

**CERTAIN OFF-THE-ROAD TIRES FROM CHINA, INDIA, AND SRI LANKA
INV. NOS. 701-TA-551-553 AND 731-TA-1307-1308 (PRELIMINARY)**

**PUBLIC STAFF CONFERENCE BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION**

JANUARY 29, 2016

**STATEMENT OF LESTER BREWER
GENERAL MANAGER, DES MOINES
TITAN TIRE CORPORATION**

Good morning. My name is Lester Brewer. I am the General Manager of Titan Tire Corporation's OTR tire plant in Des Moines, Iowa. I also oversee the mounting and distribution of OTR tires in Des Moines and in Pendergrass, Georgia. I started with Titan in 2001, and I have been involved in overseeing tire manufacturing, mounting, and distribution.

The OTR tires covered by this case are exactly the same as the tires that were covered by the petitions Titan and the USW filed in 2007. This includes off-road tires for the agricultural market, for earthmoving machinery, and for construction and industrial vehicles. The types of vehicles that OTR tires are used on include farm tractors, combine harvesters, irrigation equipment, log skidders, off-road dump trucks, front end loaders, graders, mobile cranes, lift trucks, and skid-steer mini loaders. Covered tires include a wide spectrum of sizes and features, but they are all designed specifically for off-road applications. By definition, OTR tires in the aftermarket need to be able to fit the same machines that are served by OTR tires sold in the original equipment market. Excluded from the scope of this case are smaller ATV, lawn, and garden tires, as well as extra-large mining tires with a rim diameter of 39 inches and larger.

One difference between this case and the prior case Titan and the USW brought on OTR tires is that this case explicitly includes these OTR tires whether they enter the United States mounted on a wheel or rim or unmounted. In any event, only the tire itself is covered.

This slight change in the scope – which was made to ensure coverage of all tires entered whether mounted or unmounted – should not have any impact on the Commission's analysis of the domestic industry. Only the tire itself is covered by the scope, regardless of the form in which it enters. Similarly, only the OTR tires produced in the United States should be included in the domestic like product, regardless of the form in which they are sold. In the 2007 cases, the Commission found that the domestic like product was the product that was co-extensive with the OTR tires included in the scope. The Commission should do the same in this case.

Titan is somewhat unique in the domestic industry. Because Titan produces wheels as well as tires, we can sell them together as mounted assemblies. But, as my colleague Dennis will testify, other OTR tire producers, whether domestic or foreign, even though they do not make wheels or have their own mounting operations, compete directly with Titan for OEM or aftermarket business. This is because the customer can buy the tire by itself and do the mounting itself, have a third party mount the tire, or buy a tire already mounted on a wheel. Thus, while Titan is the only major OTR tire producer in the United States that offers customers unmounted and mounted tires based on its own wheels and its own mounting services, it is by no means the only producer that can sell mounted tires.

The tires that Titan sells in mounted and unmounted form are physically identical. The only difference is that the mounted tire is sold attached to a wheel, while the unmounted tire is not. A customer can order any of the thousands of tires in our catalogue either mounted or unmounted, and tires with the same SKU number would be exactly the same regardless of how

they are sold. At our plant in Des Moines, we produce almost every type of tire covered by this case, including agricultural, earthmoving, construction, and industrial tires. A significant portion of these tires are sold in mounted form, and the rest are sold unmounted. Whether the tires are ultimately sold mounted or unmounted, they are produced by the very same workers, on the same equipment, and using the same production processes. In some cases, we will produce tires and hold them in inventory without knowing at the time of production whether they will ultimately be sold in mounted or unmounted form.

Our mounting operations are separate from our tire production operations. Mounting takes place off-site, as part of our distribution operations. Mounting is done by different employees and on separate equipment than those involved in tire building. The mounting process uses significantly less equipment, manpower, investment, and technical expertise than our tire-manufacturing process. Only minimal additional raw materials are added in the mounting process, if any – these are typically tire fillers requested by the customer, such as foam or calcium. The tire accounts for the majority of the value of the final assembly, and the wheel most of the rest. Overall, the mounting process typically adds only minor value to the final assembly. Mounting is a relatively uncomplicated and straightforward process. The tire manufacturing process for certain OTR tires in these investigations is essentially unchanged from that depicted in the ITC staff reports to the preliminary and final injury determinations in the prior case.

Our tire production operations have experienced significant difficulties as unfairly traded imports have eroded our market share and driven down prices. Our customers have been ordering fewer and fewer tires with each order, forcing us to reduce our lot sizes. This imposes significant costs on our plant. With each changeover, we have to change the specs for the tire

building machines and we often have to change the molds in our curing presses. Changing out a mold in a curing press has to be done manually, and it takes from one to four hours depending on the size of the mold. As Titan has lost sales to rising volumes of low-priced imports, our plant has seen production fall dramatically, much more than what the cyclical downturn in demand would warrant. Many of our tire building machines and curing presses are standing idle, which represents a significant loss of potential revenue and unmet overhead costs on every sale. Unfortunately, we have also had to put many of our tire manufacturing employees on layoff. The extent of the layoffs is documented in our questionnaire response for our three tire manufacturing plants. We believe that when the Staff has compiled the information from all domestic industry questionnaires that you will see a pattern that looks a lot like that experienced by Titan.

Our plant has the equipment, the capability, and the available manpower to produce many more OTR tires than we are currently producing. If the tide of dumped and subsidized tires from China, India, and Sri Lanka is stemmed, and if prices reflect fair competition rather than unfair trade, we could quickly ramp our production back up. Using existing equipment and workers already on layoff, as well as new hires, we could be operating at much higher levels of capacity utilization within a couple months under conditions of fair trade. I hope the Commission will give us the opportunity to do so.

Thank you.