Statement of
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Introduction

Commissioners George Becker and Daniel Blumenthal and the entire Commission, I appreciate the opportunity to testify today on the impact of China policy on the U.S. auto parts industry. I have personally worked in this industry for over 34 years, both as an OEM for 24 and presiding over two leading global automotive suppliers for the past 10. I am also a product of Detroit and of the auto industry, as my father and grandfather both worked in this industry.

The impact that China has on the U.S. auto parts industry continues to grow at terrific rates each year. I believe that there is a need for immediate action to ensure a fair and competitive playing field that benefits U.S. and China auto parts suppliers alike. Today I would like to offer a view of the current uneven competitive landscape and how this will increasingly impact the business of DURA Automotive Systems and future jobs in the United States.

About DURA Automotive Systems Inc.

Let me first provide an overview of DURA Automotive Systems. DURA is a global automotive supplier based here in Michigan.

Our revenue last year was approximately $2.4 billion dollars and we support both the automotive and the recreation vehicle markets. We employ nearly 16,000 workers worldwide and have operations in 14 countries including China, Mexico, Brazil, the Czech Republic and Romania. I will reference a handful of charts today to help illustrate my main messages.

< Multi-geographic-flexibility chart

Our strategies for geographic positioning are based on a principle we call Multi-Geographic-Flexibility. In basic terms, we position our manufacturing footprint to have the flexibility to offer support near our customers around the world. We support these manufacturing facilities with global technology and development centers. We design the facilities to supply the domestic markets they serve. Based on logistics, equipment utilization, and capital costs, we also are positioned to manufacture product for export.

As we expand with our customers in new regions, we strive to gain our competitive fair share of the market. If we have $50 per vehicle in one region, we position our locations and technologies to achieve $50 per vehicle in the new markets that we enter.

In the United States today we have 27 factories and we employ sixty two hundred employees including our manufacturing and research and development jobs.

Our products are primarily safety and performance-focused and include driver and seating control systems, complex glass assemblies, chassis components, automotive cable systems and lightweight body and door structures. Our products range in sophistication from electronic and software controlled systems to some as simple as stamped jack assemblies that we produce here in the United States in Butler, Indiana. Many of our products are compact enough that they can be readily shipped around the world.

We anticipate that China's impact on each of our businesses will continue to grow, and it is of dire importance that we establish the appropriate policies and enforcement mechanisms to ensure fair and balanced trade.

The Impact of China's Pegged Currency Rate On DURA

Two years ago I spoke publicly at one of the largest and well-known automotive management conferences held in Traverse City, Michigan. My topics included government collaboration with industry to ensure fair trade and a sustainable position for U.S. manufacturing. One area I focused on was the importance of establishing a floating Chinese currency and the role that plays in fair trade.

Let me reference this chart which I displayed at the Traverse City conference. It shows the change in exchange rates between currencies around the world relative to the United States Dollar. This first chart shows the period from 2002 through July of 2004. As you can see the U.S. dollar weakened 27% against the both the Australian dollar and the Euro, 20% against the pound, 16% against the Canadian dollar, but zero change was made with the Chinese Yuan.

<2002-2004 Currency Chart>

Let me show what has changed in the two years since July of 2004. The Australian Dollar, Euro, and Canadian Dollar continued to move versus the U.S. Dollar. The Pound is actually 21%. Even the Russian Rouble is 12% strengthened against the Dollar. Yet the Chinese Yuan has only moved near 3%.

<2002-2006 Currency Chart>

Today DURA is competing for business that will start production in 3-5 years. So the wins and losses of new orders from today's competitive imbalance will impact our manufacturing employment levels by 2009. Now is the right time to make the policy changes that can affect fair trade and improve the likelihood for U.S. suppliers to succeed.

With Chinese government incentives for Chinese manufacturers to export goods, and the artificial currency exchange rates between the Yuan and the Dollar, U.S. manufacturers are at a significant disadvantage versus Chinese suppliers. In the past two years, Chinese bids for auto parts orders have driven customer price targets to a level below our costs on some products. Here is an example of an automotive cable price comparison to help illustrate the gap. In this example you can see our sell price of $4.50 for a typical automotive cable. We show a profit of $.35. The Chinese landed selling price is $3.70, of which $.55 is logistics. If I were to balance the currency at the appropriate level, as an example, at the level of the Australian Dollar, the Pound, or the Euro, the Chinese sell price and the U.S. sell price would be nearly identical at $4.50. We would compete in a level marketplace.

<Automotive Control Cable Cost Structure Chart>

U.S. suppliers have two alternatives to react to these market conditions. The first is to relocate assembly jobs to lower labor regions. The second is reduce pricing and profit levels. Reducing profit levels is not a sustainable strategy and it would take away from a supplier's ability to invest in new capital and research and development jobs. So the first choice is more likely.

We must be positioned to have free and fair trade.

Advocating a fair-floating currency for the Chinese Yuan was my main message here today. It is the essence of a capitalistic system. But there are other factors where our policies appear to be designed to further disadvantage U.S. auto parts manufacturers. The U.S. places tariffs on imports of foreign steel, and that has created an unfair playing field driving domestic steel pricing to all-time high levels. Competing parts manufacturers in China can purchase the steel at lower pricing levels and import the finished products into the U.S. tariff-free.

When you combine this disadvantage with the currency issue, you get what I call a "double-whammy." In my view if the U.S. wants to spread capitalism and free trade, we should start by demonstrating this with the removal of the tariffs.

Conclusion

Chairman Becker and Chairman Blumenthal, I thank you and the entire Commission for providing me with the opportunity to testify. I look forward to your questions.