported from China to Australia.<sup>38</sup> In that 2008 investigation, the Government of Australia determined that dumped imports of demountable rims from China caused material injury to the Australian industry producing like goods. Dumping margins calculated were in the range of 2.1 to 239.1 percent.<sup>39</sup>

The International Trade Administration Commission ("ITAC") of South Africa conducted an investigation in 2005 into the alleged dumping of steel wheels imported into South Africa from China. ITAC determined that Chinese steel wheels were being dumped in the Southern African Customs Union

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<sup>34</sup> Petition, p. I-12 and *Chapter 87 Anti-dumping Duty Notifications, Anti-dumping Duty on Flat Base Steel Wheels Originating in or Exported from Specified Countries: {Notifn. No. 51/07-Cus., dt. 29.3.2007}*, <http://www.cbec.gov.in/customs/cst-0809/anti-dump-ch-87.pdf>.

<sup>35</sup> Conference transcript, p. 25 (Hampton).

<sup>36</sup> *World Trade Organization, Committee on Anti-Dumping Practices, Semi-Annual Report Under Article 16.4 of the Agreement–Argentina, March 31, 2011*, [http://www.wto.org/english/tratop\\_e/adp\\_e/adp\\_e.htm](http://www.wto.org/english/tratop_e/adp_e/adp_e.htm).

<sup>37</sup> In fact, \*\*\*. Zhejiang's prehearing brief, p. 57.

<sup>38</sup> The goods that were subject to that investigation were 8.25 inch by 22.5 inch tubeless steel demountable rims primarily used on heavy transport vehicles. The demountable rims were described as an assembly of a molded steel rim and a steel adaptor bar, whereby the rim is the outer rounded section to which a tire is fitted and the steel adaptor bar is a formed band of steel welded to the rim against which the cast wheel or 'spider' on the vehicle's axle mates. Those goods were classified under tariff subheading 8708.70.99.

<sup>39</sup> *Report, Customs Act 1901 - Part XV B, Trade Measures Branch, Statement of Essential Facts, No. 142, Investigation into Alleged Dumping of Certain Tubeless Steel Demountable Rims Exported from the People's Republic of China*, 24 October 2008, <http://www.customs.gov.au/webdata/resources/notices/SEF142.pdf>; and *Australian Customs Dumping Notice No. 2008/50, Certain Tubeless Steel Demountable Rims Exported from the People's Republic of China*, December 31, 2008, <http://www.customs.gov.au/webdata/resources/notices/acdn0850.pdf>.

and that material injury was occurring; however, ITAC found that the material injury was being caused by factors other than the dumping in question. Therefore, ITAC terminated the investigation.<sup>40</sup>

Effective October 28, 2010, the European Commission (“EC”) announced a definitive antidumping ruling concerning imports of Chinese *aluminum* road wheels. The EC levied an antidumping duty of 20.6 percent on all Chinese producers and exporters of *aluminum* road wheels.<sup>41</sup>

### INFORMATION ON NONSUBJECT SOURCES

According to the *Global Trade Atlas*, China was the world’s leading exporter of wheels (including parts and accessories) for motor vehicles (figure VII-1).<sup>42</sup> China’s exports of wheels to all countries fell from \$3.3 billion in 2008 to \$2.4 billion in 2009, but increased to \$3.5 billion in 2010. China’s exports of wheels to all countries were \$2.5 billion in January-September 2010 and \$3.2 billion in January-September 2011. China’s exports accounted for 21.4 percent of global exports in 2008, 23.3 percent in 2009, 25.4 percent in 2010, 27.3 percent in January-September 2010, and 27.6 percent in January-September 2011.

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<sup>40</sup> “ITAC Notice of Termination of Investigation into Alleged Dumping of Steel Wheels,” *Government Gazette*, August 30, 2005, [http://www.tralac.org/cgi-bin/giga.cgi?cmd=cause\\_dir\\_news\\_item&cause\\_id=1694&news\\_id=45236&cat\\_id=1086](http://www.tralac.org/cgi-bin/giga.cgi?cmd=cause_dir_news_item&cause_id=1694&news_id=45236&cat_id=1086).

<sup>41</sup> *World Trade Organization*, Committee on Anti-Dumping Practices, Semi-Annual Report Under Article 16.4 of the Agreement–European Union, March 28, 2011, and October 14, 2011, [http://www.wto.org/english/tratop\\_e/adp\\_e/adp\\_e.htm](http://www.wto.org/english/tratop_e/adp_e/adp_e.htm).

<sup>42</sup> The global export data presented are derived from the *Global Trade Atlas*, HTS 8708.70. The products covered under this six-digit HTS classification include all wheels for motor vehicles and include all parts and accessories. The subject steel wheels are included in the presentation, as are many other products, such as steel wheels outside the size range of the subject steel wheels, wheels made from aluminum, and nonsubject parts and accessories.

**Figure VII-1**  
**Steel wheels and related products: Exporters of wheels for motor vehicles (including parts and accessories), by value of exports to world, 2008-10, January-September 2010, and January-September 2011**

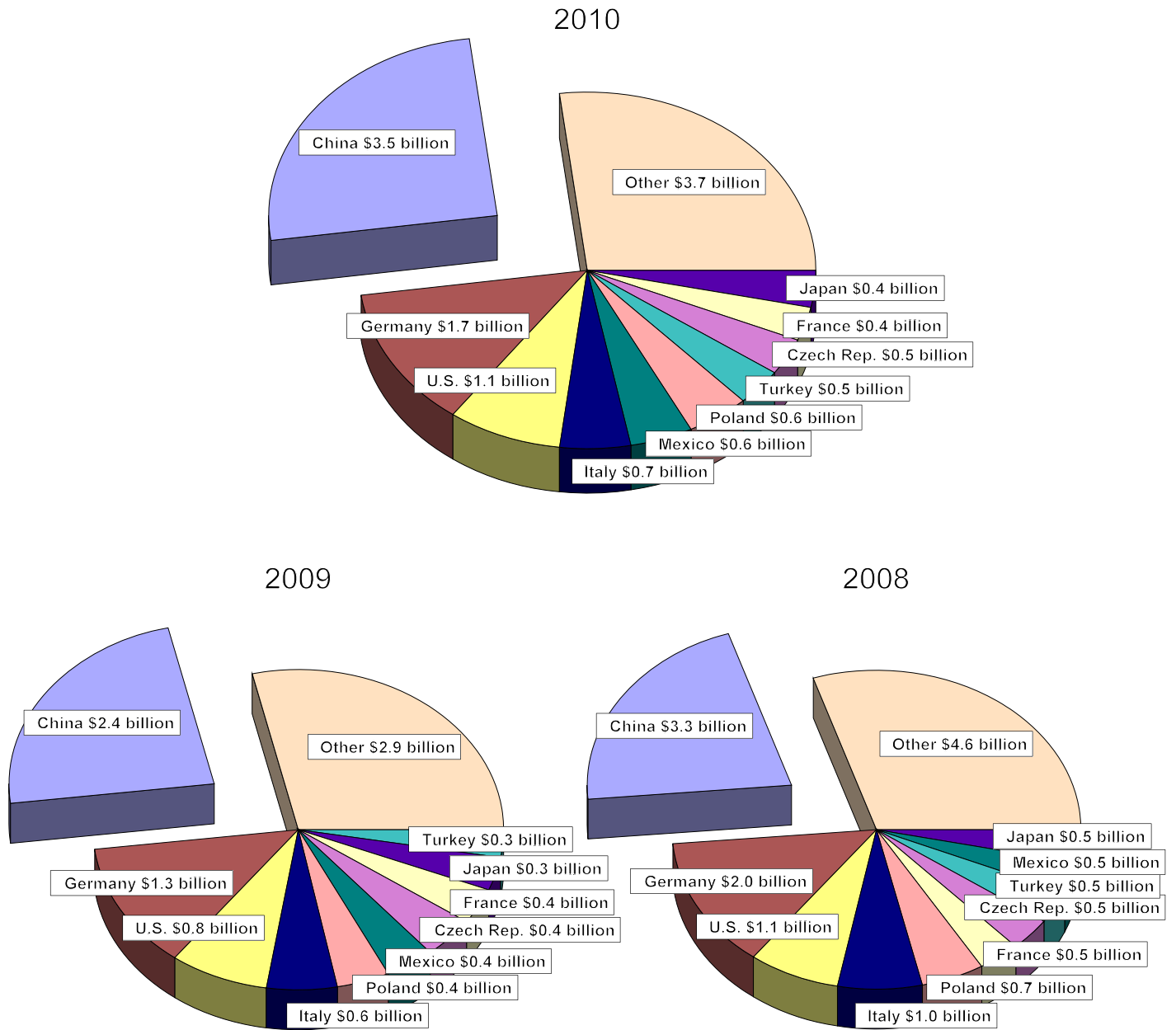
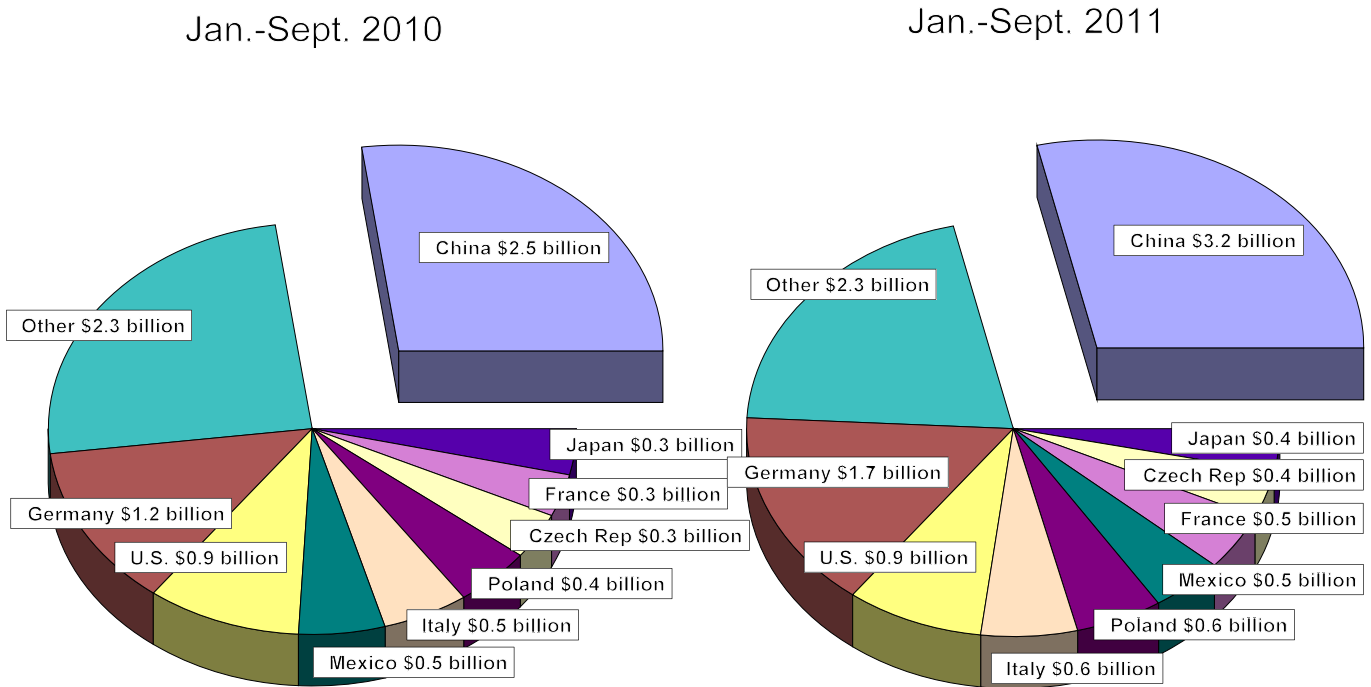


Figure continued on following page.

Figure VII-1--Continued

Steel wheels and related products: Exporters of wheels for motor vehicles (including parts and accessories), by value of exports to world, 2008-10, January-September 2010, and January-September 2011



Source: Global Trade Atlas, HTS 8708.70.

As noted earlier, there are five producers of steel wheels in the United States (Accuride, GKN, Hayes Lemmerz, Titan, and Topy) and at least eight producers of subject steel wheels in China that are capable of producing the subject merchandise for sale in the U.S. market.<sup>43</sup> According to data collected in response to Commission questionnaires in these investigations, the largest nonsubject U.S. import sources of steel wheels are Mexico and Brazil, accounting for \*\*\* and \*\*\* percent of apparent U.S. consumption during 2010, respectively. During January-September 2011, Brazil accounted for \*\*\* percent of apparent U.S. consumption and Mexico accounted for \*\*\* percent. The primary producers of steel wheels in Mexico today are believed to be Accuride and Maxion<sup>44</sup> and the primary producer of steel wheels in Brazil is believed to be Iochpe Maxion.<sup>45</sup> Sizeable producers of steel wheels in other countries include the following: Brazil (Hayes Lemmerz), Canada (Accuride), Colombia (Cofre), Germany (Hayes Lemmerz), India (Hayes Lemmerz), Japan (Isuzu and Topy), Spain (Hayes Lemmerz), Sri Lanka (Loadstar), and Turkey (Jantas/Hayes Lemmerz). The Commission issued requests to the largest steel wheel producers in these other nonsubject countries for certain limited information on their steel wheel operations. Responses to the Commission’s request were received from seven companies, all related to domestic producers Accuride and Hayes. The information these firms provided to the Commission is presented in table VII-8.

**Table VII-8**  
**Steel wheels: Certain nonsubject country capacity, production, shipments, and inventories, by firm, 2010**

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<sup>43</sup> Hearing transcript, pp. 173-175 (Wu). Petitioners asserted, however, that there may be as many as 50 producers of steel wheels in China. Petition, exh. I-1; conference transcript, p. 19 (Schomer); hearing transcript, p. 103 (Schagrin).

<sup>44</sup> Maxion acquired the wheel-making assets of Mexican steel wheel producer Arvin-Meritor in 2009. “Iochpe-Maxion Purchases ArvinMeritor Wheels Business,” *Business News Americas*, August 6, 2009, [http://www.bnamericas.com/news/metals/Iochpe-Maxion\\_purchases\\_ArvinMeritor\\_wheels\\_business](http://www.bnamericas.com/news/metals/Iochpe-Maxion_purchases_ArvinMeritor_wheels_business).

<sup>45</sup> As indicated previously in *Part III*, effective February 1, 2012, domestic producer Hayes Lemmerz was acquired by Brazilian producer Iochpe-Maxion S.A.



**APPENDIX A**  
***FEDERAL REGISTER* NOTICES**



this notice, in accordance with section 351.224(b) of the Department's regulations.

In accordance with section 351.301(c)(3)(ii) of the Department's regulations, for the final results of this administrative review, interested parties may submit publicly available information to value FOPs within 20 days after the date of publication of these preliminary results. Interested parties must provide the Department with supporting documentation for the publicly available information to value each FOP. Pursuant to section 351.301(c)(1) of the Department's regulations, submissions of factual information may be rebutted, however the Department reminds that section 351.301(c)(1) of the Department's regulations permits new information only insofar as it rebuts, clarifies, or corrects information recently placed on the record. The Department will not accept the submission of additional, alternative surrogate value information submitted with rebuttal submissions, where that information has not previously been part of the review record, pursuant to section 351.301(c)(1) of the Department's regulations.<sup>33</sup> Additionally, for each piece of factual information submitted with surrogate value rebuttal comments, the interested party must include an explanation to indicate the record information the new information is rebutting, clarifying, or correcting.

Interested parties may submit case briefs and/or written comments no later than 30 days after the date of publication of these preliminary results of review.<sup>34</sup> Rebuttal briefs and rebuttals to written comments are limited to issues raised in such briefs or comments, and may be filed no later than five days after the deadline for filing case briefs.<sup>35</sup> Parties who submit case briefs or rebuttal briefs in this proceeding are requested to submit with each argument: (1) A statement of the issue; (2) a brief summary of the argument; and (3) a table of authorities.<sup>36</sup>

The Department will issue the final results of this administrative review, which will include the results of its analysis of issues raised in any such comments, within 120 days of

<sup>33</sup> See *Glycine from the People's Republic of China: Final Results of Antidumping Duty Administrative Review and Final Rescission*, in Part, 72 FR 58809 (October 17, 2007) and accompanying Issues and Decision Memorandum at Comment 2.

<sup>34</sup> See section 351.309(c)(ii) of the Department's regulations.

<sup>35</sup> See section 351.309(d) of the Department's regulations.

<sup>36</sup> See section 351.309(c) and (d) of the Department's regulations.

publication of these preliminary results, pursuant to section 751(a)(3)(A) of the Act.

#### Assessment Rates

Upon issuance of the final results, the Department will determine, and CBP shall assess, antidumping duties on all appropriate entries covered by these reviews. The Department intends to issue assessment instructions to CBP 15 days after the publication date of the final results of this review. In accordance with section 351.212(b)(1) of the Department's regulations, for Hubei Xingfa, we calculated an exporter/importer (or customer)-specific assessment rate for the merchandise subject to this review. Because Hubei Xingfa reported reliable entered values, we calculated importer (or customer)-specific *ad valorem* rates by aggregating the dumping margins calculated for all U.S. sales to each importer (or customer) and dividing this amount by the total entered value of the sales to each importer (or customer).<sup>37</sup> Where an importer (or customer)-specific *ad valorem* rate is greater than *de minimis*, we will apply the assessment rate to the entered value of the importer's/customer's entries during the POR.<sup>38</sup>

To determine whether the duty assessment rates are *de minimis*, in accordance with the requirement set forth in section 351.106(c)(2) of the Department's regulations, we calculated importer (or customer)-specific *ad valorem* ratios based on the estimated entered value. Where an importer (or customer)-specific *ad valorem* rate is zero or *de minimis*, we will instruct CBP to liquidate appropriate entries without regard to antidumping duties.<sup>39</sup>

#### Cash Deposit Requirements

The following cash deposit requirements will be effective upon publication of the final results of this administrative review for shipments of subject merchandise entered, or withdrawn from warehouse, for consumption on or after the publication date of the final results, as provided by section 751(a)(2)(C) of the Act: (1) For Hubei Xingfa, the cash deposit rate will be that established in the final results of review (except, if the rate is zero or *de minimis*, no cash deposit will be required); (2) for previously investigated or reviewed PRC and non-PRC exporters not listed above that have separate rates, the cash deposit rate will continue to be the exporter-specific rate published for

<sup>37</sup> See section 351.212(b)(1) of the Department's regulations.

<sup>38</sup> *Id.*

<sup>39</sup> See section 351.106(c)(2) of the Department's regulations.

the most recent period; (3) for all PRC exporters of subject merchandise which have not been found to be entitled to a separate rate, the cash deposit rate will be the PRC-wide rate of 188.05 percent; and (4) for all non-PRC exporters of subject merchandise which have not received their own rate, the cash deposit rate will be the rate applicable to the PRC exporters that supplied that non-PRC exporter. These deposit requirements, when imposed, shall remain in effect until further notice.

#### Notification of Interested Parties

This notice also serves as a preliminary reminder to importers of their responsibility, under section 351.402(f) of the Department's regulations, to file a certificate regarding the reimbursement of antidumping duties prior to liquidation of the relevant entries during this POR. Failure to comply with this requirement could result in the Secretary's presumption that reimbursement of antidumping duties occurred and the subsequent assessment of double antidumping duties.

This administrative review and this notice are published in accordance with sections 751(a)(1) and 777(i) of the Act, and section 351.221(b)(4) of the Department's regulations.

Dated: March 13, 2012.

**Paul Piquado,**

*Assistant Secretary for Import Administration.*

[FR Doc. 2012-7060 Filed 3-22-12; 8:45 am]

BILLING CODE 3510-DS-P

## DEPARTMENT OF COMMERCE

### International Trade Administration

[C-570-974]

#### Certain Steel Wheels From the People's Republic of China: Final Affirmative Countervailing Duty Determination, Final Affirmative Critical Circumstances Determination

**AGENCY:** Import Administration, International Trade Administration, Department of Commerce.

**SUMMARY:** The Department of Commerce (the Department) determines that countervailable subsidies are being provided to producers and exporters of certain steel wheels (steel wheels) from the People's Republic of China (the PRC). For information on the estimated subsidy rates, see the "Suspension of Liquidation" section of this notice.

**DATES:** *Effective Date:* March 23, 2012.

**FOR FURTHER INFORMATION CONTACT:** John Conniff (for the Centurion Companies)

at 202–482–1009, Robert Copyak (for the Jingu Companies) at 202–482–2209, and Kristen Johnson (for the Xingmin Companies) at 202–482–4793, AD/CVD Operations, Office 3, Import Administration, U.S. Department of Commerce, Room 4014, 14th Street and Constitution Avenue NW., Washington, DC 20230.

#### SUPPLEMENTARY INFORMATION:

##### Background

This investigation, which covers 28 programs, was initiated on April 19, 2011.<sup>1</sup> The petitioners in this investigation are Accuride Corporation and Hayes Lemmerz International, Inc. The respondents in this investigation are: Jining Centurion Wheel Manufacturing Co., Ltd. (Centurion),<sup>2</sup> Shandong Xingmin Wheel Co., Ltd. (Xingmin),<sup>3</sup> and Zhejiang Jingu Company Limited (Zhejiang Jingu).<sup>4</sup> The Department initially, in addition to Zhejiang Jingu, selected Jiangsu Yuantong Auto Parts Co., Ltd. (Yuantong) and Zhejiang Jinfei Machinery Group Co. Ltd. (Zhejiang Jinfei) to be mandatory respondents. Yuantong and Zhejiang Jinfei, however, submitted responses to the Department's shipment questionnaire in which each company certified that it did not export subject merchandise to the United States during the period of investigation (POI).<sup>5</sup> We analyzed entry documents obtained from U.S. Customs and Border Protection (CBP) and found that the documentation confirmed the non-shipment claims of Yuantong and Zhejiang Jinfei.<sup>6</sup>

##### Period of Investigation

The POI for which we are measuring subsidies is January 1, 2010, through December 31, 2010, which corresponds

<sup>1</sup> See *Certain Steel Wheels From the People's Republic of China: Initiation of Countervailing Duty Investigation*, 76 FR 23302 (April 26, 2011).

<sup>2</sup> We use the term Centurion Companies to refer collectively to Centurion and its cross-owned affiliates under examination in this investigation.

<sup>3</sup> We use the term Xingmin Companies to refer collectively to Xingmin and its cross-owned affiliates under examination in this investigation.

<sup>4</sup> We use the term Jingu Companies to refer collectively to Zhejiang Jingu and its cross-owned affiliates under examination in this investigation.

<sup>5</sup> See Yuantong's and Zhejiang Jinfei's Shipment Questionnaire Responses (May 20, 2011). The public version of each response and all other public versions and public documents for this investigation are available electronically via Import Administration's Antidumping and Countervailing Duty Centralized Electronic Services System (IA ACCESS), located in the Department's Central Records Unit (CRU), Room 7046 of the main Commerce building.

<sup>6</sup> See Memorandum to the File from John Conniff, Trade Analyst, AD/CVD Operations, Office 3, regarding "Examination of Entry Documentation," (August 29, 2011).

to the PRC's most recently completed fiscal year at the time we initiated this investigation. See 19 CFR 351.204(b)(2).

##### Case History

The following events have occurred since the Department published the *Preliminary Determination* on September 6, 2011.<sup>7</sup> On September 1, 2011, petitioners submitted a critical circumstances allegation. On September 2, 2011, we issued a fourth supplemental questionnaire to the Government of the People's Republic of China (GOC). On September 7, 2011, petitioners filed new subsidy allegations concerning land provided for less than adequate remuneration to the Centurion Companies and Jingu Companies. On September 9, 2011, we issued to the respondent companies a critical circumstances questionnaire requesting monthly volume and value data for shipments of subject merchandise to the United States. Also, on September 9, 2011, we received the GOC's response to the third supplemental questionnaire.

On September 21, 2011, the Xingmin Companies filed a response to the critical circumstances questionnaire. On September 23, 2011, the GOC submitted its fourth supplemental questionnaire response. On September 26, 2011, the Centurion Companies, Jingu Companies, and Xiamen Sunrise Wheel Group Co., Ltd. (Sunrise) each filed a response to the critical circumstances questionnaire.<sup>8</sup>

On October 3, 2011, the GOC submitted certifications conforming to the formats provided for in the *Supplemental Interim Final Rule*<sup>9</sup> to replace those certifications it had previously filed with the Department that did not conform with the format provided in the *Interim Final Rule*.<sup>10</sup>

On October 5, 2011, we determined that the petitioners' new subsidy

<sup>7</sup> See *Certain Steel Wheels from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Countervailing Duty Determination with Final Antidumping Duty Determination*, 76 FR 55012 (September 6, 2011) (*Preliminary Determination*).

<sup>8</sup> Sunrise, a Chinese producer of subject merchandise, had requested to be designated as a voluntary respondent. However, because we determined that the Department had resources to investigate only three companies, we did not designate Sunrise as a voluntary respondent in this investigation. See *Preliminary Determination*, 76 FR at 55013.

<sup>9</sup> *Certification of Factual Information to Import Administration During Antidumping and Countervailing Duty Proceedings: Supplemental Interim Final Rule*, 76 FR 54697 (September 2, 2011) (*Supplemental Interim Final Rule*).

<sup>10</sup> See *Certification of Factual Information to Import Administration During Antidumping and Countervailing Duty Proceedings: Interim Final Rule*, 76 FR 7491 (February 10, 2011) (*Interim Final Rule*).

allegations were untimely filed and rejected the September 7, 2011, submission.<sup>11</sup> On October 6, 2011, the GOC requested a hearing in this investigation.

On November 2, 2011, we issued a memorandum to the file regarding the scope of the investigation. See Memorandum to the File from Kristen Johnson, Trade Analyst, AD/CVD Operations, Office 3, regarding "Scope of the Investigation," (November 2, 2011). In the memorandum, we explained that because the language of the scope covers steel wheels ranging from 18 to 24.5 inches in diameter regardless of use, the Department preliminarily determined in *Steel Wheels AD Preliminary Determination*<sup>12</sup> to add all of the Harmonized Tariff Schedule of the United States (HTSUS) categories suggested by CBP to the scope of the AD and CVD investigations on steel wheels from the PRC.

On November 18, 2011, we issued a verification outline to the Xingmin Companies. On November 23, the Xingmin Companies filed additional factual information. On November 28, 2011, the GOC submitted new factual information. On December 2, 2011, the Department issued letters to the Xingmin Companies and the GOC rejecting their additional factual information submissions because those submissions contained untimely filed information. On December 2 and 5, 2011, the Xingmin Companies and the GOC, respectively, re-filed their additional factual submissions excluding that information found by the Department to be untimely. On December 5 and 6, 2011, the GOC and Xingmin Companies, respectively, submitted comments disagreeing with Department's finding that their initial additional factual information submissions contained untimely information. Also, on December 5 and 6, 2011, the Department conducted verification of the questionnaire responses submitted by the Xingmin Companies.

On December 6, 2011, we issued a post-preliminary questionnaire to all interested parties regarding the scope of the AD and CVD investigations on steel

<sup>11</sup> See Memorandum to Melissa G. Skinner, Director, AD/CVD Operations, Office 3, from Robert Copyak, Senior Financial Analyst, regarding "Decision Memorandum Regarding Petitioners' New Subsidy Allegations," (October 5, 2011).

<sup>12</sup> See *Certain Steel Wheels from the People's Republic of China: Notice of Preliminary Determination of Sales at Less Than Fair Value, Partial Affirmative Preliminary Determination of Critical Circumstances, and Postponement of Final Determination*, 76 FR 67703 (November 2, 2011) (*Steel Wheels AD Preliminary Determination*).

wheels from the PRC.<sup>13</sup> On December 13, 2011, petitioners, the Xingmin Companies, Jingu Companies, and Jiaxing Stone Wheel Co., Ltd.,<sup>14</sup> each submitted a post-preliminary supplemental questionnaire response to the Department. On December 22 and 23, 2011, Blackstone/OTR LLC and OTR Wheel Engineering, Inc. (collectively, Blackstone/OTR), a U.S. importer of the subject merchandise, and petitioners, respectively, submitted rebuttal comments to the post-preliminary supplemental questionnaire responses.

We issued the verification reports for the Xingmin Companies on January 6, 2012. We issued the verification reports for the Centurion Companies and the GOC on January 30, 2012. We issued the verification report for the Jingu Companies on January 31, 2012.

On February 7, 2012, case briefs were submitted by the GOC, Centurion Companies, Jingu Companies, Xingmin Companies, and Blackstone/OTR. A rebuttal brief was filed by petitioners on February 13, 2012. On February 22, 2012, the GOC notified the Department that it was withdrawing its request for a hearing in this investigation.

On March 2, 2012, we published the *Preliminary Critical Circumstances Determination*,<sup>15</sup> in which the Department discussed the arguments made by petitioners.<sup>16</sup> On March 6, 2012, case briefs were submitted by interested parties concerning the *Preliminary Critical Circumstances Determination* and rebuttal briefs were filed on March 9, 2012.

On March 6, 2012, the Department rejected Blackstone/OTR's February 7, 2012, case brief because it contained new factual information. Blackstone/

OTR re-filed its case brief excluding the new factual information on March 8, 2012.

#### *Scope of Investigation*

The products covered by this investigation are steel wheels with a wheel diameter of 18 to 24.5 inches. Rims and discs for such wheels are included, whether imported as an assembly or separately. These products are used with both tubed and tubeless tires. Steel wheels, whether or not attached to tires or axles, are included. However, if the steel wheels are imported as an assembly attached to tires or axles, the tire or axle is not covered by the scope. The scope includes steel wheels, discs, and rims of carbon and/or alloy composition and clad wheels, discs, and rims when carbon or alloy steel represents more than fifty percent of the product by weight. The scope includes wheels, rims, and discs, whether coated or uncoated, regardless of the type of coating.

Imports of the subject merchandise are provided for under the following categories of the HTSUS: 8708.70.05.00, 8708.70.25.00, 8708.70.45.30, and 8708.70.60.30. Imports of the subject merchandise may also enter under the following categories of the HTSUS:

8406.90.4580, 8406.90.7500, 8420.99.9000, 8422.90.1100, 8422.90.2100, 8422.90.9120, 8422.90.9130, 8422.90.9160, 8422.90.9195, 8431.10.0010, 8431.10.0090, 8431.20.0000, 8431.31.0020, 8431.31.0040, 8431.31.0060, 8431.39.0010, 8431.39.0050, 8431.39.0070, 8431.39.0080, 8431.43.8060, 8431.49.1010, 8431.49.1060, 8431.49.1090, 8431.49.9030, 8431.49.9040, 8431.49.9085, 8432.90.0005, 8432.90.0015, 8432.90.0030, 8432.90.0080, 8433.90.1000, 8433.90.5020, 8433.90.5040, 8436.99.0020, 8436.99.0090, 8479.90.9440, 8479.90.9450, 8479.90.9496, 8487.90.0080, 8607.19.1200, 8607.19.1500, 8708.70.1500, 8708.70.3500, 8708.70.4560, 8708.70.6060, 8709.90.0000, 8710.00.0090, 8714.19.0030, 8714.19.0060, 8716.90.1000, 8716.90.5030, 8716.90.5060, 8803.20.0015, 8803.20.0030, and 8803.20.0060. These HTSUS numbers are provided for convenience and customs purposes only; the written description of the scope is dispositive.

#### **Injury Test**

Because the PRC is a "Subsidies Agreement Country" within the

meaning of section 701(b) of the Tariff Act of 1930, as amended (the Act), the International Trade Commission (the ITC) is required to determine whether imports of the subject merchandise from the PRC materially injure, or threaten material injury to, a U.S. industry. On May 20, 2011, the ITC published its preliminary determination finding that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports from China of certain steel wheels.<sup>17</sup>

#### **Critical Circumstances**

In the *Preliminary Critical Circumstances Determination*, the Department concluded that critical circumstances do not exist with respect to steel wheels from the PRC produced and exported by the Jingu Companies, the Centurion Companies, and the Xingmin Companies, in accordance with section 703(e)(1) of the Act. See *Preliminary Critical Circumstances Determination*, 77 FR at 12813–12814. However, in the *Preliminary Critical Circumstances Determination* the Department concluded that critical circumstances exist for imports from "all other" exporters of steel wheels from the PRC. *Id.* Our analysis of the results of verification and the comments submitted by interested parties has not led us to change our findings from the *Preliminary Critical Circumstances Determination*. Therefore, in accordance with section 705(a)(2) of the Act, we continue to find that critical circumstances exist with respect to imports from "all other" exporters of steel wheels from the PRC.

#### **Analysis of Comments Received**

All issues raised in the case and rebuttal briefs submitted by parties to this investigation are addressed in the Issues and Decision Memorandum, dated concurrently with this notice and which is hereby adopted by this notice. A list of the issues which parties raised, and to which we have responded in the Issues and Decision Memorandum, is attached to this notice as an Appendix. The Issues and Decision Memorandum is a public document and is on file electronically via Import Administration's Antidumping and Countervailing Duty Centralized Electronic Service System (IA ACCESS). Access to IA ACCESS is available in the Central Records Unit (CRU), room 7046 of the main Department of Commerce building. In addition, a complete

<sup>13</sup> See Memorandum to the File from Kristen Johnson, Trade Analyst, AD/CVD Operations, Office 3, regarding "Post-Preliminary Supplemental Questionnaire Issued to All Interested Parties," (December 6, 2011).

<sup>14</sup> A Chinese producer of steel wheels.

<sup>15</sup> See *Certain Steel Wheels from the People's Republic of China: Notice of Preliminary Negative Determination of Critical Circumstances*, 77 FR 12812 (March 2, 2012) (*Preliminary Critical Circumstances Determination*).

<sup>16</sup> In the *Preliminary Critical Circumstances Determination*, the Department stated the following:

Petitioners provided Census Bureau Data, which they contend demonstrate that imports of subject merchandise increased by more than 15 percent, which is required to be considered "massive" under section 351.206(h)(2) of the Department's regulations. Petitioners submit that, by volume, imports increased approximately 48 percent from 510,174 wheels in the first quarter of 2011, to 753,604 wheels in the second quarter of 2010. *Id.* at 3 and Exhibit 1. Petitioners also contend that, by value, imports increased approximately 40 percent, from \$17,787,704 in the first quarter of 2011, to \$24,893,481 in the second quarter of 2010. *Id.*

See 77 FR at 12812. In discussing the second quarter import data supplied by petitioners we inadvertently referred to 2010 rather than 2011.

<sup>17</sup> See *Certain Steel Wheels From China*, Investigation Nos. 701-TA-478 and 731-TA-1182 (Preliminary), 76 FR 29265 (May 20, 2011).

version of the Issues and Decision Memorandum can be accessed directly on the Internet at <http://www.trade.gov/ia/>. The signed Issues and Decision Memorandum and the electronic

version of the Issues and Decision Memorandum are identical in content.

**Suspension of Liquidation**

In accordance with section 705(c)(1)(B)(i)(I) of the Act, we have

calculated an individual rate for subject merchandise produced and exported by each company under investigation. We determine the total estimated net countervailable subsidy rates to be:

| Producer/exporter   | Net subsidy <i>ad valorem</i> rate (percent) |
|---|--|
| Jining Centurion Wheel Manufacturing Co., Ltd. (Centurion) and Jining CII Wheel Manufacture Co., Ltd. (Jining CII) (collectively the Centurion Companies) .....   | 25.66  |
| Shandong Xingmin Wheel Co., Ltd. (Xingmin) and Sino-tex (Longkou) Wheel Manufacturers Inc. (Sino-tex) (collectively, the Xingmin Companies) .....   | 32.62  |
| Zhejiang Jingu Company Limited (Zhejiang Jingu), Chengdu Jingu Wheel Co., Ltd. (Chengdu), Zhejiang Wheel World Industrial Co., Ltd. (Zhejiang Wheel World), and Shanghai Yata Industrial Co., Ltd. (Shanghai Yata) (collectively the Jingu Companies) ..... | 38.32  |
| All Others .....  | 34.55  |

Section 705(c)(5)(A) of the Act state that for companies not investigated, we will determine an all-others rate by weighting the individual company subsidy rate of each of the companies investigated by each company’s exports of the subject merchandise to the United States. The all others rate may not include zero and *de minimis* rates or any rates based solely on the facts available. In this investigation, all three individual rates can be used to calculate the all others rate. Therefore, we have assigned the weighted-average of these three individual rates to all other producers/exporters of steel wheels from the PRC.

As a result of our *Preliminary Determination* and pursuant to section 703(d) of the Act, we instructed CBP to suspend liquidation of all entries of subject merchandise from the PRC which were entered or withdrawn from warehouse, for consumption on or after September 6, 2011, the date of the publication of the *Preliminary Determination* in the **Federal Register**. Subsequently, as a result of our *Preliminary Critical Circumstances Determination*, we instructed CBP to suspend liquidation of all entries of subject merchandise from “all other” exporters of steel wheels from the PRC which were entered or withdrawn from warehouse, for consumption on or after June 8, 2011, which is 90 days prior to the date of publication in the **Federal Register** of the *Preliminary Determination*.

In accordance with section 703(d) of the Act, we issued instructions to CBP to discontinue the suspension of liquidation for CVD purposes for subject merchandise entered, or withdrawn from warehouse, on or after January 4, 2012, but to continue the suspension of liquidation of all entries from September 6, 2011, through January 3, 2012.

We will issue a CVD order and reinstate the suspension of liquidation under section 706(a) of the Act if the ITC issues a final affirmative injury determination, and will require a cash deposit of estimated CVDs for such entries of merchandise in the amounts indicated above. If the ITC determines that material injury, or threat of material injury, does not exist, this proceeding will be terminated and all estimated duties deposited or securities posted as a result of the suspension of liquidation will be refunded or canceled.

**ITC Notification**

In accordance with section 705(d) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all non-privileged and non-proprietary information related to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order (APO), without the written consent of the Assistant Secretary for Import Administration.

**Return or Destruction of Proprietary Information**

In the event that the ITC issues a final negative injury determination, this notice will serve as the only reminder to parties subject to an APO of their responsibility concerning the destruction of proprietary information disclosed under APO in accordance with 19 CFR 351.305(a)(3). Timely written notification of the return/ destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and terms of an APO is a violation which is subject to sanction.

This determination is published pursuant to sections 705(d) and 777(i) of the Act.

Dated: March 16, 2012.

**Paul Piquado,**

*Assistant Secretary for Import Administration.*

*Appendix*

**List of Comments and Issues in the Decision Memorandum**

- Comment 1: Application of CVD Law to Non-Market Economies (NMEs)
- Comment 2: Application of CVD Law to NMEs Results in Double-Counting
- Comment 3: Whether the Burden of Proving Double-Counting Lies With Respondents
- Comment 4: Proper “Cut-Off” Date To Be Applied in the Investigation
- Comment 5: Whether the Department’s Examination of Additional Subsidy Program Was Lawful
- Comment 6: Whether It Was Appropriate for the Department To Reject the Xingmin Companies’ Factual Information
- Comment 7: Whether It Was Appropriate for the Department To Reject Centurion Companies’ Factual Information
- Comment 8: Whether Certain Hot-Rolled Steel (HRS) Producers Constitute Government Authorities That Provide a Financial Contribution
- Comment 9: Whether Purchases of HRS From Domestic Trading Companies Constituted a Financial Contribution
- Comment 10: Whether the GOC Acted to the Best of Its Ability To Provide Information Regarding the Ownership Status of HRS Producers
- Comment 11: The Extent To Which Chinese Communist Party (CCP) Membership is Relevant in Determining Whether HRS Producers Are Government Authorities Capable of Providing a Financial Contribution
- Comment 12: Whether the Department Applied Consistent Treatment of HRS Producers In Terms of Ownership Status
- Comment 13: Data Source To Be Used for the Jingu Companies Under the HRS for Less Than Adequate Remuneration (LTAR) Program
- Comment 14: Whether the Department Should Use a Tier-One, In-Country

Benchmark in the Benefit Calculation of the HRS for LTAR Program

Comment 15: Use of HRS Benchmark Data That More Accurately Correspond to Respondents' Domestic Purchases of HRS

Comment 16: Whether the Department Should Reduce the HRS Benchmark to Account for the Cash Discounts That the Jingu Companies Receive From Their HRS Suppliers

Comment 17: Whether the HRS Benchmark Prices Should Be Adjusted Downward To Reflect the Prices the Jingu Companies Paid for Non-Pickled and Non-Oiled HRS

Comment 18: Whether the Provision of HRS for LTAR Is Specific Under the CVD Law

Comment 19: Whether It Was Appropriate To Apply AFA With Regard to the GOC Concerning the Provision of Electricity for LTAR Program

Comment 20: Whether the Provision of Electricity Is Not Countervailable Because the Program Provides General Infrastructure Which Does Not Constitute a Financial Contribution

Comment 21: Whether Banks in the PRC Are Government Authorities Capable of Providing a Financial Contribution

Comment 22: Whether a Causal Nexus Exists Between the GOC's Industrial Policies and Loans Received by Respondents

Comment 23: Whether the Department Should Use a PRC-Based Tier-One or Tier-Two Benchmark in the Benefit Calculations of the Policy Lending Program

Comment 24: Whether the Department's Short-Term and Long-Term Benchmark Interest Rate Calculations Are Flawed

Comment 25: Whether Tax Benefits Under Article 28 of the Foreign Invested Enterprise (FIE) Tax Law Are Specific

Comment 26: Revision to Import Duty Rate for Testing Machinery

Comment 27: The Sales Denominator To Be Used in the Benefit Calculations of the Jingu Companies

Comment 28: Use of Revised Data To Calculate Benefits Received by the Centurion Companies Under the Two Free, Three Half Program

Comment 29: Whether IPO Grants From the Fuyang and Hangzhou City Governments Are Countervailable

Comment 30: Whether the Administrative Record of This Case Supports a Finding of Critical Circumstances

Comment 31: Whether the Scope Should Exclude Off-Road/Non-Department of Transportation Specification Stamped Wheels

[FR Doc. 2012-7055 Filed 3-22-12; 8:45 am]

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## DEPARTMENT OF COMMERCE

### International Trade Administration

[A-570-973]

#### Certain Steel Wheels From the People's Republic of China: Notice of Final Determination of Sales at Less Than Fair Value and Partial Affirmative Final Determination of Critical Circumstances

**AGENCY:** Import Administration, International Trade Administration, Department of Commerce.

**DATES:** *Effective Date:* March 23, 2012.

**SUMMARY:** On November 2, 2011, the Department of Commerce ("Department") published its preliminary determination of sales at less than fair value ("LTFV") in the antidumping investigation of certain steel wheels ("steel wheels") from the People's Republic of China ("PRC").<sup>1</sup> We invited interested parties to comment on our preliminary determination of sales at LTFV. Based on our analysis of the comments we received, we have made changes to our margin calculations for the mandatory respondents. The final dumping margins for this investigation are listed in the "Final Determination Margins" section below.

**FOR FURTHER INFORMATION CONTACT:** Brendan Quinn or Raquel Silva, AD/CVD Operations, Office 8, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone: (202) 482-5848 or (202) 482-6475, respectively.

#### SUPPLEMENTARY INFORMATION:

##### Case History

The Department published its *Preliminary Determination* of sales at LTFV on November 2, 2011. In accordance with 19 CFR 351.309(c)(ii), we invited parties to comment on the *Preliminary Determination*.

On November 3, 2011, the Department issued a post-preliminary supplemental questionnaire to Zhejiang Jingu Company Limited ("Zhejiang Jingu") and its affiliated exporter Shanghai Yata Industry Co., Ltd ("Yata") (collectively

"Jingu"). On November 14, 2011, Jingu submitted its response to the Department's post-preliminary supplemental questionnaire. Also on November 14, 2011, Jingu and Jining Centurion Wheel Manufacturing Co., Ltd. ("Jining Centurion") and its affiliated U.S. reseller, Centurion Wheel Manufacturing Company ("Centurion USA") (collectively "Centurion") provided additional factual information pertaining to respondents' production experience.

Between November 21, 2011, and December 9, 2011, the Department conducted verifications of Jining Centurion and its affiliated U.S. reseller, Centurion USA. Between December 1, 2011, and December 9, 2011, the Department conducted verifications of Zhejiang Jingu and its affiliated exporter Yata. The Department released verification reports for each verification of Centurion and Jingu on January 10, 2012, and January 11, 2012, respectively. The Department also released an addendum to its verification report regarding Centurion on January 23, 2012. Accuride Corporation and Hayes Lemmerz International ("Petitioners") submitted their comments regarding the Department's January 23, 2012, addendum on January 25, 2012.<sup>2</sup>

On December 19, 2011, Centurion and Jingu submitted publicly available surrogate value submissions. On December 29, 2011, Petitioners submitted rebuttal comments to Jingu's surrogate value submission. Case briefs were submitted on January 20, 2012, by the following parties: (1) Petitioners; (2) the Government of China; (3) Blackstone/OTR LLC and OTR Wheel Engineering, Inc. (collectively "Blackstone"); (4) Jingu; and (5) Centurion. On January 25, 2012, Centurion and Petitioners submitted rebuttal briefs. On February 29, 2012, the Department met with counsel for Blackstone/OTR and Super Grip Corporation, an interested party in this proceeding. The Department met with counsel for Petitioners on March 2, 2012.

##### Scope Comments

Following the *Preliminary Determination*, on December 6, 2011, the Department issued a post-preliminary supplemental questionnaire to all interested parties requesting further information regarding various scope issues in this and the concurrent countervailing duty investigation on certain steel wheels from the PRC

<sup>1</sup> See *Certain Steel Wheels From the People's Republic of China: Notice of Preliminary Determination of Sales at Less Than Fair Value, Partial Affirmative Preliminary Determination of Critical Circumstances, and Postponement of Final Determination*, 76 FR 67703 (November 2, 2011) ("*Preliminary Determination*"). See also *Less Than Fair Value, Partial Affirmative Preliminary Determination of Critical Circumstances, and Postponement of Final Determination*, 76 FR 67703 (November 2, 2011) ("*Preliminary Determination*").

<sup>2</sup> See the "Verification" section below for additional information.

Benchmark in the Benefit Calculation of the HRS for LTAR Program

Comment 15: Use of HRS Benchmark Data That More Accurately Correspond to Respondents' Domestic Purchases of HRS

Comment 16: Whether the Department Should Reduce the HRS Benchmark to Account for the Cash Discounts That the Jingu Companies Receive From Their HRS Suppliers

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## DEPARTMENT OF COMMERCE

### International Trade Administration

[A-570-973]

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#### SUPPLEMENTARY INFORMATION:

##### Case History

The Department published its *Preliminary Determination* of sales at LTFV on November 2, 2011. In accordance with 19 CFR 351.309(c)(ii), we invited parties to comment on the *Preliminary Determination*.

On November 3, 2011, the Department issued a post-preliminary supplemental questionnaire to Zhejiang Jingu Company Limited ("Zhejiang Jingu") and its affiliated exporter Shanghai Yata Industry Co., Ltd ("Yata") (collectively

"Jingu"). On November 14, 2011, Jingu submitted its response to the Department's post-preliminary supplemental questionnaire. Also on November 14, 2011, Jingu and Jining Centurion Wheel Manufacturing Co., Ltd. ("Jining Centurion") and its affiliated U.S. reseller, Centurion Wheel Manufacturing Company ("Centurion USA") (collectively "Centurion") provided additional factual information pertaining to respondents' production experience.

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On December 19, 2011, Centurion and Jingu submitted publicly available surrogate value submissions. On December 29, 2011, Petitioners submitted rebuttal comments to Jingu's surrogate value submission. Case briefs were submitted on January 20, 2012, by the following parties: (1) Petitioners; (2) the Government of China; (3) Blackstone/OTR LLC and OTR Wheel Engineering, Inc. (collectively "Blackstone"); (4) Jingu; and (5) Centurion. On January 25, 2012, Centurion and Petitioners submitted rebuttal briefs. On February 29, 2012, the Department met with counsel for Blackstone/OTR and Super Grip Corporation, an interested party in this proceeding. The Department met with counsel for Petitioners on March 2, 2012.

##### Scope Comments

Following the *Preliminary Determination*, on December 6, 2011, the Department issued a post-preliminary supplemental questionnaire to all interested parties requesting further information regarding various scope issues in this and the concurrent countervailing duty investigation on certain steel wheels from the PRC

<sup>1</sup> See *Certain Steel Wheels From the People's Republic of China: Notice of Preliminary Determination of Sales at Less Than Fair Value, Partial Affirmative Preliminary Determination of Critical Circumstances, and Postponement of Final Determination*, 76 FR 67703 (November 2, 2011) ("*Preliminary Determination*"). See also *Less Than Fair Value, Partial Affirmative Preliminary Determination of Critical Circumstances, and Postponement of Final Determination*, 76 FR 67703 (November 2, 2011) ("*Preliminary Determination*").

<sup>2</sup> See the "Verification" section below for additional information.



related to: (1) The U.S. Department of Transportation's regulatory requirements for steel wheels; (2) steel wheel product specifications; and (3) additional off-highway uses for Petitioners' steel wheels.<sup>3</sup>

On December 13, 2011, the following parties submitted responses to the Department's scope supplemental questionnaire: (1) Petitioners; (2) Xiamen Sunrise Wheel Group Co., Ltd. ("Xiamen Sunrise") and its affiliate, Xiamen Topu Import & Export Co., Ltd. ("Xiamen Topu"); (3) Jingu; (4) Blackstone; and (5) Jiaxing Stone Wheel Co., Ltd ("Jiaxing Stone"). On December 22, 2011, Blackstone submitted rebuttal comments to the Petitioners' scope supplemental questionnaire response. On December 23, 2011, Petitioners and Jingu also provided their rebuttal comments to parties' scope supplemental questionnaire responses.

Based on the Department's analysis of these comments and the factual records of these investigations, the Department continues to find that the scope of the investigation should not exclude off-the-road steel wheels.<sup>4</sup>

#### Period of Investigation

The period of investigation ("POI") is July 1, 2010, through December 31, 2010. This period corresponds to the two most recent fiscal quarters prior to the month of the filing of the petition, which was March 2011.<sup>5</sup>

#### Verification

As provided in section 782(i) of the Tariff Act of 1930, as amended ("Act"), we verified the information submitted by Centurion and Jingu for use in our final determination. The Department used standard verification procedures, including the examination of relevant accounting and production records, as well as original source documents provided by respondents.<sup>6</sup>

<sup>3</sup> See the Department's letter to all interested parties entitled, "LTFV antidumping duty investigation of Certain Steel Wheels from the People's Republic of China: Post-Preliminary Request for Information," dated December 6, 2011 ("scope supplemental questionnaire").

<sup>4</sup> For a complete discussion of the parties' comments and the Department's position, see Memorandum to Paul Piguado entitled "Issues and Decision Memorandum for the Final Determination in the Less-Than-Fair-Value Investigation of Steel Wheels from the People's Republic of China," dated March 16, 2012, and incorporated herein by reference ("Issues and Decision Memorandum") at Comment 1.

<sup>5</sup> See 19 CFR 351.204(b)(1).

<sup>6</sup> See Memorandum from the Department entitled, "Verification of the Sales Responses of Centurion Wheel Manufacturing Company ("Centurion USA") in the Antidumping Duty Investigation of Certain Steel Wheels From the People's Republic of China," dated January 10, 2012 ("Centurion USA's Verification Report"); Memorandum from the

#### Analysis of Comments Received

All issues raised in the case and rebuttal briefs by parties to this investigation are addressed in the Issues and Decision Memorandum. A list of the issues which parties have raised and to which we have responded in the Issues and Decision Memorandum is attached to this notice as Appendix I. The Issues and Decision Memorandum is a public document and is on file electronically via Import Administration's Antidumping and Countervailing Duty Centralized Electronic Service System ("IA ACCESS"). Access to IA ACCESS is available in the Central Records Unit ("CRU"), room 7046 of the main Department of Commerce building. In addition, a complete version of the Issues and Decision Memorandum can be accessed directly on the Internet at <http://www.trade.gov/ia/>. The paper copy and electronic version of the Issues and Decision Memorandum are identical in content.

#### Changes Since the Preliminary Determination

- The Department is using Thai import data to value respondents' pallet inputs, rather than the Indonesian data used for the *Preliminary Determination*.<sup>7</sup>
- To value inland truck freight, the Department is using an average of updated prices from the same source used in the *Preliminary Determination*.<sup>8</sup>
- The Department has revised Centurion and Jingu's margin calculations to incorporate minor corrections submitted at their respective verifications, as well as other minor discrepancies noted in their verification reports.<sup>9</sup>

Department entitled, "Verification of the Sales Responses of Jining Centurion Wheel Manufacturing Company, Ltd. in the Antidumping Duty Investigation of Certain Steel Wheels From the People's Republic of China," dated January 10, 2012 (Jining Centurion's Verification Report"); Memorandum from the Department entitled, "Verification of the Sales Information of Yata Industry Company, Ltd." dated January 11, 2012 (Yata's Verification Report"); and Memorandum from the Department entitled, "Verification of the Sales and Factor Production Information of Zhejiang Jingu Company Limited" dated January 11, 2012 ("Jingu's Verification Report").

<sup>7</sup> See Comment 4 of the Issues and Decision Memorandum; see also Memorandum to the File entitled "Antidumping Duty Investigation of Certain Steel Wheels from the People's Republic of China ("PRC"); Final Determination Surrogate Value Memorandum," dated March 16, 2012 ("Surrogate Value Memorandum").

<sup>8</sup> See Comment 5 of the Issues and Decision Memorandum; see also Surrogate Value Memorandum.

<sup>9</sup> See Comment 9 of the Issues and Decision Memorandum; see also Centurion USA's Verification Report, Jining Centurion's Verification

- The Department finds that critical circumstances exist for the PRC-entity.

#### Scope of Investigation

The products covered by this investigation are steel wheels with a wheel diameter of 18 to 24.5 inches. Rims and discs for such wheels are included, whether imported as an assembly or separately. These products are used with both tubed and tubeless tires. Steel wheels, whether or not attached to tires or axles, are included. However, if the steel wheels are imported as an assembly attached to tires or axles, the tire or axle is not covered by the scope. The scope includes steel wheels, discs, and rims of carbon and/or alloy composition and clad wheels, discs, and rims when carbon or alloy steel represents more than fifty percent of the product by weight. The scope includes wheels, rims, and discs, whether coated or uncoated, regardless of the type of coating.

Imports of the subject merchandise are provided for under the following categories of the Harmonized Tariff Schedule of the United States ("HTSUS"): 8708.70.05.00, 8708.70.25.00, 8708.70.45.30, and 8708.70.60.30. Imports of the subject merchandise may also enter under the following categories of the HTSUS: 8406.90.4580, 8406.90.7500, 8420.99.9000, 8422.90.1100, 8422.90.2100, 8422.90.9120, 8422.90.9130, 8422.90.9160, 8422.90.9195, 8431.10.0010, 8431.10.0090, 8431.20.0000, 8431.31.0020, 8431.31.0040, 8431.31.0060, 8431.39.0010, 8431.39.0050, 8431.39.0070, 8431.39.0080, 8431.43.8060, 8431.49.1010, 8431.49.1060, 8431.49.1090, 8431.49.9030, 8431.49.9040, 8431.49.9085, 8432.90.0005, 8432.90.0015, 8432.90.0030, 8432.90.0080, 8433.90.1000, 8433.90.5020, 8433.90.5040, 8436.99.0020, 8436.99.0090, 8479.90.9440, 8479.90.9450, 8479.90.9496, 8487.90.0080, 8607.19.1200,

Report, Yata's Verification Report, and Jingu's Verification Report; see also Memorandum from the Department entitled, "Investigation of Certain Steel Wheels from the People's Republic of China: Analysis of the Final Determination Margin Calculation for Zhejiang Jingu Company Limited ("Jingu") and Shanghai Yata Industry Company Limited ("Yata")," dated March 16, 2012 ("Jingu's Final Analysis Memorandum"); and Memorandum from the Department entitled, "Investigation of Certain Steel Wheels from the People's Republic of China: Analysis of the Final Determination Margin Calculation for Jining Centurion Wheels Manufacturing Co., Ltd. and Centurion Wheel Manufacturing Company," dated March 16, 2012 (Centurion's Final Analysis Memorandum").

8607.19.1500, 8708.70.1500, 8708.70.3500, 8708.70.4560, 8708.70.6060, 8709.90.0000, 8710.00.0090, 8714.19.0030, 8714.19.0060, 8716.90.1000, 8716.90.5030, 8716.90.5060, 8803.20.0015, 8803.20.0030, and 8803.20.0060. These HTSUS numbers are provided for convenience and customs purposes only; the written description of the scope is dispositive.

### Surrogate Country

In the *Preliminary Determination*, the Department selected Indonesia as the appropriate surrogate country to use in this investigation.<sup>10</sup> For the final determination, since we received no comments on our decision, we continue to use Indonesia as the primary surrogate country.

### Affiliation

In the *Preliminary Determination*, based on the evidence on the record, the Department preliminarily found that Zhejiang Jingu and Yata are affiliated, pursuant to section 771(33)(E) of the Act. In addition, based on the evidence presented in their respective questionnaire responses, we preliminarily found that Zhejiang Jingu and Yata should be treated as a single entity for the purposes of this investigation.<sup>11</sup> Since the *Preliminary Determination*, the Department has found no information to reverse this finding, nor have parties provided comment to rebut this finding. Therefore, the Department continues to find Yata and Zhejiang Jingu to be affiliated with each other pursuant to sections 771(33)(E) of the Act, for this final determination.

### Separate Rates

In proceedings involving NME countries, the Department begins with a rebuttable presumption that all companies within the country are subject to government control and, thus, should be assigned a single antidumping duty deposit rate. It is the Department's policy to assign all exporters of merchandise subject to an investigation in an NME country this single rate unless an exporter can demonstrate that it is sufficiently independent so as to be entitled to a separate rate.<sup>12</sup> In the *Preliminary*

*Determination*, we found that the two mandatory respondents (*i.e.*, Centurion and Jingu), and the separate-rate respondents (*i.e.*, (1) Shandong Land Star Import & Export Co., Ltd. ("Shandong Land Star"), (2) Shandong Jining Wheel Factory ("Shandong Jining"), (3) Wuxi Superior Wheel Co., Ltd. ("Wuxi Superior"), (4) Shandong Xingmin Wheel Co. Ltd. ("Xingmin Wheel"), (5) Xiamen Sunrise, (6) Jiaxing Stone, (7) Xiamen Topu and (8) China Dongfeng Motor Industry Imp. & Exp. Co., Ltd. ("Dongfeng Motor")) demonstrated their eligibility for separate-rate status. For the final determination, we continue to find that the evidence placed on the record of this investigation by these companies demonstrates both a *de jure* and *de facto* absence of government control, with respect to their respective exports of the merchandise under investigation, and, thus are eligible for separate-rate status.<sup>13</sup>

### Margin for Non-Examined Separate Rate Companies

Consistent with the Department's practice, as the rate for non-examined entities which qualify for separate rate status, we have established a margin based on the rate calculated for the mandatory respondents, Centurion and Jingu.<sup>14</sup>

### Use of Facts Available and Adverse Facts Available

Section 776(a) of the Act provides that the Department shall apply facts available ("FA") if (1) necessary information is not on the record, or (2) an interested party or any other person (A) withholds information that has been requested, (B) fails to provide information within the deadlines established, or in the form and manner requested by the Department, subject to subsections (c)(1) and (e) of section 782 of the Act, (C) significantly impedes a proceeding, or (D) provides information that cannot be verified as provided by section 782(i) of the Act.

*China*, 56 FR 20588 (May 6, 1991), as amplified by *Notice of Final Determination of Sales at Less Than Fair Value: Silicon Carbide from the People's Republic of China*, 59 FR 22585 (May 2, 1994) and 19 CFR 351.107(d).

<sup>13</sup> See *Preliminary Determination*, 76 FR at 67709–10.

<sup>14</sup> See *e.g.*, *Preliminary Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances: Certain Polyester Staple Fiber from the People's Republic of China*, 71 FR 77373, 77377 (December 26, 2006) (unchanged in *Final Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances: Certain Polyester Staple Fiber from the People's Republic of China*, 72 FR 19690 (April 19, 2007)).

Section 776(b) of the Act further provides that the Department may use an adverse inference in applying FA (*i.e.*, adverse facts available ("AFA")) when a party has failed to cooperate by not acting to the best of its ability to comply with a request for information. Such an adverse inference may include reliance on information derived from the petition, the final determination, a previous administrative review, or other information placed on the record.

For this final determination, in accordance with section 776(b) of the Act, we have determined that the use of AFA is warranted for the PRC-wide entity as discussed below.

### The PRC-Wide Rate

Because the Department begins with the presumption that all companies within an NME country are subject to government control, and because only the companies listed under the "Final Determination Margins" section, below, have overcome that presumption, we are applying a single antidumping rate (*i.e.*, the PRC-wide rate) to all other exporters of subject merchandise from the PRC. These other companies did not demonstrate entitlement to a separate rate.<sup>15</sup> The PRC-wide rate applies to all entries of subject merchandise except for entries from the companies eligible for separate rate status.

In the *Preliminary Determination*, the Department preliminarily determined that there were exporters/producers of the subject merchandise during the POI from the PRC that did not respond to the Department's request for information. Further, we treated these PRC producers/exporters as part of the PRC-wide entity because they did not apply for a separate rate. As a result, we found that the use of FA was appropriate to determine the PRC-wide rate pursuant to section 776(a)(2)(A) of the Act.<sup>16</sup>

Because the PRC-wide entity did not respond to our requests for information, withheld information requested by the Department, and did not allow their information to be verified, pursuant to sections 776(a)(2)(A), (C), and (D) of the Act, we determine, as in the *Preliminary Determination*, that the use of facts otherwise available is appropriate to determine the PRC-wide rate.

Thus, in the *Preliminary Determination*, the Department determined that, in selecting from among the FA, an adverse inference is appropriate because the PRC-wide

<sup>15</sup> See *e.g.*, *Synthetic Indigo From the People's Republic of China; Notice of Final Determination of Sales at Less Than Fair Value*, 65 FR 25706, 25707 (May 3, 2000).

<sup>16</sup> See *Preliminary Determination*, 76 FR at 67710–11.

<sup>10</sup> See *Preliminary Determination*, 76 FR at 67708.

<sup>11</sup> See Memorandum from the Department entitled, "Antidumping Duty Investigation of Certain Steel Wheels from the People's Republic of China: Affiliation and Collapsing of Zhejiang Jingu Company Limited and Shanghai Yata Industry Company Limited," dated October 26, 2011.

<sup>12</sup> See *Final Determination of Sales at Less Than Fair Value: Sparklers from the People's Republic of*

entity failed to cooperate by not acting to the best of its ability to comply with requests for information.<sup>17</sup> As AFA, we preliminarily assigned to the PRC-wide entity a rate of 193.54 percent, the highest rate from the petition.<sup>18</sup>

#### Selection of the Adverse Facts Available Rate

In deciding which facts to use as AFA pursuant to section 776(b) of the Act and 19 CFR 351.308(c)(1), the Department may rely on information derived from (1) the petition, (2) a final determination in the investigation, (3) any previous review or determination, or (4) any information placed on the record. In selecting a rate for AFA, the Department selects a rate that is sufficiently adverse “as to effectuate the purpose of the facts available rule to induce respondents to provide the Department with complete and accurate information in a timely manner.”<sup>19</sup> It is also the Department’s practice to select a rate that ensures “that the party does not obtain a more favorable result by failing to cooperate than if it had cooperated fully.”<sup>20</sup>

Generally, the Department finds selecting the highest rate on the record of the proceeding as AFA to be appropriate.<sup>21</sup> It is the Department’s practice to select, as AFA, the higher of the (a) highest margin alleged in the petition, or (b) the highest calculated rate of any respondent in the investigation.<sup>22</sup> In the instant investigation, as AFA, we have assigned to the PRC-wide entity the highest petition rate on the record of this proceeding that can be corroborated.<sup>23</sup>

<sup>17</sup> See *Id.*

<sup>18</sup> See *Id.*; see also *Statement of Administrative Action accompanying the URAA*, H.R. Rep. No. 103–316, vol. 1, at 870 (1994) (“SAA”).

<sup>19</sup> See *Notice of Final Determination of Sales at Less Than Fair Value: Static Random Access Memory Semiconductors From Taiwan*, 63 FR 8909, 8932 (February 23, 1998).

<sup>20</sup> See *Brake Rotors From the People’s Republic of China: Final Results and Partial Rescission of the Seventh Administrative Review; Final Results of the Eleventh New Shipper Review*, 70 FR 69937, 69939 (November 18, 2005); see also SAA at 870.

<sup>21</sup> See, e.g., *Certain Cased Pencils from the People’s Republic of China; Preliminary Results of Antidumping Duty Administrative Review and Intent to Rescind in Part*, 70 FR 76755, 76761 (December 28, 2005) (unchanged in *Certain Cased Pencils from the People’s Republic of China: Final Results and Partial Rescission of Antidumping Duty Administrative Review*, 71 FR 38366 (July 6, 2006) and accompanying Issues and Decision Memorandum at Comment 10).

<sup>22</sup> See *Final Determination of Sales at Less Than Fair Value: Certain Cold-Rolled Carbon Quality Steel Products from the People’s Republic of China*, 65 FR 34660 (May 21, 2000) and accompanying Issues and Decision Memorandum at “Facts Available.”

<sup>23</sup> See *Certain Steel Wheels From the People’s Republic of China: Initiation of Antidumping Duty Investigation*, 76 FR 23294 (April 26, 2011)

The Department determines that this information is the most appropriate from the available sources to effectuate the purposes of AFA.

#### Corroboration

Section 776(c) of the Act provides that, when the Department relies on secondary information rather than on information obtained in the course of an investigation as FA, it must, to the extent practicable, corroborate that information from independent sources reasonably at its disposal. Secondary information is described as “information derived from the petition that gave rise to the investigation or review, the final determination concerning merchandise subject to this investigation, or any previous review under section 751 concerning the merchandise subject to this investigation.”<sup>24</sup> To “corroborate” means that the Department will satisfy itself that the secondary information to be used has probative value. Independent sources used to corroborate may include, for example, published price lists, official import statistics and customs data, and information obtained from interested parties during the particular investigation. To corroborate secondary information, the Department will, to the extent practicable, examine the reliability and relevance of the information used.<sup>25</sup>

It is the Department’s practice to use the highest rate from the petition in an investigation when a respondent fails to act to the best of its ability to provide the necessary information.<sup>26</sup> Consistent with our practice, for the final determination we find that the highest rate in the petition of 193.54 percent is appropriate for the PRC-wide entity.<sup>27</sup>

<sup>24</sup> See SAA at 870.

<sup>25</sup> See *Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From Japan, and Tapered Roller Bearings, Four Inches or Less in Outside Diameter, and Components Thereof, From Japan; Preliminary Results of Antidumping Duty Administrative Reviews and Partial Termination of Administrative Reviews*, 61 FR 57391, 57392 (November 6, 1996) (unchanged in *Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From Japan, and Tapered Roller Bearings, Four Inches or Less in Outside Diameter, and Components Thereof, From Japan; Final Results of Antidumping Duty Administrative Reviews and Termination in Part*, 62 FR 11825 (March 13, 1997)).

<sup>26</sup> See, e.g., *Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Purified Carboxymethylcellulose From Finland*, 69 FR 77216 (December 27, 2004) (unchanged in *Notice of Final Determination of Sales at Less Than Fair Value: Purified Carboxymethylcellulose From Finland*, 70 FR 28279 (May 17, 2005)).

<sup>27</sup> See, *Certain Steel Wheels From the People’s Republic of China: Initiation of Antidumping Duty Investigation*, 76 FR 23294 (April 26, 2011) (“Initiation Notice”).

For the final determination, in accordance with section 776(c) of the Act, we corroborated our AFA margin using information submitted by Jingu. Specifically, we compared the normal values and net U.S. prices we calculated for Jingu in the final determination to the normal value and net U.S. price underlying the calculation of the 193.54 percent rate in the petition. We found that certain normal values we calculated for Jingu in this investigation were higher than or within the range of the normal value in the petition; we found that certain net U.S. prices we calculated for Jingu in this investigation were lower than or within the range of the U.S. price in the petition.<sup>28</sup>

Accordingly, we find this rate is reliable and relevant, considering the record information, and thus, has probative value. Additionally, by using information that was corroborated in the pre-initiation stage of this investigation and determining it to be relevant for the uncooperative respondent in this investigation, we have corroborated the AFA rate “to the extent practicable” as provided in section 776(c) of the Act.<sup>29</sup> Therefore, with respect to the PRC-wide entity, for the final determination we have used, as AFA, the margin in the petition of 193.54 percent, as set forth in the notice of initiation. Given that numerous PRC-wide entities did not respond to the Department’s requests for information, the Department concludes that the updated petition rate of 193.54 percent, as total AFA for the PRC-wide entity, is sufficiently adverse to prevent these respondents from benefitting from their lack of cooperation.<sup>30</sup>

The PRC-wide rate applies to all entries of the merchandise under investigation except for entries from Centurion, Jingu, Shandong Land Star, Shandong Jining, Wuxi Superior, Xingmin Wheel, Xiamen Sunrise, Jiaying Stone, Xiamen Topu and Dongfeng Motor, as they have demonstrated eligibility for a separate rate. These companies and their corresponding antidumping duty cash deposit rates are listed below in the “Final Determination” section of this notice.

#### Critical Circumstances

In the *Preliminary Determination*, we determined that critical circumstances

<sup>28</sup> See Jingu’s Final Analysis Memorandum.

<sup>29</sup> See also 19 CFR 351.308(d). See, e.g., *Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Stainless Steel Bar From the United Kingdom*, 66 FR 40192 (August 2, 2001) (unchanged in *Notice of Final Determination of Sales at Less Than Fair Value: Stainless Steel Bar from the United Kingdom*, 67 FR 3146 (January 23, 2002)).

<sup>30</sup> See SAA at 870.

do not exist for Jingu, separate rate respondents, or the PRC entity, but do exist with respect to imports from Centurion.<sup>31</sup>

*Centurion, Jingu and the Separate Rate Respondents*

On November 8, 2011, the Department issued a request to Centurion and Jingu for further information regarding monthly shipments of subject merchandise for the purposes of a final determination of critical circumstances. On November 14, 2011, both Centurion and Jingu submitted the requested monthly shipment data. Based on the updated shipment data received from respondents, the Department continues to find that critical circumstances do not exist for Jingu or the separate rate respondents, but do exist with respect to imports from Centurion.<sup>32</sup>

*PRC-Wide Entity*

With respect to the Department's preliminary determination that critical circumstances do not exist with respect to imports from the PRC entity,<sup>33</sup> we find that the *Preliminary Determination* was inconsistent with Department practice regarding this issue. Therefore,

we have re-evaluated this issue for the final determination.

Because the PRC-wide entity did not cooperate with the Department by not responding to the Department's antidumping questionnaire, we were unable to obtain shipment data from the PRC-wide entity for purposes of our critical circumstances analysis, and thus there is no verifiable information on the record with respect to its export volumes. Section 776(a)(2) of the Act provides that, if an interested party or any other person (A) withholds information that has been requested by the administering authority or the Commission under this title, (B) fails to provide such information by the deadlines for submission of the information or in the form and manner requested, subject to subsections (c)(1) and (e) of section 782 of the Act, (C) significantly impedes a proceeding under the Act, or (D) provides such information but the information cannot be verified as provided in section 782(i) of the Act, the Department shall, subject to section 782(d) of the Act, use the FA in reaching the applicable determination under this title.

Furthermore, as noted in the *Use of Facts Available and Adverse Facts*

*Available* section above, section 776(b) of the Act provides that, if a party has failed to act to the best of its ability, the Department may apply an adverse inference. The PRC-wide entity did not respond to the Department's request for information. Thus, we are using FA, in accordance with section 776(a) of the Act, and, pursuant to section 776(b) of the Act, we also find that AFA is warranted because the PRC-wide entity has not acted to the best of its ability in not responding to the request for information. Accordingly, as AFA we find that there were massive imports of merchandise from the PRC-wide entity.<sup>34</sup>

**Combination Rates**

In the *Preliminary Determination*, the Department stated that it would calculate combination rates for respondents that are eligible for a separate rate in this investigation.<sup>35</sup> This practice is described in the *Separate Rate Policy Bulletin*.<sup>36</sup>

**Final Determination**

The simple-average dumping margin percentages are as follows:

| Exporter   | Producer   | Percent margin |
|--|--|----------------|
| Zhejiang Jingu Company Limited .....                     | Zhejiang Jingu Company Limited .....                 | 82.92          |
| Shanghai Yata Industry Company Limited .....             | Zhejiang Jingu Company Limited .....                 | 82.92          |
| Jining Centurion Wheels Manufacturing Co., Ltd .....     | Jining Centurion Wheels Manufacturing Co., Ltd ..... | 44.96          |
| Shandong Land Star Import & Export Co., Ltd .....        | Shandong Shengtai Wheel Co., Ltd .....               | 63.94          |
| Shandong Jining Wheel Factory .....                      | Shandong Jining Wheel Factory .....                  | 63.94          |
| Wuxi Superior Wheel Co., Ltd .....                       | Wuxi Superior Wheel Co., Ltd .....                   | 63.94          |
| Shandong Xingmin Wheel Co. Ltd .....                     | Shandong Xingmin Wheel Co. Ltd .....                 | 63.94          |
| Xiamen Sunrise Wheel Group Co., Ltd .....                | Jining Centurion Wheels Manufacturing Co., Ltd ..... | 63.94          |
| Jiaxing Stone Wheel Co., Ltd .....                       | Jiaxing Stone Wheel Co., Ltd .....                   | 63.94          |
| Xiamen Topu Import & Export Co., Ltd .....               | Xiamen Sunrise Wheel Group Co., Ltd .....            | 63.94          |
| Xiamen Topu Import & Export Co., Ltd .....               | Jining Centurion Wheels Manufacturing Co., Ltd ..... | 63.94          |
| China Dongfeng Motor Industry Imp. & Exp. Co., Ltd ..... | Dongfeng Automotive Wheel Co., Ltd .....             | 63.94          |
| PRC-Wide Entity .....                                    | .....  | 193.54         |

**Disclosure**

We will disclose the calculations performed within five days of the date of publication of this notice to parties in

this proceeding in accordance with 19 CFR 351.224(b).

**Continuation of Suspension of Liquidation**

In accordance with section 735(c)(1)(B) of the Act, we are directing U.S. Customs and Border Protection

<sup>31</sup> See *Preliminary Determination*, 76 FR at 67706-08.

<sup>32</sup> See Comment 6 of the Issues and Decision Memorandum; see also Memorandum from the Department entitled, "Critical Circumstances Data and Calculations for the Final Determination," dated March 16, 2012.

<sup>33</sup> See *Preliminary Determination*, 76 FR at 67708.

<sup>34</sup> See *Certain Oil Country Tubular Goods From the People's Republic of China: Notice of Preliminary Determination of Sales at Less Than Fair Value, Affirmative Preliminary Determination of Critical Circumstances and Postponement of Final Determination*, 74 FR 59117, 59121 (November 17, 2009)(unchanged in *Certain Oil*

*Country Tubular Goods from the People's Republic of China: Final Determination of Sales at Less Than Fair Value, Affirmative Final Determination of Critical Circumstances and Final Determination of Targeted Dumping*, 75 FR 20335 (April 19, 2010); see also e.g., *Drill Pipe From the People's Republic of China: Preliminary Determination of Sales at Less Than Fair Value and Affirmative Determination of Critical Circumstances, and Postponement of Final Determination*, 75 FR 51004, 51013 (August 18, 2010)(unchanged in *Drill Pipe From the People's Republic of China: Final Determination of Sales at Less Than Fair Value and Critical Circumstances*, 76 FR 1966 (January 11, 2011); *Certain Magnesia Carbon Bricks From the*

*People's Republic of China: Notice of Preliminary Affirmative Determination of Critical Circumstances*, 75 FR 28237, 28239 (May 20, 2010)(unchanged in *Certain Magnesia Carbon Bricks From the People's Republic of China: Final Determination of Sales at Less Than Fair Value and Critical Circumstances*, 75 FR 45468 (August 2, 2010)).

<sup>35</sup> See *Preliminary Determination*, 75 FR at 24905.

<sup>36</sup> See Memorandum entitled "Separate-Rates Practice and Application of Combination Rates in Antidumping Investigations Involving Non-Market Economy Countries" dated April 5, 2005, available at <http://ia.ita.doc.gov/policy/index.html>.

(“CBP”) to continue to suspend liquidation of all imports of subject merchandise exported by Jingu or the separate rate respondents and entered or withdrawn from warehouse, for consumption on or after the date of publication of the *Preliminary Determination* in the **Federal Register**. Further, in accordance with section 735(c)(1)(B) of the Act, we are directing CBP to continue to suspend liquidation of all imports of subject merchandise exported by Centurion on or after 90 days prior to the date of publication of the *Preliminary Determination* in the **Federal Register**. Additionally, because we have found critical circumstances exist with respect to the PRC–Entity, we are directing CBP to suspend liquidation of all imports of subject merchandise exported by the PRC–entity on or after 90 days prior to the date of publication of the *Preliminary Determination* in the **Federal Register**. We will instruct CBP to require a cash deposit or the posting of a bond equal to the weighted-average amount by which the normal value exceeds U.S. price, as follows: (1) The rates for the exporter/producer combinations listed in the chart above will be the rates we have determined in this final determination as listed in the chart; (2) for all PRC exporters of subject merchandise which have not received their own rate, the cash-deposit rate will be the PRC-wide rate; and (3) for all non-PRC exporters of subject merchandise which have not received their own rate, the cash-deposit rate will be the rate applicable to the PRC exporter/producer combination that supplied that non-PRC exporter. These suspension-of-liquidation instructions will remain in effect until further notice.

Additionally, as the Department has determined in its concurrent countervailing duty (“CVD”) steel wheels investigation that the merchandise under investigation exported by Zhejiang Jingu and Shanghai Yata benefitted from export subsidies,<sup>37</sup> we will instruct CBP to require an antidumping cash deposit or posting of a bond equal to the amount by which the normal value exceeds the U.S. price for each of these companies, as indicated above, reduced by the respective amount determined to constitute export subsidies for each of these companies.<sup>38</sup>

<sup>37</sup> See *Certain Steel Wheels From the People's Republic of China: Final Affirmative Countervailing Duty Determination, Final Affirmative Critical Circumstances Determination and accompanying Issues and Decision Memorandum*, dated concurrently with this notice (“CVD Final Determination”).

<sup>38</sup> See *Certain Oil Country Tubular Goods From the People's Republic of China: Final Determination*

With respect to Shandong Xingmin Wheel Co. Ltd., a separate rate recipient in this case, but a mandatory respondent in the companion CVD investigation that was found to have benefitted from export subsidies, we will instruct CBP to require an antidumping cash deposit or posting of a bond equal to the amount by which the NV exceeds the U.S. price, as indicated above, reduced by the lesser of its own CVD export subsidy rate or the average of the CVD export subsidy rates applicable to the mandatory respondents, on which Shandong Xingmin Wheel Co. Ltd.'s dumping margin is based. For the other separate rate recipients<sup>39</sup> in this case, excluding Shandong Xingmin Wheel Co. Ltd., who are receiving the All-Others rate in the CVD investigation, we will instruct CBP to require an antidumping cash deposit or posting of a bond equal to the amount by which the NV exceeds the U.S. price, as indicated above, reduced by the lesser of the average of the export subsidy rates determined in the CVD investigation or the average of the CVD export subsidy rates applicable to the mandatory respondents, on which the separate rate dumping margins are based.<sup>40</sup>

#### ITC Notification

In accordance with section 735(d) of the Act, we have notified the International Trade Commission (“ITC”) of our final determination of sales at LTFV. As our final determination is affirmative, in accordance with section 735(b)(2) of the Act, the ITC will, within 45 days, determine whether the domestic industry in the United States is materially injured or threatened with material injury, by reason of imports or sales (or the likelihood of sales) for importation of the subject merchandise. If the ITC determines that material injury or threat of material injury does not exist, the proceeding will be terminated and all securities posted will

*of Sales at Less Than Fair Value, Affirmative Final Determination of Critical Circumstances and Final Determination of Targeted Dumping*, 75 FR 20335, 20341 (April 19, 2010); see also e.g., *Notice of Final Determination of Sales at Less Than Fair Value: Carbazole Violet Pigment 23 From India*, 69 FR 67306, 67307 (November 17, 2004).

<sup>39</sup> The Department notes that it is our practice to adjust the separate rate companies by the lesser of the export subsidy rate (or average thereof) applicable to the mandatory respondents from which the separate rate is calculated, or the All-Others export subsidy rate from the CVD case (with exception of Shandong Xingmin Wheel Co. Ltd., which has its own calculated export subsidy rate). See *Galvanized Steel Wire From the People's Republic of China: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 76 FR 68407, 68421 (November 4, 2011).

<sup>40</sup> See *id.*

be refunded or canceled. If the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing CBP to assess antidumping duties on all imports of the subject merchandise entered or withdrawn from warehouse for consumption on or after the effective date of the suspension of liquidation.

#### Notification Regarding APO

This notice also serves as a reminder to the parties subject to administrative protective order (“APO”) of their responsibility concerning the disposition of proprietary information disclosed under APO in accordance with 19 CFR 351.305. Timely notification of return or destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and the terms of an APO is a sanctionable violation.

This determination and notice are issued and published in accordance with sections 735(d) and 777(i)(1) of the Act.

Dated: March 16, 2012.

**Paul Piquado,**

*Assistant Secretary for Import Administration.*

#### Appendix I—List of Issues

##### Case Issues

- Comment 1:* Whether the Scope Should Exclude Off-Road/Non-DOT Specification Stamped Wheels.  
*Comment 2:* Whether Double Remedies Arise From the Concurrent CVD Investigation.  
*Comment 3:* Use of PT Prima Alloy's Financial Statement for Surrogate Financial Ratios.  
*Comment 4:* Surrogate Value for Pallet Inputs.  
*Comment 5:* Surrogate Value for Inland Freight.  
*Comment 6:* Critical Circumstances.  
*Comment 7:* Treatment of Administrative Expenses in Centurion's Indirect Selling Expense Calculation.  
*Comment 8:* Hot-Rolled Steel Surrogate Value.  
*Comment 9:* Corrections to Zhejiang Jingu's Databases.

[FR Doc. 2012–7047 Filed 3–22–12; 8:45 am]

**BILLING CODE 3510–DS–P**



**APPENDIX B**  
**CALENDAR OF THE HEARING**





## CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

**Subject:** Certain Steel Wheels from China  
**Inv. Nos.:** 701-TA-478 and 731-TA-1182 (Final)  
**Date and Time:** March 8, 2012 - 9:30 a.m.

Sessions were held in connection with these investigations in the Main Hearing Room (room 101), 500 E Street, S.W., Washington, D.C.

### **CONGRESSIONAL APPEARANCES:**

**The Honorable Sherrod Brown, United States Senator, Ohio**

**The Honorable Claire McCaskill, United States Senator, Missouri**

**The Honorable Tim Ryan, U.S. Representative, 17<sup>th</sup> District, Ohio**

### **OPENING REMARKS:**

Petitioner (**Roger B. Schagrin**, Schagrin Associates)  
Respondents (**Adams C. Lee**, White & Case LLP)

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

Schagrin Associates  
Washington, D.C.  
on behalf of

Accuride Corporation  
Hayes Lemmerz International, Inc.

**Rick Dauch**, President and CEO, Accuride Corporation

**In Support of the Imposition of  
Antidumping and Countervailing Duty Orders (continued):**

**Chuck Byrnes**, Senior Vice President Sales and  
Marketing, Accuride Corporation

**Scott Hazlett**, Senior Vice President and General Manager,  
Wheels Division, Accuride Corporation

**William D. Noll**, Corporate Director of Quality,  
Accuride Corporation

**Fred Bentley**, President and CEO, Maxion Wheels Group

**Dennis P. Weisend**, Director of Commercial Wheel Sales,  
Maxion Wheels Group

**Donald Hampton, Jr.**, Vice President and General  
Manager, Americas of Hayes Lemmerz  
International

**Matt Kato**, Director of Sales, Americas of  
Hayes Lemmerz International

**Dave Vorshak**, President, United Steelworkers  
Local 21, Maxion Wheels

**David Willis**, President, CRW Parts. Inc.

**Tom Stewart**, President, Carolina Rim and Wheel

**Roger B. Schagrin** )  
 ) – OF COUNSEL  
**John W. Bohn** )

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

White & Case LLP  
Washington, D.C.  
on behalf of

Zhejiang Jingu Company Limited (“Zhejiang Jingu”)

**Fengfeng Sun**, General Manager, Zhejiang Jingu

**Jesse Wu**, Sales Director, Zhejiang Jingu

**Thomas M. Cunningham**, President, The  
Cunningham Company, LLC

**Greg Hatton**, President, KIC Holdings, Inc.

**John Schneider**, Vice President, Sales, KIC  
Holdings, Inc.

**Adams C. Lee** )  
 ) – OF COUNSEL  
**Keir Whitson** )

Mayer Brown LLP  
Washington, D.C.  
on behalf of

Dongfeng Automotive Wheel Co., Ltd.  
Shandong Shengtai Wheel Co., Ltd.  
Shandong Xingmin Wheel Co., Ltd.  
Shandong Jining Wheel Factory

**Thomas Rogers**, Economic Consultant, Capital Trade

**Jeffrey C. Lowe** ) – OF COUNSEL

**NON PARTY WITNESS:**

Crowell & Moring LLP  
Washington, D.C.  
on behalf of

Caterpillar Inc. (“Caterpillar”)

**Daniel J. Cannistra** ) – OF COUNSEL

**CLOSING REMARKS:**

Petitioner (**Roger B. Schagrin**, Schagrin Associates)  
Respondents (**Adams C. Lee**, White & Case LLP)

**-END-**

**APPENDIX C**  
**SUMMARY DATA**



**Table C-1**  
**Steel wheels: Summary data concerning the U.S. market, 2008-10, January-September 2010, and January-September 2011**

\* \* \* \* \*

**Table C-2**  
**Steel wheels: Data submitted by U.S. producer GKN, 2008-10, January-September 2010, and January-September 2011**

\* \* \* \* \*

**Table C-3**  
**Steel wheels: Summary data concerning the U.S. market (including GKN), 2008-10, January-September 2010, and January-September 2011**

\* \* \* \* \*





**APPENDIX D**  
**DOMESTIC, SUBJECT, AND NONSUBJECT**  
**PRICING DATA**



Three importers reported price data for products from Canada, two importers reported price data for products Mexico, and six importers reported price data for products from other nonsubject countries (Germany and Turkey). In comparing nonsubject country pricing data with U.S. producer pricing data, prices for product imported from nonsubject countries were lower than prices for U.S.-produced product in 52 instances and higher in 89 instances. In comparing nonsubject country with Chinese pricing data, prices for products imported from China were lower than prices for product imported from nonsubject countries in 104 instances and higher in 5 instances. Price and quantity data for the United States, China, Canada, Mexico, and other nonsubject countries are displayed in tables D-1 to D-6 and illustrated in figures D-1 to D-6.

Other than the limited subject data presented in Part V, data in tables D-1 to D-6 and figures D-1 to D-6 are confidential. Therefore, these tables and figures are not reproduced.

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