Certain Passenger Vehicle and Light Truck Tires from China

Investigation Nos. 701-TA-522 and 731-TA-1258 (Preliminary)

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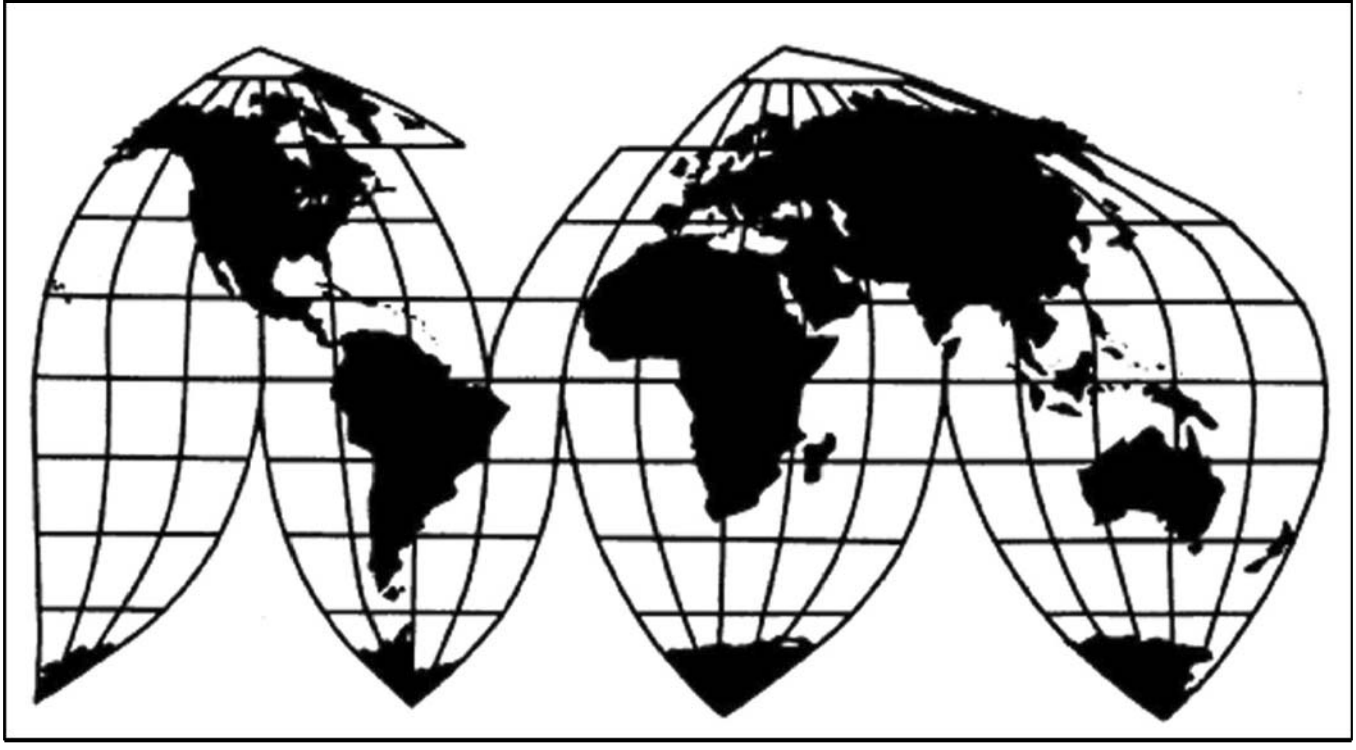
U.S. International Trade Commission



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Note.—Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted.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

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 701-TA-522 and 731-TA-1258 (Preliminary)

CERTAIN PASSENGER VEHICLE AND LIGHT TRUCK TIRES FROM CHINA

DETERMINATIONS

On the basis of the record[1] developed in the subject investigations, the United States International Trade Commission (Commission) determines, pursuant to sections 703(a) and 733(a) of the Tariff Act of 1930 (19 U.S.C. §§ 1671b(a) and 1673b(a)) (the Act), 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 passenger vehicle and light truck tires, provided for in subheadings 4011.10.10, 4011.10.50, 4011.20.10, and 4011.20.50 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (LTFV) and are allegedly subsidized by the Government of China.[2]

COMMENCEMENT OF FINAL PHASE INVESTIGATIONS

Pursuant to section 207.18 of the Commission's rules, the Commission also gives notice of the commencement of the final phase of its investigations. The Commission will issue a final phase notice of scheduling, which will be published in the *Federal Register* as provided in section 207.21 of the Commission's rules, upon notice from the Department of Commerce (Commerce) of affirmative preliminary determinations in the investigations under sections 703(b) or 733(b) of the Act, or, if the preliminary determinations are negative, upon notice of affirmative final determinations in those investigations under sections 705(a) or 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigations need not enter a separate appearance for the final phase of the investigations. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations.

[1] The record is defined in sec. 207.2(f) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(f)).

[2] Vice Chairman Dean A. Pinkert and Commissioners Irving A. Williamson and Rhonda K. Schmidtlein determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of certain passenger vehicle and light truck tires from China. Chairman Meredith M. Broadbent and Commissioners David S. Johanson and F. Scott Kieff determine that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of certain passenger vehicle and light truck tires from China.

BACKGROUND

On June 3, 2014, a petition was filed with the Commission and Commerce by the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union ("USW"), Pittsburgh, PA, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV and subsidized imports of certain passenger vehicle and light truck tires from China. Accordingly, effective June 3, 2014, the Commission instituted countervailing duty investigation No. 701-TA-522 and antidumping duty investigation No. 731-TA-1258 (Preliminary).

Notice of the institution of the Commission's investigations and of a public conference 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* of June 9, 2014 (79 FR 32994). The conference was held in Washington, DC, on June 24, 2014, and all persons who requested the opportunity were permitted to appear in person or by counsel.

Views of the Commission

Based on the record in the preliminary phase of these investigations, we find 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 of passenger vehicle and light truck ("PVLT") tires from China that are allegedly sold in the United States at less than fair value and that are allegedly subsidized by the government of China.[1]

I. The Legal Standard for Preliminary Determinations

The legal standard for preliminary antidumping and countervailing duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determinations, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury, or that the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.[2] In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation."[3]

II. Background

The petitions in these investigations were filed on June 3, 2014 by the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO, CLC ("USW" or "Petitioner"). Petitioner represents workers producing certain passenger vehicle and light truck ("PVLT") tires in the United States. Petitioner appeared at the staff conference and submitted a postconference brief.

Two respondent entities participated in these investigations. The Sub-Committee of Tire Producers of the China Chamber of Commerce of Metals, Minerals & Chemical Importers ("CCCMC") and the China Rubber Industry Association ("CRIA") (collectively "Respondents") are trade associations whose members produce subject merchandise. Counsel for the CCCMC and

[1] Vice Chairman Pinkert and Commissioners Williamson and Schmidtlein find that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of PVLT tires from China that are allegedly sold in the United States at less than fair value and that are allegedly subsidized by the government of China. Chairman Broadbent and Commissioners Johanson and Kieff find that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of PVLT tires from China that are allegedly sold in the United States at less than fair value and that are allegedly subsidized by the government of China.

[2] 19 U.S.C. §§ 1671b(a), 1673b(a) (2000); *see also American Lamb Co. v. United States*, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); *Aristech Chem. Corp. v. United States, 2*0 CIT 353, 354-55 (1996). No party argues that the establishment of an industry in the United States is materially retarded by the allegedly unfairly traded imports.

[3] *American Lamb Co*., 785 F.2d at 1001; *see also Texas Crushed Stone Co. v. United States*, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

CRIA appeared at the staff conference and submitted a joint postconference brief. In addition, several entities filed submissions opposing either the imposition of duties or some of Petitioner's factual claims. The Tire Industry Association ("TIA"), whose members were reported to import directly or contract with suppliers for subject merchandise, submitted a letter opposing the imposition of duties on PVLT tires from China.[4] Ford Motor Company ("Ford") provided a statement of information and, while it did not explicitly oppose the petition, argued that Chinese companies are not a significant factor in the original equipment segment of the U.S. PVLT tires market.[5] The law firm of Cozen O'Connor, representing Strategic Import Supply, LLC; Strategic Tire Supply Group; and Strategic Tire Supply, U.S. importers of subject merchandise, submitted a declaration by a professional in the tires industry, stating that the Petitioner's claims of material injury and threat of material injury are unfounded.[6]

U.S. industry data are based on the questionnaire responses of nine producers, Bridgestone Americas Tire Operations, LLC ("Bridgestone"), Continental Tire The Americas, LLC ("Continental"), Cooper Tire and Rubber Co. ("Cooper"), Goodyear Tire and Rubber Co. ("Goodyear"), Michelin North America, Inc. ("Michelin"), Pirelli Tire LLC ("Pirelli"), Specialty Tires of Americas, Inc. ("Specialty Tires"), Toyo Tire North America Manufacturing Inc. ("Toyo"), and Yokohama Tire Corporation ("Yokohama"), accounting for virtually all of U.S. production of PVLT tires in 2013. U.S. import data are based on official Commerce statistics. Information on foreign producers in China is based on questionnaire responses of 53 producers of PVLT tires in China, which accounted for 99.2 percent of subject imports in 2013, as well as public sources.[7]

III. Domestic Like Product

A. Legal Standard

In determining whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[8] 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."[9] In turn, the Tariff Act defines

[4] Letter from TIA, EDIS document 536749 ("TIA Letter").

[5] Letter from Ford, dated June 27, 2014, EDIS document 536910 ("Ford Letter").

[6] Declaration of Mark Mineur, dated June 27, 2014, EDIS document 539614 ("Mineur declaration").

[7] Data compiled from foreign producer questionnaires account for approximately 84 percent of total production in China, according to industry data provided by the CRIA. Respondents' Postconference Brief, Exhibit 9. Both Petitioner and Respondents agree that the Commission has broad coverage of the subject tire industry as a whole. Conference transcript ("Tr.") at 62 (Stewart), 135-136 (Durling), and 54 (Porter).

[8] 19 U.S.C. § 1677(4)(A).

[9] 19 U.S.C. § 1677(4)(A).

"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."[10]

The decision regarding the appropriate domestic like product(s) 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.[11] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[12] The Commission looks for clear dividing lines among possible like products and disregards minor variations.[13] Although the Commission must accept Commerce's determination as to the scope of the imported merchandise that is subsidized and/or sold at less than fair value,[14] the Commission determines what domestic product is like the imported articles Commerce has identified.[15]

B. Product Description

In its notice of initiation, Commerce defined the imported merchandise within the scope of these investigations as follows:

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[10] 19 U.S.C. § 1677(10).

[11] *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).

[12] *See*, *e.g.*, S. Rep. No. 96-249 at 90-91 (1979).

[13] *See*, *e.g.*, *Nippon*, 19 CIT at 455; *Torrington*, 747 F. Supp. at 748-49*; see also* S. Rep. No. 96-249 at 90-91 (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.").

[14] *See*, *e.g.*, *USEC, Inc. v. United States*, 34 Fed. App'x 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).

[15] *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 where Commerce found five classes or kinds).

The scope of this investigation is passenger vehicle and light truck tires. Passenger vehicle and light truck tires are new pneumatic tires, of rubber, with a passenger vehicle or light truck size designation. Tires covered by this investigation may be tube-type, tubeless, radial, or non-radial, and they may be intended for sale to original equipment manufacturers or the replacement market.

Subject tires have, at the time of importation, the symbol "DOT" on the sidewall, certifying that the tire conforms to applicable motor vehicle safety standards. Subject tires may also have the following prefixes or suffix in their tire size designation, which also appears on the sidewall of the tire:

Prefix designations:

P - Identifies a tire intended primarily for service on passenger cars.
LT - Identifies a tire intended primarily for service on light trucks.

Suffix letter designations:

LT - Identifies light truck tires for service on trucks, buses, trailers, and multipurpose passenger vehicles used in nominal highway service.

All tires with a "P" or "LT" prefix, and all tires with an "LT" suffix in their sidewall markings are covered by this investigation regardless of their intended use.

In addition, all tires that lack a "P" or "LT" prefix or suffix in their sidewall markings, as well as all tires that include any other prefix or suffix in their sidewall markings, are included in the scope, regardless of their intended use, as long as the tire is of a size that is among the numerical size designations listed in the passenger car section or light truck section of the *Tire and Rim Association Year Book*, as updated annually.

Passenger vehicle and light truck tires, whether or not attached to wheels or rims, are included in the scope. However, if a subject tire is imported attached to a wheel or rim, only the tire is covered by the scope.

Specifically excluded from the scope of this investigation are the following types of tires: (1) Racing car tires, defined as tires for use exclusively on a race track; such tires do not bear the symbol "DOT" on the sidewall; (2) new pneumatic tires, of rubber, of a size that is not listed in the passenger car section or light truck section of the *Tire and Rim Association Year Book*; (3) pneumatic tires, of rubber, that are not new,

including recycled and retreaded tires; and (4) non- pneumatic tires, such as solid rubber tires.[16]

Passenger vehicle ("PV") tires are designed for use on standard-type passenger cars and associated vehicles such as sports utility vehicles ("SUVs") and other multipurpose passenger vehicles, including light trucks, while light truck ("LT") tires are those usually used specifically for light trucks or multipurpose passenger vehicles.[17] All PVLT tires sold in the U.S. market must meet the same National Highway Traffic Safety Administration ("NHTSA") standards and be marked in accordance with NHTSA and United States Department of Transportation ("DOT") requirements.[18] PVLT tires of varying sizes and design configurations, radial or nonradial, tube type or tubeless, are produced domestically or imported into the United States to be used either on original equipment ("OEM") vehicles or as replacements on used vehicles, each subject to the same motor vehicle standards for safety, performance, quality grade, and marking.[19] Today's domestic PVLT tires typically range from 13 to 24 inches in rim diameter and are principally of tubeless steel belted radial ply design.[20]

C. Analysis

Petitioner contends that the domestic like product should be defined as a single like product consisting of all PVLT tires described in the scope definition.[21] For purposes of these preliminary investigations, Respondents concur with Petitioner's domestic like product definition.[22]

For the reasons discussed below, we define the domestic like product to be coextensive with the scope of these investigations, *i.e.*, PVLT tires.

Physical Characteristics and Uses. The evidence in the preliminary phase of these investigations indicates that all PVLT tires have the same physical characteristics and uses. PVLT tires are produced largely from the same basic raw materials (*e.g.*, natural and synthetic rubber, carbon black, oils, etc.) and have the same basic components (*e.g.*, inner liner, body ply,

[16] *Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China: Initiation of Countervailing Duty Investigation*, 79 Fed. Reg. 42285, 42888-89 (July 21, 2014) ("*Countervailing Duty Investigation*"); *Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China: Initiation of Antidumping Duty Investigation*, 79 Fed. Reg. 42292, 42297-98 (July 21, 2014) ("*Antidumping Duty Investigation*").

[17] Confidential Report ("CR") at I-11; Public Report ("PR") at I-8.

[18] CR at I-15 – I-17; PR at I-10 – I-12. PVLT tire definitions and standards are articulated under Title 49 of the Code of Federal Regulations (CFR), Federal Motor Vehicle Safety Standards, Part 571, Standard Nos. 139 and 119. CR at I-15; PR at I-10.

[19] CR at I-11; PR at I-8.

[20] CR at I-11; PR at I-8.

[21] Petition at I-3 – I-6.

[22] Respondents' Postconference Brief at 2.

sidewall beads, apex, belt package, tread, and cushion gum).[23] All PVLT tires have the same end uses – to be mounted on the wheels of passenger vehicles and light trucks.[24]

Manufacturing Facilities, Production Processes and Employees. The evidence in the preliminary phase of these investigations indicates that domestic PVLT tires are produced using common manufacturing facilities, employees and production processes.[25] PVLT tires are produced using a process that begins with the mixing of specific chemicals (natural rubber, synthetic rubber, carbon black, and other chemicals) to form various rubber compounds. The tread is made from one compound, the carcass from another, and the sidewalls from a third. The compounds are then combined with the steel cord and textiles when appropriate, and the whole is formed into a specific shape, an uncured "green" tire. The green tire is then placed into a mold and cured or vulcanized at elevated temperature and pressure, which causes the tire to take on the configuration of the mold and leads to a non-reversible chemical change in the compound to form the resilient type of rubber found in a finished tire. Finished tires are coded to track their whereabouts and to identify the plant of manufacture and the individual tire builder.[26]

The majority of domestic producers produce both passenger vehicle and light truck tires in the same production facilities using the same production equipment and production-related workers.[27] Two of the nine responding U.S. producers reported a limited ability to switch production from PVLT tires to other products.[28]

Channels of Distribution. During the period of investigation, U.S. producers' U.S. shipments to the OEM market accounted for about a quarter of their total shipments, with the remainder going to the replacement market. [29]

Interchangeability. While PVLT tires must be of a specific size to fit an individual passenger vehicle or light truck, tires with different features can fit the same vehicle and generally be used interchangeably.[30]

Producer and Customer Perceptions. There is nothing in the record to contradict Petitioner's assertion that customers and producers view PVLT tires as a single product category.[31]

Price. There is some variation in prices for PVLT tires according to size and features.[32]

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[23] CR at I-12 – I-14; PR at I-8 – I-10; Petition at I-4.

[24] CR at I-11, II-8; PR at I-8, II-5; Petition at I-4.

[25] CR at I-11 – I-25; PR at I-8 – I-18; Petition at I-4.

[26] CR at I-19 – I-25; PR at I-13 – I-18.

[27] Petition at I-6 & Exhibit 3.

[28] CR at II-5; PR at II-4.

[29] CR at II-1 – II-2; PR at II-1; CR/PR at Table II-1.

[30] Petition at I-4. At the conference, Petitioner indicated that there is a difference between tires with the same numeric size that do or do not have the "P" prefix. Conference Tr. at 69-70 (Drake). The "P" prefix designates American sizes, while tires without that prefix are European or globally harmonized sizes that would not be used interchangeably with domestic tires bearing the "P" prefix. *Id.*

[31] Petition at I-6.

[32] CR/PR at Tables V-4 – V-9.

Conclusion. Based on the record in the preliminary phase of these investigations, we define a single domestic like product coextensively with the scope, consisting of PVLT tires. All PVLT tires are produced using the same basic raw materials, have the same basic components, and have the same end uses. Although PVLT tires can vary in size and design features, there do not appear to be any clear dividing lines based on physical characteristics. Moreover, no party has asserted a contrary argument.

IV. Domestic Industry

A. Legal Standard

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."[33] 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.

B. Related Parties

We must determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to Section 771(4)(B) of the Tariff Act. This provision 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.[34] Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each investigation.[35]

The record indicates that nine domestic producers produced PVLT tires during the period of investigation: Bridgestone, Continental, Cooper, Goodyear, Michelin, Pirelli, Specialty Tires, Toyo, and Yokohama. Of these firms, *** domestic producers (***) are subject to possible exclusion under the related parties provision. ***.[36]

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[33] 19 U.S.C. § 1677(4)(A).

[34] *See Torrington Co. v. United States*, 790 F. Supp. 1161, 1168 (Ct. Int'l Trade 1992), *aff'd without opinion*, 991 F.2d 809 (Fed. Cir. 1993); *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).

[35] The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include the following:

(1) the percentage of domestic production attributable to the importing producer;

(2) the reason the U.S. producer has decided to import the product subject to investigation, *i.e.*, whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market; and

(3) the position of the related producer vis-a-vis the rest of the industry, *i.e.*, whether inclusion or exclusion of the related party will skew the data for the rest of the industry. *See, e.g.*, *Torrington Co. v. United States*, 790 F. Supp. at 1168.

[36] CR at III-4 – III-8; PR at III-4 – III-6; CR/PR at Table III-8.

Petitioner contends that the Commission should not exclude any domestic producer from the domestic industry for purposes of its preliminary determinations.[37] Respondents likewise contend that the Commission should not exclude any domestic producer from the domestic industry.[38]

We discuss below whether appropriate circumstances exist to exclude any of the related party producers from the domestic industry. For purposes of their preliminary determinations, Chairman Broadbent, Commissioner Johanson, and Commissioner Kieff define the domestic industry to be all domestic producers of PVLT tires. For the purposes of their preliminary determinations, Vice Chairman Pinkert, Commissioner Williamson, and Commissioner Schmidtlein define the domestic industry to be all domestic producers of PVLT tires except for ***.

***. *** was the *** domestic producer during the period of investigation, accounting for *** percent of domestic production during that time.[39] Its production volume *** from 2011 to 2013, although it was ***.[40] ***. During both periods, its ratio of subject imports to domestic production was *** percent.[41] ***.[42] Its ratio of operating income to net sales was ***.[43] *** with respect to the petition.[44] [45]

We find that appropriate circumstances do not exist to exclude *** from the domestic industry for the purposes of the preliminary phase of these investigations. It appears to be more interested in domestic production than importation of subject merchandise. Although its operating margins were ***, this does not appear to be attributable to its ***.

***. *** was the *** domestic producer during the period of investigation, accounting for *** percent of domestic production during that time.[46] Its production volume ***.[47] ***; its ratio of subject imports to its domestic production was ***.[48] *** explained that it imported subject merchandise ***.[49] Its ratio of operating income to net sales was ***.[50] *** the petition.[51]

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[37] Petitioner's Postconference Brief at 6 and Responses to Staff Questions at Question 7. Petitioner indicated that its position could change in future proceedings. Petitioner's Postconference Brief at 6 n.15 and Responses to Staff Questions at Question 12, pp. 6-7.

[38] Respondents' Postconference Brief at 2-3 & Exhibit 1.

[39] CR/PR at Table III-1.

[40] CR/PR at Table III-5.

[41] CR/PR at Table III-8.

[42] CR at III-17; PR at III-12.

[43] CR/PR at Table VI-2.

[44] CR/PR at Table III-1.

[45] Vice Chairman Pinkert does not rely upon related producers' financial performance in determining whether there are appropriate circumstances to exclude them from the domestic industry. In his view, the present record is not sufficient to link any producer's profitability to a specific benefit it derives from its related party status.

[46] CR/PR at Table III-1.

[47] CR/PR at Table III-5.

[48] CR/PR at Table III-8.

[49] CR at III-17; PR at III-12; ***'s Importer Questionnaire Response.

We find that appropriate circumstances do not exist to exclude *** from the domestic industry for the purposes of the preliminary phase of these investigations. It appears to be more interested in domestic production than importation of subject merchandise. Although *** operating margins were ***, this does not appear to be attributable to its ***, and its operating margins were ***.

***. *** was the *** domestic producer during the period of investigation, accounting for *** percent of domestic production during that time.[52] Its production volume *** from 2011 to 2013, although it was ***.[53] ***. Its ratio of subject imports to domestic production was *** percent in interim 2013 and interim 2014, respectively.[54] ***.[55] Its ratio of operating income to net sales ***.[56] *** with respect to the petition.[57]

We find that appropriate circumstances do not exist to exclude *** from the domestic industry for the purposes of the preliminary phase of these investigations. It appears to be more interested in domestic production than importation of subject merchandise. Although it ***.

***. *** was the *** domestic producer during the period of investigation, accounting for *** percent of domestic production.[58] Its production volume *** from 2011 to 2013, although it was ***.[59] ***, representing *** percent of its domestic production during that period.[60] ***.[61] *** ratio of operating income to net sales ***.[62] It *** with respect to the petition.[63]

We find that appropriate circumstances do not exist to exclude *** from the domestic industry for the purposes of the preliminary phase of these investigations. *** imported *** and does not appear to have derived any significant financial benefit from its importation given that its financial results for *** were *** the industry average.

***. *** was the *** domestic producer during the period of investigation, accounting for *** percent of domestic production.[64] Its production volume *** from 2011 to 2013, although it was ***.[65] ***.[66] Its ratio of subject imports to domestic production was ***

(…Continued)

[50] CR/PR at Table VI-2.
[51] CR/PR at Table III-1.
[52] CR/PR at Table III-1.
[53] CR/PR at Table III-5.
[54] CR/PR at Table III-8.
[55] CR at III-17 – III-18; PR at III-12; ***'s Importer Questionnaire Response.
[56] CR/PR at Table VI-2.
[57] CR/PR at Table III-1.
[58] CR/PR at Table III-1.
[59] CR/PR at Table III-5.
[60] CR/PR at Table III-8.
[61] CR at III-18; PR at III-12; ***'s Importer Questionnaire Response.
[62] CR/PR at Table VI-2.
[63] CR/PR at Table III-1.
[64] CR/PR at Table III-1.
[65] CR/PR at Table III-5.

percent in interim 2013 and interim 2104, respectively.[67] ***.[68] *** ratio of operating income to net sales ***.[69] It *** with respect to the petition.[70]

We find that appropriate circumstances do not exist to exclude *** from the domestic industry for the purposes of the preliminary phase of these investigations. Although it ***. Moreover, there is no clear correlation between *** imports of subject merchandise and its financial performance during the period of investigation. Its performance relative to other domestic producers was *** ratios of subject imports to production.[71]

***. *** was the *** domestic producer during the period of investigation, accounting for *** percent of domestic production.[72] Its production volume *** from 2011 to 2013, although it was ***.[73] It ***.[74] Its ratio of subject imports to domestic production was *** percent in interim 2013 and interim 2104, respectively.[75] ***.[76] *** ratio of operating income to net sales ***.[77] It *** with respect to the petition.[78]

Chairman Broadbent, Commissioner Johanson, and Commissioner Kieff find that appropriate circumstances do not exist to exclude *** from the domestic industry as a related party. They find that *** accounts for such a small share of domestic production that its exclusion would have minimal effect on the aggregate data for the domestic industry. Moreover, none of the parties seeks its exclusion from the industry.

Vice Chairman Pinkert, Commissioner Williamson, and Commissioner Schmidtlein find that appropriate circumstances exist to exclude *** from the domestic industry for purposes of these preliminary determinations. They determine that, by virtue of its very high ratios of subject imports to domestic production, *** principal interest appears to lie in importation rather than domestic production.

***. *** was the *** domestic producer during the period of investigation, accounting for *** percent of domestic production.[79] Its production volume *** from 2011 to 2013 and was ***.[80] ***. It ***.[81] Its ratio of subject imports to domestic production was *** percent in

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[66] CR/PR at Table III-8.
[67] CR/PR at Table III-8.
[68] CR at III-18; PR at III-12; ***'s Importer Questionnaire Response.
[69] CR/PR at Table VI-2.
[70] CR/PR at Table III-1.
[71] CR/PR at Tables III-5 & VI-2.
[72] CR/PR at Table III-1.
[73] CR/PR at Table III-5.
[74] CR/PR at Table III-8.
[75] CR/PR at Table III-8.
[76] CR at III-18; PR at III-12; ***'s Importer Questionnaire Response.
[77] CR/PR at Table VI-2.
[78] CR/PR at Table III-1.
[79] CR/PR at Table III-1.
[80] CR/PR at Table III-5.
[81] CR/PR at Table III-8.

interim 2013 and interim 2104, respectively.[82] ***.[83] *** ratio of operating income to net sales ***.[84] It *** with respect to the petition.[85]

We find that appropriate circumstances do not exist to exclude *** from the domestic industry for the purposes of the preliminary phase of these investigations. Although it ***, it appears to be more interested in domestic production than importation of subject merchandise. Moreover, *** does not appear to have derived any significant financial benefit from its importation given that its financial results were *** the industry average.

Conclusion. Chairman Broadbent and Commissioners Johanson and Kieff define the domestic industry as all U.S. producers of PVLT tires. Vice Chairman Pinkert and Commissioners Williamson and Schmidtlein define the domestic industry as all U.S. producers of PVLT tires except ***.

V. Legal Standards

In the preliminary phase of antidumping and countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.[86] 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.[87] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[88] In assessing whether there is a reasonable indication that 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.[89] 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."[90]

Although the statute requires the Commission to determine whether there is a reasonable indication that the domestic industry is "materially injured by reason of" unfairly traded imports,[91] it does not define the phrase "by reason of," indicating that this aspect of the

[82] CR/PR at Table III-8.

[83] CR at III-18; PR at III-12; ***'s Importer Questionnaire Response.

[84] CR/PR at Table VI-2.

[85] CR/PR at Table III-1.

[86] 19 U.S.C. §§ 1671b(a), 1673b(a).

[87] 19 U.S.C. § 1677(7)(B). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each {such} factor ... {a}nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B).

[88] 19 U.S.C. § 1677(7)(A).

[89] 19 U.S.C. § 1677(7)(C)(iii).

[90] 19 U.S.C. § 1677(7)(C)(iii).

[91] 19 U.S.C. §§ 1671b(a), 1673b(a).

injury analysis is left to the Commission's reasonable exercise of its discretion.[92] 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.[93]

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 the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.[94] In performing its examination, however, the Commission need not isolate the injury caused by other factors from injury caused by unfairly traded imports.[95] Nor does the

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[92] *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'g* 944 F. Supp. 943, 951 (Ct. Int'l Trade 1996).

[93] The Federal Circuit, in addressing the causation standard of the statute, has 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 re-affirmed in *Mittal Steel Point Lisas Ltd. v. United States*, 542 F.3d 867, 873 (Fed. Cir. 2008), in which 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).

[94] SAA, H.R. Rep. 103-316, Vol. I at 851-52 (1994) ("{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.

[95] 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* , 266 F.3d at 1345. ("{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

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"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.[96] It is clear that the existence of injury caused by other factors does not compel a negative determination.[97]

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."[98] [99] Indeed, the Federal Circuit has examined and affirmed various Commission methodologies and has disavowed "rigid adherence to a specific formula."[100]

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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*, Inv. 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,* 132 F.3d at 722 (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.").

[96] S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

[97] *See Nippon*, 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.").

[98] *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.

[99] Vice Chairman 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 Steel*, held that the Commission is *required*, in certain circumstances when considering present material injury, to undertake a particular kind of analysis of non-subject imports, albeit without reliance upon presumptions or rigid formulas. *Mittal Steel* explains as follows:

> What *Bratsk* held is that "where commodity products are at issue and fairly traded, price competitive, non-subject 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 non-subject 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

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The Federal Circuit's decisions in *Gerald Metals*, *Bratsk,* and *Mittal Steel* all involved cases in which 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.[101] 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.[102] 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.[103]

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

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(…Continued)

> 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.

[100] *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.").

[101] *Mittal Steel*, 542 F.3d at 875-79.

[102] *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).

[103] 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.

evidence standard.[104] Congress has delegated this factual finding to the Commission because of the agency's institutional expertise in resolving injury issues.[105]

VI. Conditions of Competition and the Business Cycle[106]

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

A. Demand Conditions

U.S. demand for PVLT tires stems from demand in the two distinct markets identified above – the OEM market, which accounts for approximately 25 percent of the PVLT tires market, and the replacement market, which accounts for about 75 percent.[107] Demand for PVLT tires in the OEM market depends on the number of new passenger vehicles and light trucks produced in the United States, while demand for PVLT tires in the replacement market depends on the condition of tires on existing vehicles, the number of miles driven, road conditions, and other factors.[108] The average age of U.S. vehicles increased by almost 18 percent over the past decade, contributing to the importance of the replacement market during that time.[109]

PVLT tires account for a small share of the cost of the vehicles on which they are used.[110] Substitutes for PVLT tires are very limited. All U.S. producers and the vast majority of responding importers reported that there are no substitutes for PVLT tires.[111]

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[104] 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.

[105] *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.").

[106] Pursuant to Section 771(24) of the Tariff Act, imports from a subject country of merchandise corresponding to a domestic like product that account for less than 3 percent of all such merchandise imported into the United States during the most recent 12 months for which data are available preceding the filing of the petition shall be deemed negligible. 19 U.S.C. §§ 1671b(a), 1673b(a), 1677(24)(A)(i), 1677(24)(B); *see also* 15 C.F.R. § 2013.1 (developing countries for purposes of 19 U.S.C. § 1677(36)). Negligibility is not an issue in these investigations. The data available, based on official Commerce statistics, indicate that subject imports exceed the requisite 3 percent statutory negligibility threshold. From June 2013 to May 2014, subject imports from China accounted for 31.8 percent of total U.S. imports of PVLT tires by quantity. CR at IV-8; PR at IV-7.

[107] CR/PR at II-1.

[108] CR at II-7; PR at II-5.

[109] CR at II-2; PR at II-1. Respondents contend that the increase in age of U.S. vehicles was a result of the recession and that demand for new cars is currently growing as those vehicles reach a higher age. Tr. at 129 (Bidlingmaier).

[110] CR at II-8; PR at II-5.

[111] CR at II-10; PR at II-7.

Demand, as measured by apparent U.S. consumption, increased slightly from 278.6 million tires in 2011 to 278.8 million tires in 2012, before increasing to 294.9 million tires in 2013, resulting in an overall increase of 5.9 percent.[112] Only a minority of questionnaire respondents reported that the U.S. PVLT tires market was subject to business cycles, but most U.S. producers and importers reported that U.S. demand for PVLT tires had increased since January 2011.[113]

B. Supply Conditions

Sources of supply to the U.S. market during the period of investigation included the domestic industry, subject imports, and imports from nonsubject sources.

The domestic industry was the largest source of PVLT tires, although its share of the U.S. market declined throughout the period of investigation, falling from 49.9 percent in 2011 to 47.5 percent in 2012 and 43.3 percent in 2013, representing an overall decline of 6.5 percentage points.[114] The largest U.S. producers are Bridgestone, Cooper, Goodyear, and Michelin.[115] During the period of investigation, Goodyear closed its plant in Union City, TN, while U.S. producer Continental opened a plant in 2014.[116] Seven firms reported expansions of existing facilities and/or investments in new equipment, while three firms reported prolonged shutdowns or production curtailments.[117] The domestic industry's capacity declined slightly each year from 2011 to 2013, but was slightly higher in interim 2014 than in interim 2013.[118]

Imports of PVLT tires from nonsubject sources held the second-largest share of the U.S. market during the period of investigation, although nonsubject imports' share of the U.S. market declined from 41.3 percent in 2011 to 41.2 percent in 2012 and 39.4 percent in 2013,

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[112] CR/PR at Table C-1. Apparent U.S. consumption was 5.3 percent higher in interim 2014, at 70.9 million tires, than it was in interim 2013, at 67.4 million tires. *Id.*

[113] CR at II-8 – II-9; PR at II-5 – II-6; CR/PR at Table II-3.

[114] CR/PR at Table C-1. The domestic industry's market share was 43.7 percent in interim 2013 and 42.2 percent in interim 2014. *Id.* These data include all domestic producers. When *** is excluded from the domestic industry, the market share of the remaining producers is ***. *See* Supplemental Table C-2, EDIS Document 538751 ("Supplemental Table C-2").

[115] CR at I-3; PR at I-3. Several of the domestic producers are unionized, and as indicated above, the petitions were brought by the union on behalf of workers employed at various producers, including Cooper, Goodyear, Michelin, and Yokohama. Petition at I-2. As reflected in its notices of initiation, Commerce determined that Petitioner possesses the requisite standing to bring these actions because it is an interested party as defined by 19 U.S.C. § 1677 (9) and demonstrated sufficient industry support. *Countervailing Duty Investigation*, 79 Fed. Reg. 42285; *Antidumping Duty Investigation*, 79 Fed. Reg. 42292.

[116] CR at III-9; PR at III-6. Continental opened its plant in January 2014, and estimates that the first phase of production will reach production capacity of 5 million tires per year in 2017. *Id.*

[117] CR at III-9 – III-10; PR at III-7.

[118] CR/PR at Table C-1; Supplemental Table C-2. In any final phase investigations, we will seek more information regarding the reasons behind individual domestic producers' decisions to increase or decrease production capacity.

representing an overall decline of 1.9 percentage points.[119] U.S. imports from nonsubject countries accounted for 82.4 percent of total U.S. imports in 2011 and 69.6 percent of total U.S. imports in 2013.[120] The largest nonsubject sources of PVLT tires to the U.S. market from 2011 through 2013 were Canada, Indonesia, Japan, Korea, Mexico, and Thailand, which combined accounted for 72 percent of nonsubject imports in 2013.[121]

Subject imports accounted for the smallest share of the U.S. market during the period of investigation, but their market share increased steadily during that time. From September 2009 through September 2012, PVLT tires from China were subject to a special safeguards duty. In July 2009, the Commission determined pursuant to section 421(b)(1) of the Trade Act of 1974 (19 U.S.C. § 2451(b)(1)) that tires from China that largely coincided with the PVLT tires that are subject to these investigations were being imported to the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products.[122] Following that determination, President Obama determined to provide import relief, effective September 26, 2009, in the form of a 35 percent *ad valorem* duty above the column 1 general rate of duty in the first year; a 30 percent *ad valorem* duty above the column 1 general rate of duty for the second year; and a 25 percent *ad valorem* duty above the column 1 general rate of duty in the third year.[123] The safeguard duties expired September 26, 2012.

During the period of investigation, subject imports accounted for an increasing share of the U.S. PVLT tires market, rising from 8.8 percent in 2011 to 11.3 percent in 2012 and then to 17.2 percent in 2013, representing an increase of 8.4 percentage points overall.[124] China was the largest single source of imported PVLT tires, by quantity, throughout the period of investigation.[125]

C. Substitutability and Other Conditions

For the purposes of the preliminary phase of these investigations, we find that there is a moderate-to-high degree of substitutability between the domestic like product and subject imports. Almost all U.S. producers and the majority of importers that responded to the Commission's questionnaires reported that domestically produced PVLT tires, subject imports

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[119] CR/PR at Table C-1. Nonsubject imports' market share was 41.0 percent in interim 2013 and 39.7 percent in interim 2014. *Id.*

[120] CR at IV-4; PR at IV-3.

[121] CR at II-7; PR at II-5.

[122] C*ertain Passenger Vehicle and Light Truck Tires From China*, Inv. No. TA-421-7, USITC Pub. 4085 (July 2009) ("*Safeguard Determination*"); C*ertain Passenger Vehicle and Light Truck Tires From the People's Republic of China*, 74 Fed. Reg. 34363 (July 15, 2009).

[123] *Presidential Proclamation No. 8414*, 74 Fed. Reg. 47861, September 17, 2009. *Imports of Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China, Presidential Determination No. 2009-28, Memorandum for the Secretary of Commerce, the Secretary of Labor, the United States Trade Representative,* 74 Fed. Reg. 47433 (Sept. 16, 2009).

[124] CR/PR at Table C-1. Subject imports' market share was 15.3 percent in interim 2013 and 18.0 percent in interim 2014. *Id.*

[125] CR at IV-4; PR at IV-3.

and nonsubject imports are "always" or "frequently" interchangeable.[126] When asked about the significance of differences other than price between domestically produced PVLT tires and subject imports, the majority of U.S. producers reported that factors other than price were "sometimes" or "never" important.[127] The responses from importers were more mixed, with the majority indicating that factors other than price were "frequently" or "sometimes" important.[128] We find for the purposes of preliminary phase of these investigations that the record suggests that price is at least a somewhat important factor in purchasing decisions.

Parties disagree as to the importance of non-price factors and the extent to which the domestic like product and subject imports directly compete. Respondents argue that the U.S. replacement market for PVLT tires is divided into three distinct tiers.[129] Respondents further argue that the product brand plays an important role in purchasing decisions and that the tier 1 market consists of established brand PVLT tires of only certain domestic producers, Bridgestone, Goodyear, and Michelin, which enables them to command a substantial price premium for their branded products.[130] Although Respondents concede that the domestic industry participates in all segments of the U.S. PVLT tires market, they argue that domestic producers have opted to focus on the tier 1 replacement and OEM markets, resulting in attenuated competition between the domestic like product and subject imports, which compete primarily in the tier 3 replacement market.[131]

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[126] CR/PR at Table II-5.

[127] CR/PR at Table II-6.

[128] CR/PR at Table II-6.

[129] Respondents' Postconference Brief at 16-22; Tr. at 149-50 (Durling). Respondents assert that tier 1 consists only of PVLT tires with Bridgestone, Goodyear, and Michelin branding, while tier 2 consists of established branded PVLT tires from Yokohama, Toyo, Continental, and Cooper and tier 3 consists of all other tires, including lesser known brands and private label PVLT tires. Tr. at 124 (Porter). They acknowledge, however, that it is difficult to obtain data regarding tiers because producers may define what tiers they sell differently. Tr. at 149 (Durling). To the extent that parties desire the Commission to explore the role of tiers in the U.S. PVLT tires market in any final phase investigations, they should indicate in their comments on the draft questionnaires how the Commission should define the various tiers with sufficient specificity to enable it to collect data regarding this issue as well as how the Commission should collect data to assess market participation in and competition among the three tiers.

[130] Respondents' Postconference Brief at 7-8. Respondents also contend that other domestic producers have established brands that enable them to command a premium price as well. *Id.* at 7.

[131] Respondents' Postconference Brief at 16-22. Ford contends that the market for OEM tires is distinct from the replacement market and that subject imports do not compete in the OEM market because they are unable to meet the technological and service demands of U.S. car producers. Ford Statement at 3-5.

In his declaration, Mr. Mineur asserts that low-cost imports of PVLT tires from China are substantially different from the domestic like product in terms of features and construction differences, which allow them to be offered at a lower price point. He further contends that there is distinct segmentation of the U.S. PVLT tires market and that the domestic industry has withdrawn from the lower value/lower price market to focus on higher-end and higher-priced products. Mineur Declaration at 2.

Petitioner disputes Respondents' contention that the U.S. PVLT tires replacement market is comprised of distinct tiers and that there is attenuated competition between the domestic like product and subject imports. Petitioner argues that there is no dispute that both U.S.-produced PVLT tires and subject imports participate in all segments of the U.S. PVLT tires market.[132] It further contends that both domestic and imported PVLT tires compete head-to-head across these various market segments and tiers on the basis of price.[133] Petitioner asserts that, to the extent that tiers exist in the U.S. PVLT tires market, the alleged tiers are based solely on brand, without regard to physical characteristics, performance, price, or channels of distribution, and that the domestic industry offers flagship brands, associate brands, and private label tires that compete directly with subject imports in all segments.[134] Thus, although Petitioner acknowledges that the U.S. PVLT tires market is characterized by a variety of brands and private labels, it nonetheless argues that purchasers buy tires largely on the basis of price rather than brand loyalty.[135]

We find that there is limited evidence on the record in the preliminary phase of these investigations to address these issues. In any final phase investigations, we will seek further information related to (1) perceptions of various brands of PVLT tires, (2) the importance of branding in purchasing decisions, and (3) any correlation of branding to tiers or segments in the U.S. PVLT tires market. We will also seek data as to the quantities of shipments of various brands and private labels.

With respect to the OEM and replacement markets, the record indicates that U.S. producers and importers participate in both markets and sell mainly to the replacement market, although the degree to which their shipments are divided between the two markets differs. During the period of investigation, U.S. producers' shipments to the replacement market ranged from approximately 71 to 78 percent, with the remainder of shipments going to the OEM market.[136] Shipments of subject import PVLT tires to the replacement market ranged from approximately 97 to 98 percent during this period, with the remainder going to the OEM market.[137]

Rubber is the major raw material used in manufacturing tires.[138] Ribbed smoked sheets ("RSS 3") are made from high quality natural rubber and used to produce tires, tubes, tread, and other products.[139] The RSS 3 price on the Singapore Exchange ("SGX") fell 41.6 percent between the first quarter of 2012 and the first quarter of 2014.[140] The SGX price of technically specified rubber ("TSR 20"), a general purpose natural rubber used in making tires and other products, declined by 46.6 percent between the first quarter of 2012 and the first quarter of

[132] Petitioner's Postconference Brief at 13-18.
[133] Petitioner's Postconference Brief at 11-12.
[134] Petitioner's Postconference Brief at 13-15 & Responses to Staff Questions at Question 10.
[135] Petitioner's Postconference Brief at 18.
[136] CR/PR at Table II-1.
[137] CR/PR at Table II-1.
[138] CR at V-1; PR at V-1.
[139] CR/PR at V-1.
[140] CR/PR at V-1 and Figure V-1.

2014.[141] Styrene-butadiene rubber ("SBR") is a synthetic rubber produced from petroleum and used extensively in the production of tires; its U.S. export unit value declined by 22.1 percent between the first quarter of 2012 and the first quarter of 2014, although it increased slightly during that quarter.[142]

VII. Reasonable Indication of Material Injury by Reason of Subject Imports[143]

A. 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."[144]

Subject imports had an increasing presence in the U.S. market during the period of investigation. The volume of subject imports more than doubled from 2011 to 2013, starting at 24.6 million tires in 2011 and increasing to 31.5 million tires in 2012 and 50.8 million tires in 2013.[145] Thus, subject imports increased 107.0 percent from 2011 to 2013,[146] which was far greater than the 5.9 percent rise in apparent U.S. consumption during that time.[147]

The share of apparent U.S. consumption held by subject imports, by quantity, nearly doubled from 2011 to 2013, increasing steadily from 8.8 percent of the U.S. PVLT tires market in 2011 to 11.3 percent in 2012 and 17.2 percent in 2013.[148] This growth in market share represents an overall increase of 8.4 percentage points from 2011 to 2013, which also outpaced the rise in apparent U.S. consumption during that time.[149] Subject imports' gain in market share came mostly at the expense of the domestic industry while nonsubject imports lost less share. The domestic industry's market share by quantity declined from *** percent in 2011 to *** percent in 2012 and *** percent in 2013, representing an overall decline of *** percentage points.[150] The market share of nonsubject imports declined from 41.3 percent in 2011 to 41.2

[141] CR/PR at V-1 and CR/PR at Figure V-1.

[142] CR at V-2; PR at V-1; CR/PR at Figure V-1.

[143] Section VII of this opinion reflects the views of Vice Chairman Pinkert, Commissioner Williamson and Commissioner Schmidtlein. Chairman Broadbent, Commissioner Johanson, and Commissioner Kieff do not join Section VII of the opinion.

[144] 19 U.S.C. § 1677(7)(C)(i).

[145] Supplemental Table C-2. The volume of subject imports was 10.3 million tires in interim 2013 and 12.8 million tires in interim 2014. *Id.*

[146] Supplemental Table C-2. Apparent consumption was 5.3 percent higher in interim 2014 than in interim 2013, whereas the volume of subject imports was 24.5 percent higher in interim 2014 than in interim 2013. *Id.*

[147] Supplemental Table C-2.

[148] Supplemental Table C-2. Subject imports' market share was 2.8 percentage points higher in interim 2014 at 18.0 percent than in interim 2013 at 15.3 percent. *Id.*

[149] Supplemental Table C-2.

[150] Supplemental Table C-2. The domestic industry's market share was *** percent in interim 2013 and *** percent in interim 2014. *Id.*

percent in 2012 and 39.4 percent in 2013, representing an overall decline of 1.9 percentage points.[151]

Subject imports of PVLT tires were also significant relative to domestic production. They were equivalent to *** percent of U.S. production in 2011, *** percent in 2012, and *** percent in 2013.[152]

We find for purposes of the preliminary phase of these investigations that the volume of subject imports, and the increase in that volume, is significant both in absolute terms and relative to consumption and production in the United States.[153]

B. Price Effects of the Subject Imports

Section 771(7)(C)(ii) of the Tariff Act provides that, in evaluating the price effects of subject imports, 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.[154]

The record in the preliminary phase of these investigations indicates there is a moderate-to-high degree of substitutability between subject imports and the domestic like product and that price is at least a somewhat important consideration in purchasing decisions.[155] As explained above, almost all U.S. producers and the majority of importers that responded to the Commission's questionnaires reported that domestically produced PVLT tires, subject imports and nonsubject imports are "always" or "frequently" interchangeable.[156]

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[151] Supplemental Table C-2. Nonsubject imports' market share was 41.0 percent in interim 2013 and 39.7 percent in interim 2014. *Id.*

[152] Supplemental Table IVB-2, EDIS Document 538930. Subject imports were equivalent to *** percent of domestic production in interim 2013 and *** percent in interim 2014. *Id.*

[153] In making this finding, we reject Respondents' argument that the Commission should, for purposes of its volume analysis, compare the most recent volume of subject imports with the volume prior to the imposition of the safeguard duties, rather than limit its analysis to the period of investigation. Respondents contend that the volume of subject imports and increase in volume is not significant when viewed in this context. Respondents' Postconference Brief at 23-24. We have not been persuaded that we should deviate from our typical three full calendar year period of investigation. Additionally, we find the assertion that the level of imports in 2008 represents a "normal" level, and therefore an appropriate market baseline, difficult to reconcile with the Commission's findings in the safeguard investigation that PVLT tires were being imported in such rapidly increasing quantities as to cause market disruption. *Safeguard Determination*, USITC Pub. 4085 at 10-12, 29.

[154] 19 U.S.C. § 1677(7)(C)(ii).

[155] As described above, we intend to explore in any final phase investigations the relative importance of non-price factors, including product branding.

[156] CR/PR at Table II-5.

The Commission collected quarterly pricing data for six types of PVLT tires.[157] Subject imports undersold the domestic like product in all 78 quarterly comparisons.[158] Moreover, we observe that the expiration of safeguard duties appears to have affected the underselling margins. The reported prices through the first three quarters of 2012 would have included the impact of the safeguard duties, and after the expiration of these duties the margins of underselling increased appreciably in almost all instances.[159]

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[157] CR at V-4 – V-5; PR at V-4. The pricing products include the following: (1) PVLT tires, tire size 205/55R16, 89-94 load index, T speed rating; (2) PVLT tires, tire size 215/55R17, 93-98 load index, T speed rating; (3) PVLT tires, tire size 225/60R16, 97-98 load index, T speed rating; (4) PVLT tires, tire size 235/75R15, 104-110 load index, T speed rating; (5) PVLT tires, tire size LT245/55R16, 111-116 load index, R speed rating; and (6) PVLT tires, tire size LT265/75R16, 112-116 load index, R or T speed rating. *Id.* Six U.S. producers and 23 importers provided usable pricing data, although not all firms reported pricing for all products for all quarters. Pricing data reported by these firms accounted for approximately 4.7 percent of U.S. producers' shipments of PVLT tires and 9.2 percent of U.S. shipments of subject imports from China in 2012. CR at V-5; PR at V-4.

[158] CR at V-18; PR at V-11; CR/PR at Tables V-4 – V-9. Respondents contend that this predominant underselling is explained by the price premium that domestically produced branded tires are able to command. Respondents' Postconference Brief at 26-29. As explained above, we are unable to assess the relative importance of product branding in purchasing decisions on the record in this preliminary phase of these investigations and will endeavor to evaluate this issue further in any final phase investigations. Additionally, it is not entirely clear whether the pricing data reported for domestic producers is in fact entirely for "branded" product, given that domestic producers state that they produced a variety of branded and private-label products. *See* Petitioner's Postconference Brief at 13-15. Should the parties desire to pursue this issue in any final phase investigations, they should indicate in their comments on the draft questionnaires how the Commission should collect data to enable it to assess how brand identity affects pricing.

[159] For Product 1, from the first quarter of 2011 through the third quarter of 2012, the margins of underselling ranged from *** percent to *** percent; from the fourth quarter of 2012 through the first quarter of 2014, underselling margins ranged from *** percent to *** percent. CR/PR at Table V-4. For Product 2, from the first quarter of 2011 through the third quarter of 2012, the margins of underselling ranged from *** percent to *** percent; from the fourth quarter of 2012 through the first quarter of 2014, underselling margins ranged from *** percent to *** percent, with the exception of the fourth quarter of 2013, which appears to be aberrational with a margin of underselling of only *** percent. CR/PR at Table V-5. For Product 3, from the first quarter of 2011 through the third quarter of 2012, the margins of underselling ranged from *** percent to *** percent; from the fourth quarter of 2012 through the first quarter of 2014, underselling margins ranged from *** percent to *** percent. CR/PR at Table V-6. For Product 4, from the first quarter of 2011 through the third quarter of 2012, the margins of underselling ranged from *** percent to *** percent; from the fourth quarter of 2012 through the first quarter of 2014, underselling margins ranged from *** percent to *** percent. CR/PR at Table V-7. For Product 5, from the first quarter of 2011 through the third quarter of 2012, the margins of underselling ranged from *** percent to *** percent; from the fourth quarter of 2012 through the first quarter of 2014, underselling margins ranged from *** percent to *** percent. CR/PR at Table V-8. For Product 6, from the first quarter of 2011 through the third quarter of 2012, the margins of underselling ranged from *** percent to *** percent; from the fourth quarter of 2012 (Continued…)

We have also considered changes in U.S. and subject import prices over the period of investigation. Data for the domestically produced products show that the prices for four of the products decreased from the first quarter of 2011 to the first quarter of 2014, while prices for the remaining two products increased from the first quarter of 2011 to the first quarter of 2014.[160] Although prices from PVLT tires from China decreased for all products over the investigation period,[161] we observe that price declines for both the domestic like product and subject imports generally tended to track reductions in raw materials costs.[162] Consequently, for the purposes of the preliminary phase of these investigations, we do not find that subject imports depressed prices to a significant degree.

We have also examined whether subject imports have prevented price increases, which would have otherwise occurred, to a significant degree during the period of investigation. From 2011 through 2013, the domestic industry's ratio of cost of goods sold ("COGS") to net sales declined from *** percent in 2011 to *** percent in 2012 and then to *** percent in 2013, representing an overall decline of *** percentage points, while the average unit value of U.S. shipments rose *** percent during that period.[163] [164] Thus, for purposes of our preliminary

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(…Continued)
through the first quarter of 2014, underselling margins ranged from *** percent to *** percent. CR/PR at Table V-9.

[160] CR at V-17; PR at V-10. The prices for U.S.-produced Product 1 fluctuated over the period of investigation, increasing from $*** per tire in the first quarter of 2011 to $*** in the third quarter of 2012 before decreasing to $*** in the first quarter of 2014. CR/PR at Table V-4. The prices for U.S.-produced Product 2 also fluctuated over the period of investigation, decreasing from $*** per tire in the first quarter of 2011 to $*** in the fourth quarter of 2013 before increasing to $*** in the first quarter of 2014. CR/PR at Table V-5. The prices for U.S.-produced Product 3 fluctuated over the period of investigation, increasing from $*** per tire in the first quarter of 2011 to $*** in the fourth quarter of 2011 before decreasing irregularly to $*** in the first quarter of 2014. CR/PR at Table V-6. The prices for U.S.-produced Product 4 fluctuated over the period of investigation, increasing from $*** per tire in the first quarter of 2011 to $*** in the second quarter of 2012 before decreasing irregularly to $*** in the first quarter of 2014. CR/PR at Table V-7. The prices for U.S.-produced Product 5 fluctuated over the period of investigation, increasing from $*** per tire in the first quarter of 2011 to $*** in the fourth quarter of 2011 before decreasing irregularly to $*** in the first quarter of 2014. CR/PR at Table V-8. The prices for U.S.-produced Product 6 fluctuated over the period of investigation, increasing from $*** per tire in the first quarter of 2011 to $*** in the fourth quarter of 2011 before decreasing irregularly to $*** in the first quarter of 2014. CR/PR at Table V-9.

[161] CR at V-17; PR at V-10.

[162] CR at V-1 – V-2; PR at V-1; CR/PR at Figure V-1.

[163] Supplemental Table C-2. The ratio of COGS to net sales was *** percent lower in interim 2014 at *** percent than in interim 2013 at *** percent. *Id.* The average unit value of U.S. shipments was *** percent lower in interim 2014 than in interim 2013. *Id.*

[164] We recognize that there may be product mix issues that might affect our analysis. We request that parties address any such issues in any final phase investigations.

determinations, we find that subject imports did not prevent price increases, which would have otherwise occurred to a significant degree.[165]

Consequently, given the frequency of underselling and the magnitude of the underselling margins, which increased significantly upon expiration of the safeguard duties, we find the price underselling to be significant for purposes of these preliminary determinations. As described below, the record in the preliminary phase of these investigations indicates that this significant underselling was adverse to the domestic industry in that the domestic industry lost market share to subject imports.

C. Impact of the Subject Imports[166]

Section 771(7)(C)(iii) of the Tariff Act provides that the Commission, in examining the impact of the subject imports on the domestic industry, "shall evaluate all relevant economic factors which have a bearing on the state of the industry." These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, 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."

From 2011 to 2013, the domestic industry's production decreased by *** percent overall, falling from *** tires in 2011 to *** tires in 2012 and *** tires in 2013.[167] The domestic industry's production capacity decreased slightly by *** percent from 2011 to 2013, and capacity utilization also decreased during that period by *** percentage points, falling from *** percent in 2011 to *** percent in 2012 and *** percent in 2013.[168] The domestic industry's U.S. shipments, by quantity, decreased from *** tires in 2011 to *** tires in 2012 and *** tires

[165] We have also considered the domestic industry's lost sales and lost revenue allegations. Three firms reported reducing prices during the period of investigation, although two of the three indicated that the decline was not necessarily attributable to subject imports. CR at V-18; PR at V-12; CR/PR at Table V-12. Two firms reported lost sales, but one of the two indicated that this was not necessarily attributable to subject imports. *Id.* One firm provided specific allegations of lost sales and lost revenue. CR at V-20; PR at V-13. *** made *** allegation regarding a lost sale, which was not confirmed. *Id.* *** also made 15 allegations of lost revenue for which it was only able to provide average price reductions for unspecified quantities. Of these 15 allegations, nine were confirmed and six were not. CR at V-18 – V-21; PR at V-13.

[166] In its notice initiating the antidumping duty investigation on PVLT tires from China, Commerce reported estimated dumping margins ranging from 45.8 to 87.99 percent. *Antidumping Duty Investigation*, 79 Fed. Reg. at 42296.

[167] Supplemental Table C-2. The industry's production was *** percent higher in interim 2014 at *** tires than in interim 2013 at *** tires. *Id.* The domestic industry data in this section of the opinion exclude ***.

[168] Supplemental Table C-2. The domestic industry's production capacity was *** tires in 2011, *** tires in 2012, and *** tires in 2013. *Id.* Capacity was *** tires in interim 2013 and *** tires in interim 2014; capacity utilization was *** percent in interim 2013 and *** percent in interim 2014. *Id.*

in 2013, representing an overall decrease of *** percent.[169] From 2011 to 2013, net sales by quantity and value decreased by *** and *** percent, respectively.[170]

Employment indicators also generally trended downward. The domestic industry's number of production and related workers ("PRWs") fell from *** in 2011 to *** in 2012 and *** in 2013.[171] Hours worked[172] and wages paid[173] also fell from 2011 to 2013, although labor productivity increased irregularly during this period.[174] Petitioner's representatives also assert that a number of labor contracts were renegotiated during the period of investigation with terms that were less favorable to production workers than prior contracts.[175]

Notwithstanding the declines in the above indicia, the domestic industry's aggregate operating income increased from $*** in 2011 to $*** in 2012 and $*** in 2013.[176] The domestic industry's ratio of operating income increased from *** percent in 2011 to *** percent in 2012 and *** percent in 2013.[177] The domestic industry's aggregate capital expenditures increased from $*** in 2011 to $*** in 2012 and $*** in 2013.[178] Aggregate research and development expenses decreased from $*** in 2011 to $*** million in 2012 and $*** in 2013.[179]

For purposes of the preliminary phase of these investigations, we find that there is a reasonable indication that the significant and increasing volume of subject imports had an

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[169] Supplemental Table C-2. The domestic industry's U.S. shipments were *** tires in interim 2013 and *** tires in interim 2014. *Id.*

[170] Supplemental Table C-2. In interim 2014, net sales by quantity and volume were lower than in interim 2013 by *** and *** percent, respectively. *Id.*

The domestic industry's end-of-period inventories increased from 2011 to 2012 on an absolute basis and relative to shipments; in 2013, end-of-period inventories decreased on an absolute basis but remained the same relative to shipments. Supplemental Table C-2. End-of-period inventories were lower in interim 2014 than in interim 2013 on an absolute basis and relative to shipments. *Id.*

[171] Supplemental Table C-2. The number of PRWs was *** in interim 2013 and *** in interim 2014. *Id.*

[172] Supplemental Table C-2. Total hours worked fell from *** hours in 2011 to *** hours in 2012 and *** hours in 2013. *Id.* Hours worked were slightly higher in interim 2014 at *** hours than in interim 2013 at *** hours. *Id.*

[173] Supplemental Table C-2. Wages paid declined from $*** in 2011 to $*** in 2012 and then to $*** in 2013; they were $*** in interim 2013 and $*** in interim 2014. *Id.*

[174] Supplemental Table C-2. Labor productivity increased from *** tires per hour in 2011 to *** tires per hour in 2012, then decreased to *** tires per hour in 2013; it was *** tires per hour in interim 2013 and *** tires per hour in 2014. *Id.*

[175] Petitioner's Postconference Brief at 29, 31.

[176] Supplemental Table C-2. The domestic industry's aggregate operating income was $*** in interim 2013 and $*** in interim 2013. *Id.*

[177] Supplemental Table C-2. Operating margins were *** percent in interim 2013 and *** percent in interim 2014. *Id.*

[178] Supplemental Table C-2. Capital expenditures were $*** in interim 2013 and $*** in interim 2014. *Id.*

[179] CR/PR at Table VI-4. Research and development expenses were $*** in interim 2013 and $*** in interim 2014. *Id.*

adverse impact on the domestic industry. As explained above, the domestic industry was losing market share to subject imports in an expanding market. The significant and increasing volume of subject imports that undersold the domestic like product caused the domestic industry's market share to be less than it otherwise would have been. As a result, the domestic industry's production, U.S. shipments, and employment fell, and revenues and financial performance, although increasing, did not rise as would have been expected.[180] For purposes of our preliminary determination, we find that subject imports had a significant impact on the domestic industry.

We have also considered whether there are other factors that may have had an adverse impact on the domestic industry during the period of investigation to ensure that we are not attributing injury from other such factors to the subject imports. Although, as discussed above, nonsubject imports were the second largest source of supply to the U.S. PVLT tires market during the period of investigation, we observe that nonsubject imports, unlike subject imports, lost market share between 2011 and 2013, starting at 41.3 percent in 2011 before falling slightly to 41.2 percent in 2012 and then to 39.4 percent in 2013, representing an overall decline of 1.9 percentage points.[181] [182] In light of this, nonsubject imports could not have caused the declines in market share and related declines in production and employment that we have attributed to the subject imports.[183]

Respondents further contend that any declines in the domestic industry's market share, output, or employment are a result of the domestic producers' business decisions only to compete in certain segments of the market and that the subject imports compete principally in segments not served by the domestic industry. As explained above, the record in these preliminary phase investigations does not contain sufficient information to corroborate Respondents' arguments, and we will examine these contentions further in any final phase investigations. Consequently, for the foregoing reasons, we determine that there is a reasonable indication that the domestic PVLT tires industry is materially injured by reason of subject imports.

[180] Consequently, we have considered Respondents' arguments that the financial performance of the domestic industry improved, but find that this does not preclude preliminary affirmative determinations.

[181] Supplemental Table C-2. Nonsubject imports' market share was 41.0 percent in interim 2013 and 39.7 percent in interim 2014. *Id.*

[182] Given the substantial volume and market share of nonsubject imports, parties are requested in any final phase investigations to address the impact of nonsubject imports, and in particular to discuss the behavior of such imports during the period in which subject imports were subject to the safeguards duty under section 421(b)(1) of the Trade Act of 1974.

[183] Vice Chairman Pinkert invites comment on the proper application of the *Bratsk/Mittal* line of cases to the facts of record in these investigations.

VIII. Reasonable Indication of Threat of Material Injury by Reason of Subject Imports[184]

A. Legal Standard

Section 771(7)(F) of the Tariff Act directs the Commission to determine whether the U.S. industry 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."[185] The Commission may not make such a determination "on the basis of mere conjecture or supposition," and considers the threat factors "as a whole" in making its determination whether dumped or subsidized imports are imminent and whether material injury by reason of subject imports would occur unless an order is issued.[186] In making our determination, we consider all statutory threat factors that are relevant to these investigations.[187]

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[184] Section VIII of this opinion reflects the views of Chairman Broadbent, Commissioner Johanson, and Commissioner Kieff.

[185] 19 U.S.C. § 1677(7)(F)(ii).

[186] 19 U.S.C. § 1677(7)(F)(ii).

[187] These factors are as follows:

(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,

…

(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).

(Continued…)

B. Likely Volume

We find that the volume and market penetration of subject imports increased during the period of investigation and will likely to continue to increase in the imminent future. There was a significant rate of increase in both the volume and market share of subject imports during the period of investigation. The volume of subject imports more than doubled from 2011 to 2013, increasing from 24.6 million tires in 2011 to 31.5 million tires in 2012 and then to 50.8 million tires in 2013.[188] Thus, subject imports increased 107.0 percent from 2011 to 2013,[189] which was far greater than the 5.9 percent rise in apparent U.S. consumption during that time.[190]

The share of apparent U.S. consumption held by subject imports, by quantity, nearly doubled from 2011 to 2013, increasing steadily from 8.8 percent of the U.S. PVLT tires market in 2011 to 11.3 percent in 2012 and then to 17.2 percent in 2013.[191] This growth in market share represents an overall increase of 8.4 percentage points from 2011 to 2013.[192] Subject imports' gain in market share came at the expense of both the domestic industry and nonsubject imports.[193]

The increases in subject import volume and market penetration observed during the period of investigation will likely continue in the imminent future. The PVLT tires industry in China is large and growing. The Commission received 53 usable questionnaire responses from foreign producers or exporters of PVLT tires in China, accounting for approximately 99.2 percent of U.S. imports of PVLT tires from China in 2013 and believed to account for the vast

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(…Continued)

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 our material injury analysis. Statutory threat factors (I), (II), (III), (V), and (VI) are discussed in the analysis of likely subject import volume. Statutory threat factor (IV) is discussed in the analysis of likely subject import price effects. Statutory factors (VIII) and (IX) are discussed in the analysis of likely impact. Statutory factor (VII) concerning agricultural products is inapplicable to this investigation.

[188] CR/PR at Table IV-2. The volume of subject imports was 10.3 million tires in interim 2013 and 12.8 million tires in interim 2014. *Id.*

[189] CR/PR at Table C-1. Apparent consumption was 5.3 percent higher in interim 2014 than in interim 2013, whereas the volume of subject imports was 24.5 percent higher in interim 2014 than in interim 2013. *Id.*

[190] CR/PR at Table C-1.

[191] CR/PR at Table C-1. Subject imports' market share was 2.8 percentage points higher in interim 2014 at 18.0 percent than in interim 2013 at 15.3 percent. *Id.*

[192] CR/PR at Table C-1.

[193] The domestic industry's market share by quantity declined during the period of investigation, falling from 49.9 percent in 2011 to 47.5 percent in 2012 and then to 43.3 percent in 2013, representing an overall decline of 6.5 percentage points. CR/PR at Table C-1. The domestic industry's market share was 43.7 percent in interim 2013 and 42.2 percent in interim 2014. *Id.* Nonsubject imports also declined from 41.3 percent in 2011 to 41.2 percent in 2012 and then to 39.4 percent in 2013, representing an overall decline of 1.9 percentage points. CR/PR at Table C-1. Nonsubject imports' market share was 41.0 percent in interim 2013 and 39.7 percent in interim 2014. *Id.*

majority of production of PVLT tires in China.[194] Data reported in questionnaire responses by subject producers/exporters indicate that capacity to produce PVLT tires in China increased by 27.7 percent from 313.1 million tires in 2011 to 399.8 million tires in 2013, and capacity is projected to increase further in the imminent future.[195]

The subject producers also reported substantial unused capacity. The Chinese industry's excess capacity amounted to 72.1 million tires in 2013.[196] Although excess capacity was projected to decrease to 60.3 million tires in 2014 and 2015,[197] this figure still exceeds total subject imports in 2013 and amounts to over 20 percent of apparent U.S. consumption in 2013.[198] Moreover, the subject producers' projected growth in home market shipments is not commensurate with their projected increase in capacity.[199]

Subject producers in China are export oriented and demonstrated a substantial and increasing focus on the U.S. market during the period of investigation.[200] As discussed above, subject imports maintained a presence in the U.S. market while safeguard duties were imposed. After the duties expired, subject imports increased sharply. Subject imports more than doubled their volume during the period of investigation, taking market share from the domestic industry and nonsubject imports. The United States was reported to be the leading destination for passenger car tire exports from China during the period of investigation,

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[194] CR at VII-4 – VII-5; PR at VII-3.

[195] CR/PR at Table VII-4. Production capacity in China is projected to be 421.0 million tires in 2014 and 443.8 million tires in 2015. *Id.* In their questionnaire responses, fifteen foreign producers in China reported anticipating changes in their operations and the vast majority of reported changes involved projected increases in capacity. CR at VII-6; PR at VII-4; CR/PR at Table VII-1.

When asked to describe the factors that affect their firms' ability to shift production between PVLT tires and other products, most foreign producers reported that the equipment, including tire building and curing equipment, *e.g.*, molds, cannot be shared with other products. CR at VII-7; PR at VII-4.

[196] CR/PR at Table VII-4.

[197] CR/PR at Table VII-4.

[198] *Compare* CR/PR at Table VII-4 *with* CR/PR at Table IV-4. Petitioners contend that the reported projections regarding capacity and production understate the likely actual increases. Petitioner's Postconference Brief, Responses to Staff Questions at Question 12, pp. 1-5.

[199] CR/PR at Table VII-4. Although Respondents argue that there has been a surge in demand for PVLT tires in China, we observe that one of the exhibits to their postconference brief reported that slowing growth has reduced the demand for rubber in China and that the economy in China is forecasted to grow at its weakest pace since 1990. Respondents' Postconference Brief at Exhibit 2, no. 19.

[200] We have also considered the nature of the 34 alleged subsidy programs on which Commerce has initiated countervailable duty investigations, including the following types of programs: preferential lending programs; export buyer's credits and export seller's credits from state-owned banks; export credit insurance subsidies; export credit guarantees; provision of goods and services for less than adequate remuneration; direct tax exemptions and reductions; indirect tax exemptions and reductions; grants; and various other subsidy programs indicated in the financial statements of PVLT tires producers in China. *Countervailing Duty Investigation*, 79 Fed. Reg. 42285 and accompanying *Countervailing Duty Investigation Checklist* at 9-47.

accounting for about 31 percent of total exports during 2013.[201] Chinese export shipments to the United States increased by 98.7 percent from 2011 to 2013, while exports to all other markets increased only 9.6 percent during that time.[202] Accordingly, we find that this persistent and increasing focus on the U.S. market provides a reasonable indication that subject imports are likely to increase further in the imminent future. We further observe that subject imports are subject to antidumping duty orders in five countries, including Brazil, India, Turkey, Colombia, and Egypt.[203]

Additionally, inventories of the subject merchandise increased over the period of investigation. U.S. importers' inventories of subject imports were 2.8 million tires in 2011, 4.0 million tires in 2012, and 5.1 million tires in 2013, representing an overall increase of 83.6 percent.[204] The reporting subject producers reported that their end-of-period inventories of PVLT tires in China increased from 24.7 million tires in 2011 to 29.4 million tires in 2013.[205] The end-of-period inventories are projected to increase further in 2014 and 2015.[206]

In sum, for the purposes of the preliminary phase of these investigations, we conclude that there is a likelihood of substantially increased subject imports in the imminent future. The record in these preliminary phase investigations show that subject imports from China maintained a growing and significant presence in the U.S. market throughout the period of investigation and that the industry in China is very large and growing, is export oriented with a persistent and increasing focus on the U.S. market, and possesses significant unused capacity and inventories.

C. Likely Price Effects

We find that imports of subject merchandise are likely to enter the U.S. market at prices that would increase demand for further imports.

The Commission collected quarterly pricing data for six types of PVLT tires.[207] Subject imports undersold the domestic like product in all 78 quarterly comparisons.[208] Moreover, we

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[201] CR at VII-20; PR at VII-14.

[202] CR at VII-17; PR at VII-12.

[203] CR at VII-23; PR at VII-17.

[204] CR at VII-22; PR at VII-16; CR/PR at Tables VII-7 & C-1. U.S. importers' inventories were 45.7 percent higher in interim 2014 at 5.7 million tires than in interim 2013 at 3.9 million tires. *Id.*

[205] CR/PR at Table VII-4. End-of-period inventories were 28.8 million tires in interim 2013 and 29.6 million tires in interim 2014. *Id.*

[206] CR/PR at Table VII-4.

[207] CR at V-4 – V-5; PR at V-4. The pricing products include the following: (1) PVLT tires, tire size 205/55R16, 89-94 load index, T speed rating; (2) PVLT tires, tire size 215/55R17, 93-98 load index, T speed rating; (3) PVLT tires, tire size 225/60R16, 97-98 load index, T speed rating; (4) PVLT tires, tire size 235/75R15, 104-110 load index, T speed rating; (5) PVLT tires, tire size LT245/55R16, 111-116 load index, R speed rating; and (6) PVLT tires, tire size LT265/75R16, 112-116 load index, R or T speed rating. *Id.* Six U.S. producers and 23 importers provided usable pricing data, although not all firms reported pricing for all products for all quarters. Pricing data reported by these firms accounted for approximately 4.7 percent of U.S. producers' shipments of PVLT tires and 9.2 percent of U.S. shipments of subject imports from China in 2012. CR at V-5; PR at V-4.

observe that the expiration of safeguard duties appears to have affected the underselling margins. The reported prices through September 29, 2012, would have included the safeguard duties, and concurrent with the expiration of these duties, the margins of underselling increased appreciably in almost all instances.[209] Consequently, the frequency of underselling and the magnitude of the underselling margins, which increased significantly upon expiration of the safeguard duties, indicate that underselling likely will continue in the imminent future. We find no basis on the record of these preliminary investigations, which indicates that the subject imports and domestic like product have a moderate-to-high degree of substitutability, to conclude that this likely continued underselling will not stimulate demand for subject imports in the imminent future.

We do not find for purposes of the preliminary phase of these investigations that subject imports are likely to depress domestic PVLT tires prices to a significant degree in the

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(…Continued)

[208] CR at V-18; PR at V-10; CR/PR at Tables V-4 – V-9. Respondents contend that this predominant underselling is explained by the price premium that domestically produced branded tires are able to command. Respondents' Postconference Brief at 26-29. As explained above, we are unable to assess the relative importance of product branding in purchasing decisions on the record in this preliminary phase of these investigations and will endeavor to evaluate this issue further in any final phase investigation. Additionally, it is not entirely clear whether the pricing data reported for domestic producers is in fact entirely for "branded" product, given that domestic producers state that they produced a variety of branded and private-label products. *See* Petitioner's Postconference Brief at 13-15. Should the parties desire to pursue this issue in any final phase investigations, they should indicate in their comments on the draft questionnaires how the Commission should collect data to enable it to assess how brand identity affects pricing.

[209] For Product 1, from the first quarter of 2011 through the third quarter of 2012, the margins of underselling ranged from *** percent to *** percent; from the fourth quarter of 2012 through the first quarter of 2014, underselling margins ranged from *** percent to *** percent. CR/PR at Table V-4. For Product 2, from the first quarter of 2011 through the third quarter of 2012, the margins of underselling ranged from *** percent to *** percent; from the fourth quarter of 2012 through the first quarter of 2014, underselling margins ranged from *** percent to *** percent, with the exception of the fourth quarter of 2013, which appears to be aberrational with a margin of underselling of only *** percent. CR/PR at Table V-5. For Product 3, from the first quarter of 2011 through the third quarter of 2012, the margins of underselling ranged from *** percent to *** percent; from the fourth quarter of 2012 through the first quarter of 2014, underselling margins ranged from *** percent to *** percent. CR/PR at Table V-6. For Product 4, from the first quarter of 2011 through the third quarter of 2012, the margins of underselling ranged from *** percent to *** percent; from the fourth quarter of 2012 through the first quarter of 2014, underselling margins ranged from *** percent to *** percent. CR/PR at Table V-7. For Product 5, from the first quarter of 2011 through the third quarter of 2012, the margins of underselling ranged from *** percent to *** percent; from the fourth quarter of 2012 through the first quarter of 2014, underselling margins ranged from *** percent to *** percent. CR/PR at Table V-8. For Product 6, from the first quarter of 2011 through the third quarter of 2012, the margins of underselling ranged from *** percent to *** percent; from the fourth quarter of 2012 through the first quarter of 2014, underselling margins ranged from *** percent to *** percent. CR/PR at Table V-9.

imminent future. Price comparison data shows that, for four of the six products, the prices for domestically produced PVLT tires decreased from the first quarter of 2011 to the first quarter of 2014, while prices for the remaining two products increased over that period. Prices for PVLT tires from China decreased for all products over the period of investigation.[210] We observe that price declines for both the domestic like product and subject imports tended to generally track reductions in raw materials costs.[211] The record does not indicate that the increasing volume of subject imports during the period of investigation had a depressing effect on the price of the domestic like product, and therefore we do not conclude that that the likely increase in subject imports in the imminent future will cause price depression.

The domestic industry's ratio of COGS to net sales declined from 82.5 percent in 2011 to 79.9 percent in 2012 and then to 78.2 percent in 2013, representing an overall decline of 4.3 percentage points. This decline was linked to a reduction in raw materials costs, as the ratio of raw materials costs to net sales fell from 44.9 percent in 2011 to 42.8 percent in 2012 and then to 39.4 percent in 2013, a 5.5 percentage point reduction.[212] Therefore, because of falling raw materials costs, the industry did not experience price suppression during the period of investigation. There is some indication that prices for raw materials are unstable and that the trends may reverse in the imminent future.[213] Nonetheless, without a clear indication that raw material costs are beginning to exhibit a sustained increase, we cannot conclude in the preliminary phase of these investigations that subject imports are likely to prevent price increases, which would have otherwise occurred, to a significant degree.[214]

D. Likely Impact[215]

Industry performance during the period of investigation was mixed. While there were some declines in output- and employment-related indicators, as well as in market share, the domestic industry showed substantial and increasing operating income. From 2011 to 2013,

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[210] CR at V-17; PR at V-11.

[211] CR at V-1 – V-2; PR at V-1; CR/PR at Figure V-1.

[212] CR/PR at Table VI-1.

[213] As indicated above, the price of SBR increased slightly at the beginning of 2014. CR at V-2; PR at V-1; CR/PR at Figure V-1. *See also* Petitioner's Postconference Brief, Responses to Staff Questions, Question 10 & Exhibits 35 – 38; Respondents' Postconference Brief at Exhibit 2, No. 19.

[214] We have also considered domestic industry lost sales and lost revenue allegations. Three firms reported reducing prices, although two of the three indicated that the decline was not necessarily attributable to subject imports. CR at V-18; PR at V-12; CR/PR at Table V-12. Two firms reported lost sales, but again, one of the two indicated that this was not necessarily attributable to subject imports. *Id.* One firm provided specific allegations of lost sales and lost revenue. CR at V-20; PR at V-13. *** made *** allegation regarding a lost sale, which was not confirmed. *Id.* *** also made 15 allegations of lost revenue for which it was only able to provide average price reductions for unspecified quantities. Of these 15 allegations, nine were confirmed and six were not. CR at V-20 – V-21; PR at V-13.

[215] In its notice initiating the antidumping duty investigation on PVLT tires from China, Commerce reported estimated dumping margins ranging from 45.8 to 87.99 percent. *Antidumping Duty Investigation*, 79 Fed. Reg. at 42296.

the domestic industry had declines in production,[216] capacity,[217] and capacity utilization.[218] The domestic industry's U.S. shipments also declined.[219] The U.S. producers' share of the U.S. market declined from 49.9 percent in 2011 to 47.5 percent in 2012 and then to 43.3 percent in 2013; it was lower in interim 2014 at 42.2 percent than in interim 2013, when it was 43.7 percent.[220]

Employment indicators also generally trended downward. The domestic industry's number of production and related workers ("PRWs") fell from 33,390 in 2011 to 29,921 in 2012 then to 29,033 in 2013.[221] Hours worked[222] and wages paid[223] also fell from 2011 to 2013, although labor productivity increased irregularly during this period.[224]

Notwithstanding the decline in the above indicia, the domestic industry's financial indicators showed improvement during the period of investigation. The domestic industry's aggregate operating income increased from $1.07 billion in 2011 to $1.37 billion in 2012 and then to $1.42 billion in 2013, representing an overall increase of 33.4 percent.[225] The domestic industry's ratio of operating income to net sales increased by 3.2 percentage points from 2011

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[216] Production decreased from 155.8 million tires in 2011 to 149.4 million tires in 2012, and then to 141.9 million tires in 2013. CR/PR at Tables III-3 & C-1. Production was 36.2 million tires in interim 2013 and 37.5 million tires in interim 2014. *Id.* Data in this section of the opinion reflect all reporting domestic producers.

[217] The domestic industry's production capacity was 166.4 million tires in 2011, 163.7 million tires in 2012, and 162.7 million tires in 2012. Capacity was 40.4 million tires in interim 2013 and 40.9 million tires in interim 2014. CR/PR at Tables III-4 & C-1.

[218] Capacity utilization declined from 93.6 percent in 2011 to 91.3 percent in 2012 and then to 87.2 percent in 2013. CR/PR at Tables III-4 & C-1. Capacity utilization was 89.6 percent in interim 2013 and 91.7 percent in interim 2014. *Id.*

[219] U.S. shipments decreased from 138.9 million tires in 2011 to 132.4 million tires in 2012 and 127.8 million tires in 2013. U.S. shipments were 29.4 million tires in interim 2013 and 29.9 million tires interim 2014. CR/PR at Table III-6 & C-1.

The domestic industry's end-of-period inventories increased on an absolute basis as well as relative to production and shipments from 2011 to 2012 and then, in 2013, decreased on an absolute basis and relative to shipments but increased relative to production. CR/PR at Table III-7.

[220] CR/PR at Table C-1.

[221] CR/PR at Table III-9. The number of PRWs were 29,420 in interim 2013 and 28,545 in interim 2014. *Id.*

[222] CR/PR at Table III-59. Total hours worked fell from 66.7 million hours in 2011 to 60.8 million hours in 2012 and then to 58.1 million hours in 2013. *Id.* Hours worked were slightly higher in interim 2014 at 15.6 million hours than in interim 2013 at 15.5 million hours. *Id.*

[223] CR/PR at Table III-9. Wages paid declined from $2.214 billion in 2011 to $2.037 billion in 2012 and then to $1.995 billion in 2013; they were $493.983 million in interim 2013 and $488.320 million in interim 2014. *Id.*

[224] CR/PR at Table III-9. Labor productivity increased from 2.34 tires per hour in 2011 to 2.46 tires per hour in 2012, then decreased to 2.44 tires per hour in 2013; it was 2.34 tires per hour in interim 2013 and 2.41 tires per hour in 2014. *Id.*

[225] CR/PR at Tables VI-1 & C-1. The domestic industry's aggregate operating income was $372.35 million in interim 2013 and $378.34 million in interim 2013. *Id.*

to 2013, with operating margins increasing from 8.0 percent in 2011 to 10.4 percent in 2012 and then to 11.2 percent in 2013.[226] The domestic industry's aggregate capital expenditures increased from $719.3 million in 2011, to $727.4 million in 2012, and then to $744.7 million in 2013.[227] Aggregate research and development expenses remained at substantial levels throughout the period, declining from $224.9 million in 2011 to $224.4 million in 2012 and then to $221.6 million in 2013.[228]

Thus, the record in the preliminary phase of investigation shows that, although the domestic industry experienced declines in declines in production, shipments, capacity utilization, and employment, it nonetheless has performed well financially and continued to make substantial capital expenditures even as the volume of subject imports increased significantly. For this reason, we have not found a reasonable indication of material injury by reason of subject imports. This improving financial performance, however, is due at least in part to declining raw material costs, and there is some evidence on the record in these preliminary phase investigations that the markets for raw materials are unstable and that the trends may reverse in the imminent future.[229] We acknowledge that *** domestic producers have not expressed support for the petition, did not provide allegations of lost sales or lost revenues, and did not identify current or anticipated negative effects related to imports of PVLT tires from China.[230] Nonetheless, we have found that further subject imports are imminent, that these imports will likely be priced in a manner that stimulates demand for them, and that these subject imports would likely accentuate declines in market share and some output and employment-related indicators that the domestic industry experienced during the period of investigation. In light of these considerations, we cannot conclude that the record as a whole in the preliminary phase of these investigations contains clear and convincing evidence that there is no reasonable indication that the domestic industry is threatened with material injury by reason of subject imports or that there is no likelihood that evidence will arise in any final phase of these investigations that would affect our resolution of these issues.

We have also considered factors other than subject imports to ensure that we are not attributing any threat of injury from other such factors to the subject imports. Although as discussed above, nonsubject imports were the second largest source of supply to the U.S. PVLT tires market during the period of investigation, we observe that nonsubject imports, unlike subject imports, lost market share between 2011 and 2013, falling from 41.3 percent in 2011 to 41.2 percent in 2012 and then to 39.4 percent in 2013, representing an overall decline of 1.9

[226] CR/PR at Tables VI-1 & C-1. Operating margins were 12.4 percent in interim 2013 and 12.9 percent in interim 2014. *Id.*

[227] CR/PR at Table VI-4. Capital expenditures were $146.8 million in interim 2013 and $150.2 million in interim 2014. *Id.*

[228] CR/PR at Table VI-4. Research and development expenses were $57.8 million in interim 2013 and $53.7 million in interim 2014. *Id.*

[229] As indicated above, the price of SBR increased slightly at the beginning of 2014. CR at V-2; PR at V-1; CR/PR at Figure V-1. *See also* Petitioner's Postconference Brief, Responses to Staff Questions, Question 10 & Exhibits 35 – 38; Respondents' Postconference Brief at Exhibit 2, No. 19.

[230] CR at V-18 – V-19, VI-23 – VI-24; PR at V-12, VI-11 – VI-12.

percentage points.[231] Consequently, during the period of investigation nonsubject imports' share of the U.S. market declined and subject imports' share increased; given our finding that the market share of subject imports is likely to continue to increase, we do not find that this pattern is likely to change in the imminent future.

IX. Conclusion

For the reasons stated above, Vice Chairman Pinkert, Commissioner Williamson, and Commissioner Schmidtlein determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of PVLT tires from China that are allegedly sold in the United States at less than fair value and that are allegedly subsidized by the government of China. Chairman Broadbent, Commissioner Johanson, and Commissioner Kieff determine that that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of PVLT tires from China that are allegedly sold in the United States at less than fair value and that are allegedly subsidized by the government of China.

[231] CR/PR at Table IV-4. In addition, nonsubject imports' share of the U.S. market in interim 2014 was 1.3 percentage points lower than it had been in interim 2014, while subject imports' market share was 2.8 percentage points higher, respectively, in interim 2014 than interim 2013. CR/PR at Table C-1.

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 ("USITC" or "Commission") by United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union ("USW"), Pittsburgh, PA, on June 3, 2014, 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 passenger vehicle and light truck tires ("PVLT tires") from China. [1] The following tabulation provides information relating to the background of these investigations. [2] [3]

Effective date	Action
June 3, 2014	Petition filed with Commerce and the Commission; institution of Commission investigation (79 FR 32994, June 9, 2014)
June 24, 2014	Commission's conference
June 24, 2014	Commerce's notice of extension for determining the adequacy of the petitions, (79 FR 35725)
July 21, 2014	Commerce's notices of initiation (79 FR 42285-42289, 79 FR 42292-42298)
July 22, 2014	Commission's vote
August 15, 2014	Commission's determinations
August 22, 2014	Commission's views

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*

[1] See the section entitled "The Subject Merchandise" in *Part I* of this report for a complete description of the merchandise subject to these investigations.

[2] Pertinent *Federal Register* notices are referenced in appendix A, and may be found at the Commission's website (www.usitc.gov).

[3] A list of witnesses appearing at the conference is presented in app. B of this report.

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 decline 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 report

Part I of this report presents information on the subject merchandise, alleged subsidy and dumping margins, domestic like product, and domestic industry. *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. *Parts IV* and *V* present the volume of

subject imports and pricing of domestic and imported products, respectively. *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

PVLT tires generally are mounted onto the wheels of passenger cars, sport utility vehicles, vans, and light trucks. The leading U.S. producers of PVLT tires, in alphabetical order, are Bridgestone Americas Tire Operations, LLC ("Bridgestone"), Cooper Tire and Rubber Co. ("Cooper"), Goodyear Tire and Rubber Co. ("Goodyear"), and Michelin North America, Inc. ("Michelin"). Other producers of PVLT tires in the United States include Continental Tire the Americas, LLC ("Continental"); Pirelli Tire, LLC ("Pirelli); Specialty Tires of America, Inc. ("Specialty Tires"); Toyo Tire North America Manufacturing, Inc. ("Toyo"); and Yokohama Tire Corporation ("Yokohama").

Leading producers of PVLT tires in China include: ***. The leading U.S. importers of PVLT tires from China include: ***. Leading importers from nonsubject countries include ***.

Apparent U.S. consumption of PVLT tires, by quantity, totaled 294.9 million tires ($22.3 billion) in 2013. Currently, nine firms are known to produce PVLT tires in the United States. U.S. producers' U.S. shipments of PVLT tires totaled 127.8 million ($11.8 billion) in 2013, and accounted for 43.3 percent of apparent U.S. consumption by quantity and 52.9 percent by value. U.S. imports from China totaled 50.8 million tires ($2.3 billion) in 2013 and accounted for 17.2 percent of apparent U.S. consumption by quantity and 10.5 percent by value. U.S. imports from nonsubject sources totaled 116.2 million tires ($8.2 billion) in 2013 and accounted for 39.4 percent of apparent U.S. consumption by quantity and 36.7 percent by value.

SUMMARY DATA AND DATA SOURCES

A summary of data collected in these investigations is presented in appendix C, table C-1. Except as noted, U.S. industry data are based on questionnaire responses of nine firms that accounted for virtually all U.S. production of PVLT tires during 2013. U.S. imports are based on official Commerce statistics. Information on foreign producers in China are based on questionnaire responses of 53 producers of PVLT tires in China, which accounted for 99.2 percent of subject imports in 2013, as well as public sources.[4]

[4] Data compiled from foreign producer questionnaires account for approximately 84 percent of total Chinese production, according industry data provided by the Chinese Rubber Industry Association ("CRIA"). Respondents' postconference brief, exh. 9. Both Petitioner and Respondents agree that the Commission has broad coverage of the Chinese subject tire industry as a whole. Conference transcript, p. 62 (Stewart); pp. 135-136 (Durling); and p. 54 (Porter).

PREVIOUS AND RELATED INVESTIGATIONS

Following receipt of a petition filed on April 20, 2009, on behalf of the USW, the Commission instituted investigation No. TA–421–7 under section 421(b) of the Trade Act of 1974 (19 U.S.C. 2451(b)) to determine whether new pneumatic tires, of rubber, from China, of a kind used on motor cars (except racing cars) and on-the-highway light trucks, vans, and sport utility vehicles, provided for in subheadings 4011.10.10, 4011.10.50, 4011.20.10, and 4011.20.50 of the Harmonized Tariff Schedule of the United States (HTS), were being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products.[5]

On the basis of information developed in the subject investigation, the Commission determined, pursuant to section 421(b)(1) of the Trade Act of 1974, that certain passenger vehicle and light truck tires from China were being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products.[6]

With regard to the Commission's recommendation on proposed remedy, Chairman Shara L. Aranoff and Commissioners Charlotte R. Lane, Irving A. Williamson, and Dean A. Pinkert proposed that the President, for a three-year period, impose a duty, in addition to the current rate of duty, on imports of certain passenger vehicle and light truck tires from China as follows: 55 percent ad valorem in the first year, 45 percent ad valorem in the second year, and 35 percent ad valorem in the third year. They further proposed that, if applications are filed, the President direct the U.S. Department of Labor and the U.S. Department of Commerce to provide expedited consideration of Trade Adjustment Assistance for firms and/or workers that are affected by subject imports.[7]

Effective September 26, 2009, President Obama determined to provide import relief in the form of a 35 percent ad valorem duty above the column 1 general rate of duty in the first year; a 30 percent ad valorem duty above the column 1 general rate of duty for the second year; and a 25 percent ad valorem duty above the column 1 general rate of duty in the third year. In order to assist workers, firms, and their communities that have been or are affected by the market disruption, President Obama directed the Secretary of Commerce and the Secretary of Labor to expedite consideration of any Trade Adjustment Assistance applications received from domestic passenger vehicle and light truck tire producers, their workers, or communities

[5] *Certain Passenger Vehicle and Light Truck Tires From China*, 74 FR 19593, April 29, 2009.

[6] C*ertain Passenger Vehicle and Light Truck Tires From the People's Republic of China*, 74 FR 34363, July 15, 2009. Vice Chairman Daniel R. Pearson and Commissioner Deanna Tanner Okun made a negative determination.

[7] C*ertain Passenger Vehicle and Light Truck Tires From the People's Republic of China*, 74 FR 34363, July 15, 2009. Vice Chairman Daniel R. Pearson and Commissioner Deanna Tanner Okun, having made a negative determination regarding market disruption, were not eligible to vote on a proposed remedy.

and to provide such other requested assistance or relief as they deem appropriate, consistent with their statutory mandates.[8]

On September 14, 2009, China requested consultations with the United States under the World Trade Organization ("WTO") Understanding on Rules and Procedures Governing the Settlement of Disputes concerning the import relief measures imposed on certain passenger vehicle and light truck tires from China. In its panel report issued on December 13, 2010, the WTO Dispute Settlement Body ("DSB") ruled that the measures were not in violation of WTO rules. On May 24, 2011, China notified the DSB of its decision to appeal to the Appellate Body certain issues of law and legal interpretation covered in the panel report. On September 5, 2011, the Appellate Body upheld the Panel's findings and at its meeting on October 5, 2011, the Dispute Settlement Body adopted the Panel and Appellate Body reports.[9]

Under the statute, the USW had the right to request an extension of the relief up to six months in advance of its expiration. In March 2012, in advance of the six month renewal request deadline, the USW indicated to the Administration that such a request would not be made.[10]

On June 24, 2014, Commerce extended the deadline for determining the adequacy of the antidumping and countervailing duty petitions.[11]

NATURE AND EXTENT OF ALLEGED SUBSIDIES AND SALES AT LTFV

Alleged subsidies

On July 15, 2014, Commerce announced the initiation of a countervailing duty investigation on PVLT tires from China.[12]

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[8] *Presidential Proclamation No. 8414*, 74 FR 47861, September 17, 2009. *Imports of Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China, Presidential Determination No. 2009-28, Memorandum for the Secretary of Commerce, the Secretary of Labor, the United States Trade Representative,* 74 FR 47433, September 16, 2009.

[9] http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds399_e.htm and http://www.wto.org/english/news_e/news11_e/dsb_05oct11_e.htm.

[10] "USW Acclaim Success of Trade Relief for Tire Sector; Extension Not Requested," September 24, 2012. http://www.usw.org/news/media-center/releases/2012/usw-acclaim-success-of-trade-relief-for-tire-sector-extension-not-requested, retrieved July 7, 2014.

[11] In its extension notice, Commerce announced that it would poll the industry or rely on other information in order to determine if there is support for the petition or if there is a large number of producers, determine industry support using a statistically valid sampling method to poll the industry. *Notice of Extension of the Deadline for Determining the Adequacy of the Antidumping and Countervailing Duty Petitions: Certain Passenger Vehicle and Light Truck Tires From the People's Republic of China*, 79 FR 35725, June 24, 2014.

[12] *Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China: Initiation of Countervailing Duty Investigation,* 79 FR 42285, July 21, 2014.

Alleged sales at LTFV

On July 15, 2014, Commerce announced the initiation of an antiumping duty investigation on PVLT tires from China.[13] Commerce has initiated antidumping duty investigations based on estimated dumping margins ranging from 45.80 percent to 87.99 percent for PVLT tires from China.

THE SUBJECT MERCHANDISE

Commerce's scope

Commerce has defined the scope of this investigation as follows:[14]

> *The scope of these petitions is passenger vehicle and light truck tires. Passenger vehicle and light truck tires are new pneumatic tires, of rubber, with a passenger vehicle or light truck size designation. Tires covered by these petitions may be tube-type, tubeless, radial, or non-radial, and they may be intended for sale to original equipment manufacturers or the replacement market.*
>
> *Subject tires have, at the time of importation, the symbol "DOT" on the sidewall, certifying that the tire conforms to applicable motor vehicle safety standards. Subject tires may also have the following prefixes or suffix in their tire size designation, which also appears on the sidewall of the tire:*
>
> *Prefix designations:*
>
> *P - Identifies a tire intended primarily for service on passenger cars*
> *LT - Identifies a tire intended primarily for service on light trucks;*
>
> *Suffix letter designations:*
>
> *LT - Identifies light truck tires for service on trucks, buses, trailers, and multipurpose passenger vehicles used in nominal highway service.*
>
> *All tires with a "P" or "LT" prefix, and all tires with an "LT" suffix in their sidewall markings are covered by these petitions regardless of their intended use.*

[13] *Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China: Initiation of Antidumping Duty Investigation,* 79 FR 42292, July 21, 2014.

[14] *Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China: Initiation of Antidumping Duty Investigation,* 79 FR 42292, July 21, 2014.

In addition, all tires that lack a "P" or "LT" prefix or suffix in their sidewall markings, as well as all tires that include any other prefix or suffix in their sidewall markings, are included in the scope, regardless of their intended use, as long as the tire is of a size that is among the numerical size designations listed in the passenger car section or light truck section of the Tire and Rim Association Year Book, as updated annually.

Passenger vehicle and light truck tires, whether or not attached to wheels or rims, are included in the scope. However, if a subject tire is imported attached to a wheel or rim, only the tire is covered by the scope.

Specifically excluded from the scope of these petitions are the following types of tires: (1) racing car tires, defined as tires for use exclusively on a race track; such tires do not bear the symbol "DOT" on the sidewall; (2) new pneumatic tires, of rubber, of a size that is not listed in the passenger car section or light truck section of the Tire and Rim Association Year Book; (3) pneumatic tires, of rubber, that are not new, including recycled and retreaded tires; and (4) non- pneumatic tires, such as solid rubber tires.

Tariff treatment

Based upon the scope set forth by the Department of Commerce, information available to the Commission indicates that the merchandise subject to these investigations are imported under the following provisions of the Harmonized Tariff Schedule of the United States: 4011.10.1010, 4011.10.1020, 4011.10.1030, 4011.10.1040, 4011.10.1050, 4011.10.1060, 4011.1010.70, 4011.10.50.00, 4011.20.1005, and 4011.20.5010. Products subject to these petitions may also be imported under HTS subheadings 4011.99.45 and 4011.99.85. [15] While HTSUS subheadings are provided for convenience and for customs purposes, the written description of the subject merchandise is dispositive.

[15] The general rate of duty for these subheadings is between 3.4 and 4.0 percent.

THE PRODUCT[16]

Description and applications

Subject new pneumatic (air pressurized) passenger vehicle (PV) and light truck (LT) tires (PVLT tires) are strategic to the operation and safe driving characteristics of on-the-road motor vehicles, providing the only contact footprint or interface between a given vehicle and the road. Passenger vehicle (PV) tires are designed for use on standard-type passenger cars and associated vehicles such as sports utility vehicles (SUVs) and other multipurpose passenger vehicles, including light trucks, while light truck (LT) tires are those usually used specifically on light trucks or multipurpose passenger vehicles.[17] PVLT tires of varying sizes and design configurations, radial or nonradial, tube type or tubeless, are produced domestically or imported into the United States for fitment to original equipment (OE) vehicles or for the replacement requirements on used vehicles, each subject to the same motor vehicle safety standards and the same performance, quality grade, and marking standards.[18] Today's domestic PVLT tires typically range from 13 to 24 inches in rim diameter,[19] and are principally of tubeless steel belted radial ply design.[20] Both the domestic and global tire industries are predominately multinational in structure.

Tire compositions consist of roughly 40 percent rubber (natural and synthetic) by weight, 28 percent carbon black reinforcement, 17 percent reinforcing fabric body ply and other additives, and 15 percent steel (belts and bead wire).[21] The construction design features of a tubeless steel belted radial PVLT tire, today's predominant tire design, are shown in Figure I-1.

[16] Unless otherwise noted, basic information is derived from the following publications: *Certain Off-The-Road Tires from China, Inv. Nos. 701-TA-448 and 731-TA-1117 (Review),* USITC Publication 4448, January 2014; and, *Certain Passenger Vehicle and Light Truck Tires From China, Inv. No. TA-421-7,* USITC Publication 4085, July 2009 ("Tires 421 Investigation").

[17] Federal Motor Vehicle Safety Standard No. 139 (49 CFR 571.139).

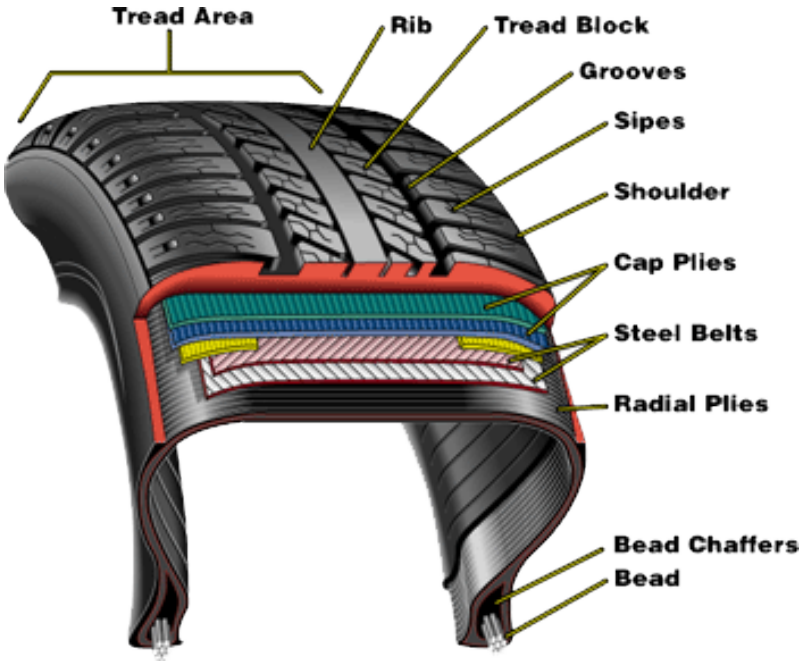
[18] Conference transcript, pp. 15 – 17; 19 (Drake).

[19] Ibid, p. 48 (Hayes).

[20] USITC Dataweb import file, HTS 4011.10.10/4011.10.50 (passenger car tires); HTS 4011.20.10.05/4011.20.50.10 (light truck tires).

[21] *Anatomy of a Tire,* http://infohouse.p2ric.org/ref/11/10504/html/intro/tire.htm, retrieved June 15, 2014.

Figure I-1
PVLT tires: Tubeless steel belted radial tire construction design



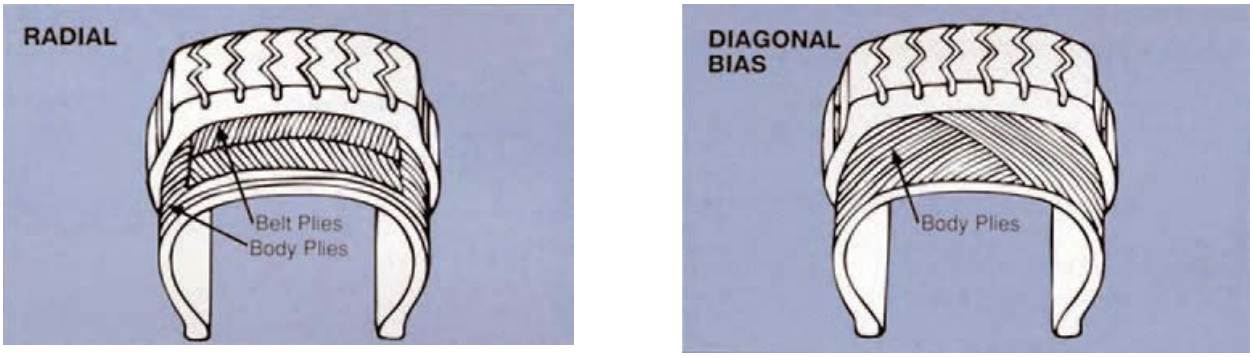
Source: http://www.abbsrytire.com/diagramtire.htm, retrieved June 21, 2014.

Radial tire design began to replace the bias ply design in the United States in the early-1970s, and by the mid-1990's dominated both the replacement and OE markets. Radials provide superior strength, handling, ride quality, wear resistance and improved mileage, fuel economy, and resistance to heat buildup. The makeup of the tire casing is the load bearing workhorse of the radial tire consisting of a rubber innerliner impervious to air migration, rubberized reinforcing plies (tire cord) that run parallel across the tire to the rubberized steel bead on each side. The beads form the inner circular rim diameter of a finished tire which is fitted in an airtight manner to a given steel, aluminum, or composite wheel to form a complete tire assembly ready for mounting. Bead chaffers are a key component of the tire that provide the direct contact points between the tire and the wheel, designed to withstand forces (chafing) the wheel puts on the tire during mounting as well as the dynamic forces of driving and braking.

Above the tire casing are steel belts which provide a stable foundation for better tread wear and traction, and also protect the casing against impacts and punctures. Other components include cap plies usually built into performance tires to enhance cornering and stability at high speeds. Tread designs are multiple in nature consistent with their intended end use. The tread block provides traction at its leading and trailing edge. Within the block, sipes are often molded or cut to provide additional traction. Grooves are built into tread design for channeling away water. Shoulder designs provide protection as well as additional traction during hard cornering.

The diagram of Figure I-2 compares today's dominant steel belted radial body ply construction to that of the bias ply tire standard that dominated the U.S. tire manufacturing sector up to the mid-1970's.

Figure I-2
PVLT tires: Radial and bias ply construction



Source: National Highway Traffic Safety Administration (NHTSA), "The Pneumatic Tire," 2005.

Bias ply construction, unlike radial plies, run at alternating angles from bead to bead to the direction of tire travel, and may or may not be topped by belts, usually of fabric, fiberglass or other materials. Although bias ply tires may be produced by more fundamental processes than radial tires, bias tires ply's twist more as the tire rolls, creating friction and heat buildup causing rolling resistance to increase and fuel economy to decrease. These factors also lead to reduced mileage capabilities, accelerated tire wear, and the increased risk of over the highway tire failure on today's advanced motorized PVLT vehicles.[22] Steel belted radial tires provide superior performance characteristics to bias ply tires, including strength, lower rolling resistance and superior fuel economy, superior resistance to heat buildup at highway speeds, and vastly increased mileage capabilities.[23]

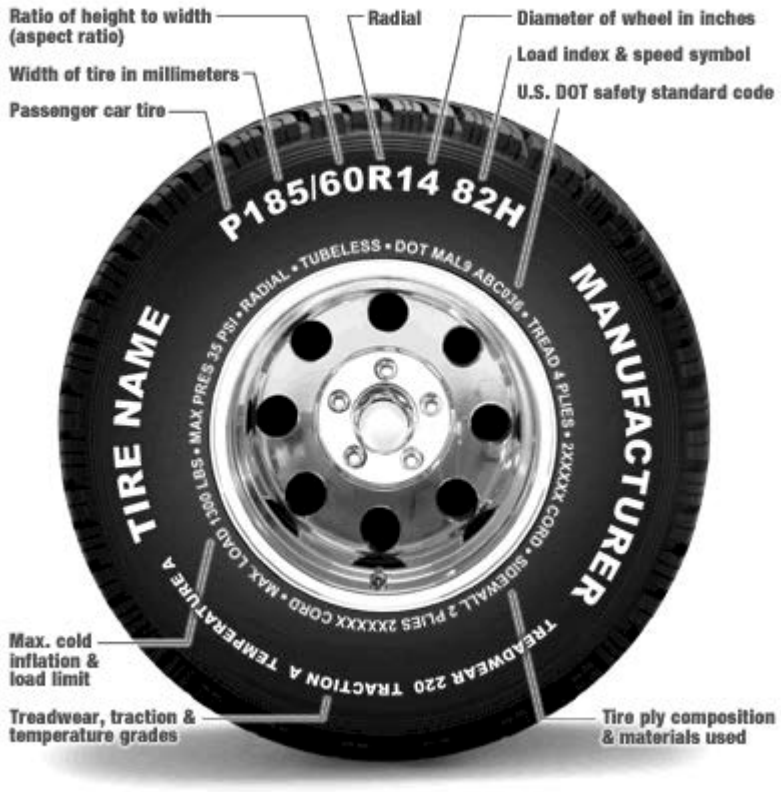
PVLT tire definitions and standards are articulated under Title 49 of the Code of Federal Regulations (CFR), Federal Motor Vehicle Safety Standards, Part 571, Standard No. 139.[24] These standards apply to new pneumatic radial tires for use on light motor vehicles that have a gross vehicle weight rating (GVWR) of 10,000 pounds or less and that were manufactured after 1975. A passenger car tire is defined as intended from use on passenger cars, multipurpose passenger vehicles, and trucks that have a GVWR of 10,000 pounds or less. Light truck (LT) tires are defined as a tire designated by its manufacturer as primarily intended for use on lightweight trucks or multipurpose passenger vehicles. Bias ply tires are included in the definitions; rules and regulations and testing procedures are promulgated under the authority of the National

[22] National Highway Traffic Safety Administration (NHTSA), "The Pneumatic Tire," 2005.
[23] Love, Steve and David Giffels, "Wheels of Fortune, The Radial Invasion," 1999, pp. 143-154.
[24] Electronic code of federal regulations, http://www.ecfr.gov/cgi-bin/text-idx?SID=a80371bac924ed52940277871fed3895&node=49:6.1.2.3.38.2.7.33&rgn=div8, retrieved June 19, 2014.

Highway Traffic Safety Administration (NHTSA), U.S. Department of Transportation (DOT). Additional standards, 49 CFR 571.119 (S3), apply to new pneumatic tires for motor vehicles with a GVWR of more than 10,000 pounds manufactured after 1948.[25] [26] The maximum upper Load limit per tire of the LT tires reported by the Tire and Rim Association in its LT tire chapter is about 3,960 pounds at 65 pounds per square inch (psi) air pressure.[27]

NHTSA regulations require multiple markings on PVLT tire sidewalls certified for use in the United States as shown in the diagram of Figure I-3.[28]

Figure I-3
PVLT tires: PVLT tire designations



Source: http://www.delnat.com/tire_basics.asp, retrieved June 21, 2014.

[25] Petitioners' postconference brief, Staff question 6, p. 1, June 27, 2014.

[26] http://www.ecfr.gov/cgi-bin/text-idx?SID=b3c59186a09df28ed7b657133b7fc966&node=49:6.1.2.3.38.2.7.19&rgn=div8, retrieved July 7, 2014.

[27] Staff telephone interview with Mr. Rudy Consolacion, Executive Vice President, The Tire and Rim Association, Inc., July 8, 2014.

[28] NHTSA, http://www.safercar.gov/tires/pages/tires_labeling.html, retrieved June 22, 2014.

The information molded into the tire sidewall provides a wealth of information, including the tire brand name and manufacturer; the PVLT tire type,"P"; Tire dimensions and construction; Rim diameter in inches and tire width in millimeters (mm); Tube or Tubeless; Load index (not required), and speed symbol; and the U.S. DOT identification number indicating that the tire meets all federal standards. Within the DOT designation is also the plant code where the tire was manufactured, year and date produced.

Other identification designations include treadwear, traction, and temperature grades which provide a consumer with comparative producer and brand performance indicators for tires through NHTSA's Uniform Tire Quality Grading System (UTQGS) wherein NHTSA has rated more than 2,400 lines of tires, including most used on passenger cars, minivans, SUVs and light pickup trucks.[29] [30] Other designations include the tire load limits in pounds, and maximum tire pressure limits in pounds per square inch (psi).

Speed symbol indicators range from a low of N (87 mph) to midrange H (130 mph) to Y (186 mph), with ZR indicating anything above 186 mph. Load index designations for consumer passenger vehicles and light trucks having a GVWR of 10,000 pounds or less, run from a low of about 71 (761 pounds per tire) to a high of about 112 (2,470 pounds per tire).[31] [32] Additionally, placards found on the inside passenger door panels of vehicles purchased in the United States detail original equipment tire size and the vehicle weight rating (passengers and goods) for guidance in purchasing replacement tires.

Tires designed for multiple use on PVLT vehicles carry the "P" designation, known as "P-metric," or the "P" may be omitted altogether on "metric" tires having basically the same sidewall designations. In addition to the above PVLT designations shown in Figure I-3, tires specifically marked "LT" for light truck are also required to carry added designations as shown in the diagram of Figure I-4.

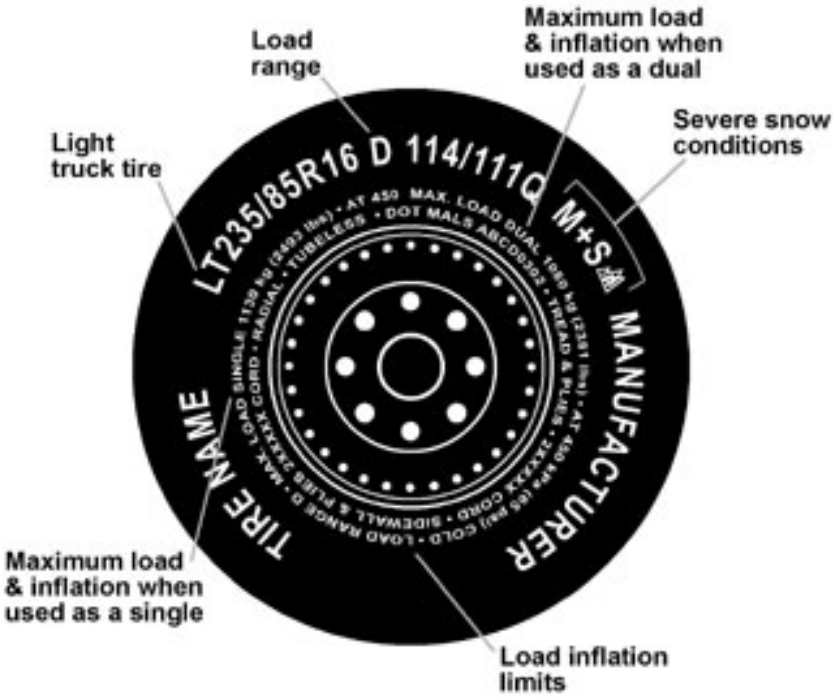
[29] NHTSA publications on tire safety, http://www.nhtsa.gov/Vehicle+Safety/Tires, retrieved June 21, 2014.

[30] NHTSA, http://www.safercar.gov/Vehicle+Shoppers/Tires+Rating, retrieved June 21, 2014.

[31] http://www.delnat.com/tire_basics.asp, retrieved June 21, 2014.

[32] The Tire and Rim Association Yearbook; "Medium & Light Truck Tire Data Book," Bridgestone.

Figure I-4
PVLT tires: Additional LT tire designations



Source: NHTSA, http://www.safercar.gov/tires/pages/tires_label_lighttruck.html, retrieved June 22, 2014.

As indicated, the "LT" designates the tire is for use on light trucks; "Maximum Load & Inflation, Dual," indicates the maximum load weight and tire pressure when the tire is used as a dual, that is, when four tires are put on each rear axle (a total of six or more tires on the vehicle); "Maximum Load Single," indicates the maximum load weight and tire pressure when the tire is used as a single; and, "Load Range," identifies the tire's load-carrying capabilities and its inflation limits. The load range symbol is a gauge of the tire's load carrying capacity expressed in terms of ply rating equivalency. For example, the above tire has a load range of D that is equivalent to a ply rating of 8. Load range designations run from A (ply rating of 2) to N (ply rating of 24). [33]

Manufacturing processes

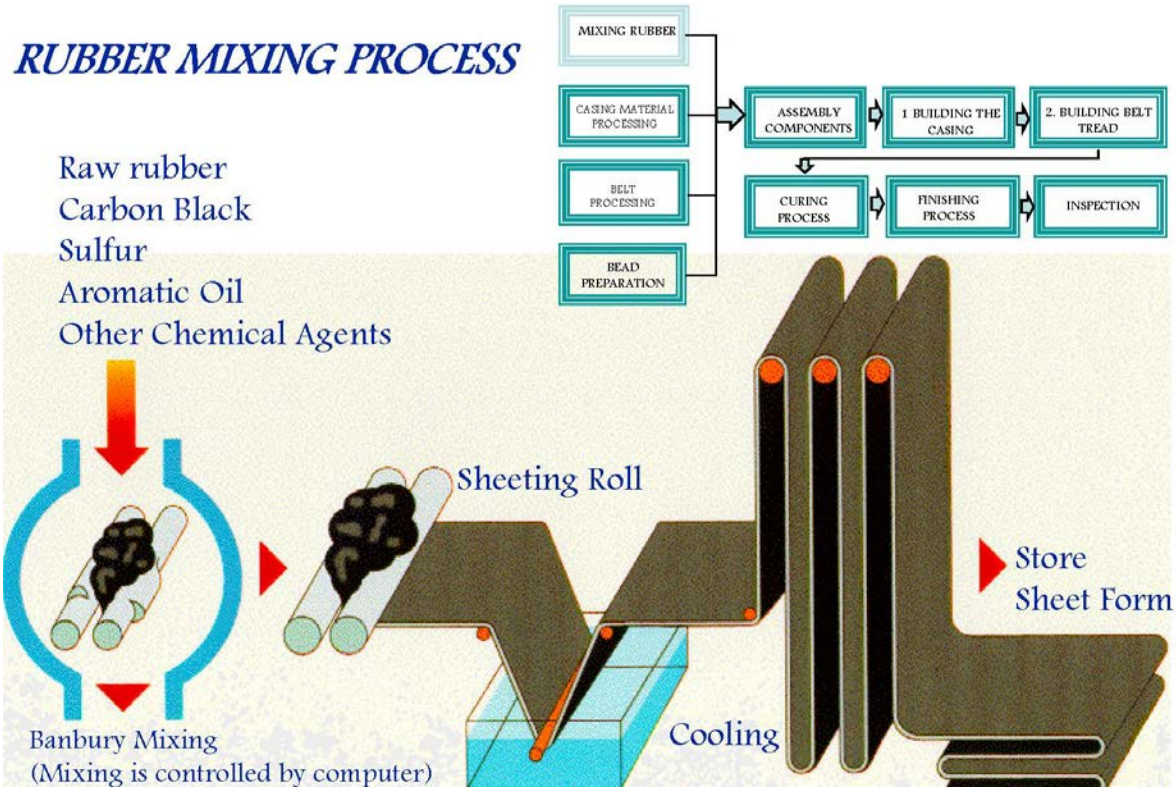
Although the fundamentals of passenger vehicle and light truck tire (PVLT) production in U.S. plants hasn't changed appreciably since the introduction of the tubeless steel belted radial tire back in the 1970s, automation has largely replaced many of the manual operations formerly involved in PVLT tire building. Each manufacturer typically employs proprietary automated processes in the production of its particular line of tires utilizing a large variety of rubberized tire component compounds produced from natural and synthetic rubber, including

[33] The Tire and Rim Association Yearbook.

textile and steel reinforcement plies and belts and rubberized steel bundles that form the tire's rim bead.

Several basic operations are required in the production of PVLT tires as shown in the block process flow diagrams accompanying Figure I-5. The major categories are (1) Base rubber batch formulation and mixing; (2) Tire component processing; (3) Tire component assembly (tire building); (4) Tire curing (molding and vulcanization); and (5) Finishing and Inspection.[34]

Figure I-5
PVLT tires: PVLT process flow diagrams and rubber mixing process



Source: Bridgestone Firestone North America (BFNA); staff field trip, BFNA, July 19, 2007.

Initially, raw materials are received and undergo quality control testing. These materials include natural and synthetic rubbers, textile tire cord and steel fabric, carbon black reinforcing pigment, silica, steel wires for rim bead, and other processing chemicals, including antioxidants, plasticizers, sulfur curing agents, processing oils, and resins.

[34] "The same tire building machine can make a wide variety of tires depending on how it is programmed and what components are put into it. Both passenger car and light truck tires are made on the same equipment and by the same workers." Conference transcript, p. 35 (Williams).

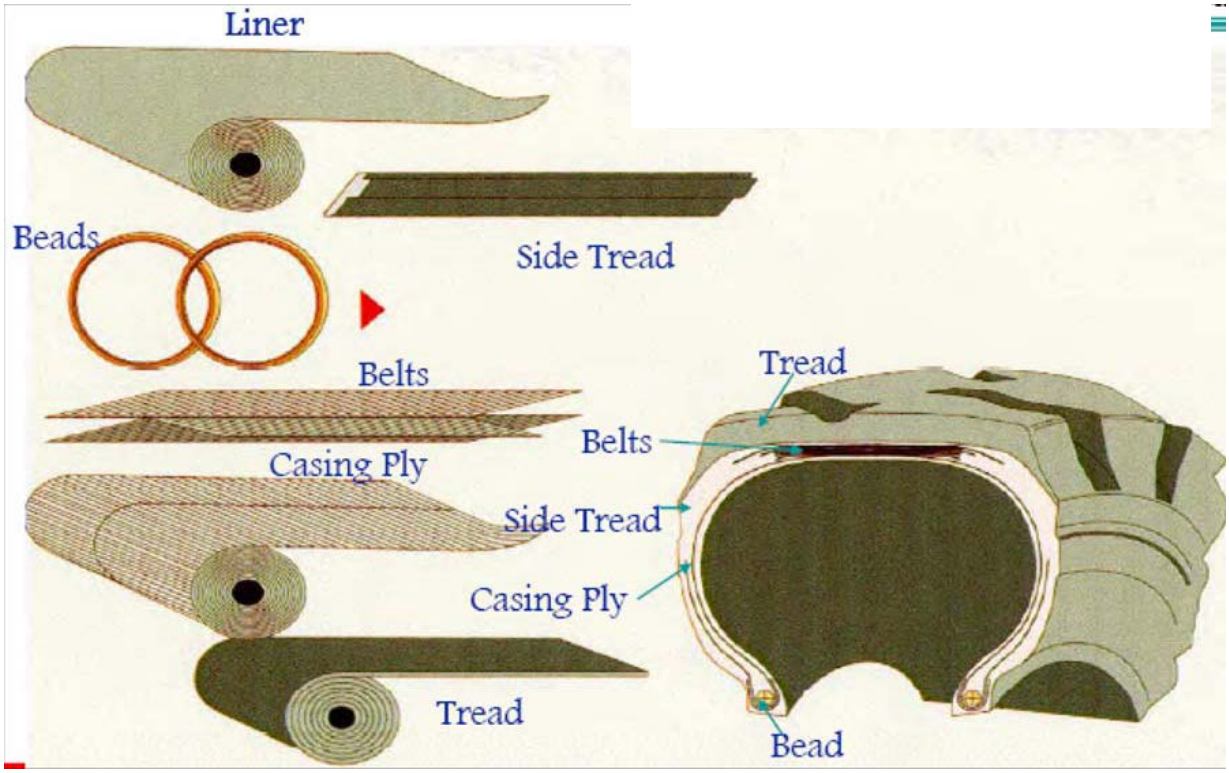
The base rubber batch formulation preparation stage involves the mixing of the various rubbers and selected raw materials into several different types of compounds or recipes designed for specific downstream process end uses, as shown in Figure I-5. Each batch is placed into a Banbury mixer where the rubber is heated, softened, and thoroughly mixed with the other ingredients under conditions of mixer blade shear and ram pressure. Following the discharge of a given rubber compound batch from the mixer, the mass is cooled, and sulfur curing agents are added. Subsequent Banbury mixing is usually required to complete this step.

Several different types of equipment are used to process the rubber formulations into multiple PVLT tire components. Large machines equipped with rollers known as calendars are used to produce sheets of butyl rubber interlining which prevent the migration of pressurized air through the tubeless tire casings. Calendars are also used to coat tire cord fabric or wire with selected rubber formulations for reinforcement of the tire casing which supports the weight of the vehicle.

Machines called wire winders are used to apply a given rubber batch coating to the bead wire and wrap it into an exact circular dimension needed to hold the tubeless tire securely to a given steel wheel. The smooth rubber pieces that will eventually become treads and sidewalls are produced with machines called extruders which force various softened rubber compounds of synthetic rubbers and natural rubber through a die to produce the desired configurations. The tread and sidewall rubbers typically consist of mixtures of the synthetic rubbers styrene-butadiene (SBR) and butadiene rubber (BR) in combination with natural rubber (NR).

Figure I-6 details the tire components used in the tire building process.

Figure I-6
PVLT tires: PVLT tire assembly components

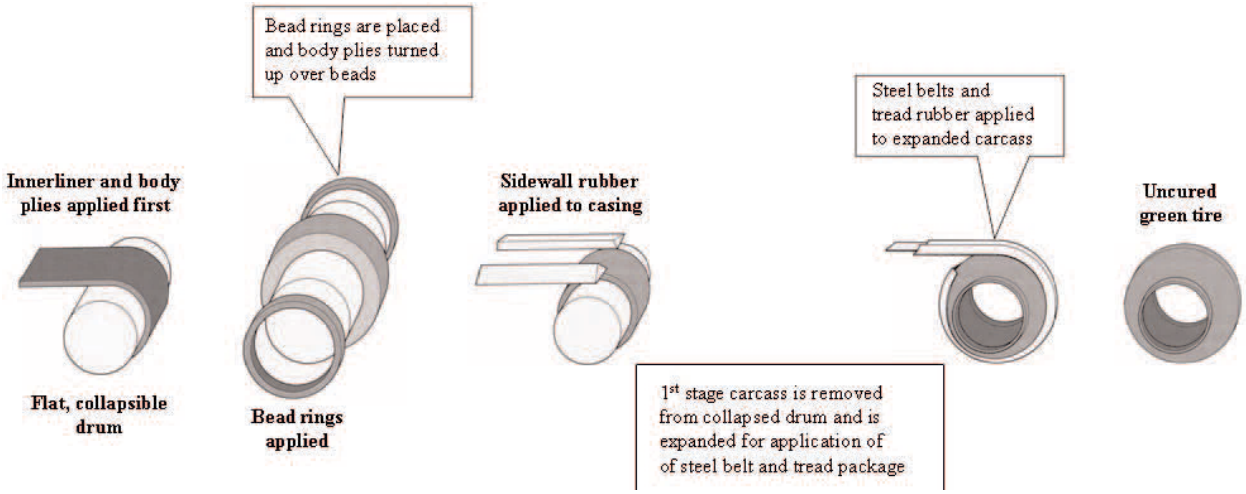


Source: Bridgestone Firestone North America; staff field trip, BFNA, July 19, 2007.

Tire building is the process in which all of the above individual components that make up the tire are assembled in a circular fashion to create a green (uncured) tire structure. The fundamentals of radial tire assembly often proceed in two stages, as shown in Figure I-7. In the first stage, the body casing consisting of the innerliner, reinforcing plies, rim beads and sidewall rubber is assembled on a rotating, collapsible drum that is slightly larger than the bead diameter, while the steel belts and tread are assembled on another rotating drum to a diameter that is close to that of the final tire. Several tire manufacturers and equipment vendors have devised automated tire assembly equipment that combines several assembly steps or links them into a continuous process.[35]

[35] If required by the specified speed rating, full width nylon cap plies or cap strips are wound over the belts before the extruded tread/subtread/undertread package is applied. "The Pneumatic Tire," NHTSA, 2005, p. 24.

Figure I-7
PVLT tires: PVLT tire assembly process

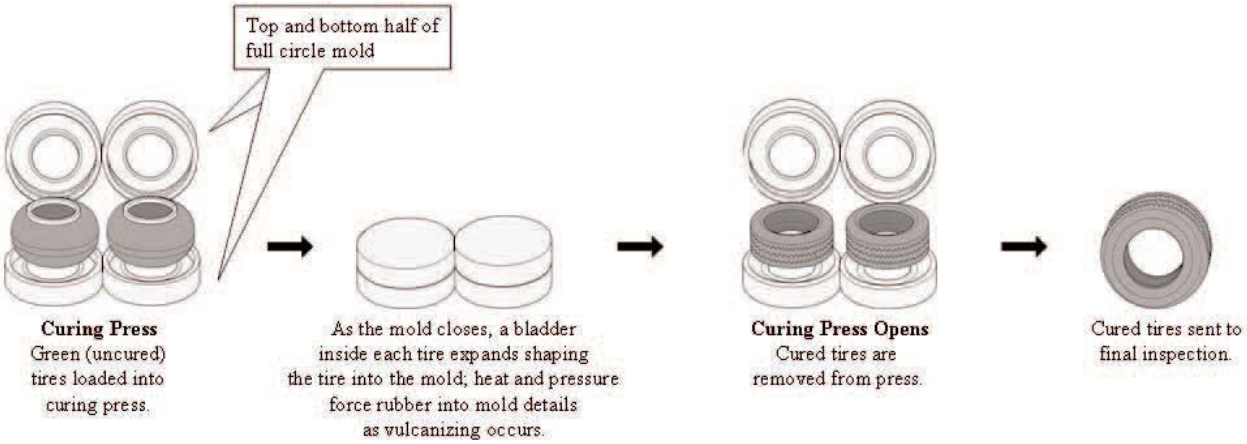


Source: National Highway Traffic Safety Administration (NHTSA), "The Pneumatic Tire," 2005.

Radial ply construction involves placing parallel steel or fabric piles around the drum circumference that run "radially" from bead to bead at right angles to the direction of tire travel. In bias ply tire building, the tire cord reinforcement plies are placed at alternating angles around the drum circumference as the assembly proceeds so its configuration in the finished tire will result in a crisscross herringbone reinforcement pattern running from bead to bead at angles to the direction of travel. The green (uncured) tire assembly is removed from the drum and positioned with several others for transfer to the final molding and curing process.

The final molding and curing process involves the placement of the green tire assembly about a bladder sleeve in a circular curing press tire mold of the appropriate configuration as shown in Figure I-8. After the curing press is closed, the bladder is injected with steam and expanded to force the green tire assembly out against the mold walls. The green tire thus takes on the configuration of the tire mold, including that of the sidewall and tread, together with multiple sidewall designations. Vulcanization or curing of the green tire takes place in the mold at elevated temperature and pressure. Curing times vary depending upon the size and particular design of the tire; each tire model requires its own mold. During vulcanization, the original weak green tire rubber becomes strong and rigid (thermoset), and will not again soften with heat due to molecular cross-linking or bonding of the rubber with the sulfur chemical additives.

Figure I-8
PVLT tires: PVLT tire curing (vulcanization) process



Source: National Highway Traffic Safety Administration (NHTSA), "The Pneumatic Tire," 2005.

Following the molding and curing process, the finished tire is moved to the quality control area for a final visual and x-ray inspection. The tires that pass inspection are then moved to a warehouse for storage and shipping. Finished tires are coded to track their whereabouts, and to identify the plant of manufacture and that of the individual tire builders.

DOMESTIC LIKE PRODUCT

The petitioner proposes that the domestic-like product is a single product consisting of PVLT tires coextensive with the scope and that the Commission's six factors in defining the domestic like product support this definition.[36] No party has contested this like product definition in the current investigations.[37]

DOMESTIC INDUSTRY

Petitioner argues that appropriate circumstances do not exist to exclude any company from the domestic industry due to their related party status.[38] No party has argued that any firm should be excluded from the domestic industry.[39]

[36] In its safeguard investigation, the Commission found that all domestically produced PVLT tires formed a single domestic like product, as various sizes and types of tires, including tires produced for the replacement and OEM markets, are part of a single continuum of products with no clear dividing lines between them. Tires 421 investigation, p.7.

[37] Petitioner's postconference brief, p. 5. Respondents' postconference brief, p. 2.

[38] In its safeguard investigation, the Commission found that all domestic producers of PVLT tires, and their workers, constituted the domestic industry. Tires 421 investigation, p. 10.

[39] Petitioner's postconference brief, p. 6. Respondents' postconference brief, pp. 2-3.

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

U.S. MARKET CHARACTERISTICS

PVLT tires are sold to OEMs and to the replacement market. During 2011–13, slightly more than 75 percent of shipments from all sources were to the replacement market, with the remainder going to the OEM market. Although both U.S. producers and importers shipped to both markets, importers' shipments from China were predominantly (97–98 percent) to the replacement market. PVLT tires are shipped and marketed by both U.S. producers and importers throughout the United States.

Some industry participants report that the PVLT industry is segmented into different tiers. However, the petitioner stated: "even if such 'tiers' exist, they are based solely on brand and do not bear any correlation to differences in physical characteristics, performance, price, or channels of distribution."[1] The petitioner added that price does not define a tier because an individual company offers tires in the same brand and size specification at different prices.[2] Respondents alleged that the market is divided into three tiers: tier 1 comprising Bridgestone, Goodyear, and Michelin; tier 2 comprising Yokohama, Cooper, Continental, and other established brands; and tier 3 comprising all other PVLT tires.[3] Respondents further alleged that the upper and the lower ends of the market do not compete with each other and that price transmission between the three tiers is very limited.[4] It was alleged that that U.S. producers no longer participate in the low-end segment.[5] However, the petitioner disputed the importance of market segmentation based on price and stated that imports of PVLT tires from China have "gained market share entirely at the expense of U.S. producers."[6]

CHANNELS OF DISTRIBUTION

The average age of U.S. vehicles increased by almost 18 percent over the past decade, contributing to the importance of the replacement market.[7] Accordingly, both U.S. producers and importers reported selling mainly to the replacement market. However, the share of total U.S. imports of PVLT tires from China shipped to the replacement market (97–98 percent) was greater than U.S. producers' shipments to the replacement market (71–78 percent), as shown in table II-1. Shipments to OEMs from U.S. producers and U.S. importers of tires from nonsubject countries were typically about a quarter of their total shipments, with the share of

[1] Petitioner's postconference brief, 14.
[2] Ibid., 15.
[3] Chinese respondents' postconference brief, 18.
[4] Ibid., 19.
[5] Declaration of Mark Mineur, 2.
[6] Petitioner's postconference brief, 27.
[7] In 2013, the average age of a passenger car was 11.4 years, and the similar figure for light trucks was 11.3 years according to a survey of vehicle registrations by Polk. https://www.polk.com/company/news/polk_finds_average_age_of_light_vehicles_continues_to_rise

importers' shipments from China to OEMs ranging from 2 to 3 percent.[8] *** stated that performance characteristics are valued more highly in the OEM segment and that Chinese manufacturers are currently unable to meet those performance requirements.[9]

Table II-1
PVLT tires: U.S. producers' and importers' channels of distribution, 2011–13, and January–March 2013 and 2014

Item	Period				
	Calendar year			January to March	
	2011	2012	2013	2013	2014
	Share of reported shipments (*percent*)				
U.S. producers' U.S. shipments					
OEMs	21.6	24.4	25.8	28.6	28.5
Replacement market	78.4	75.6	74.2	71.4	71.5
U.S. importers' U.S. shipments subject China					
OEMs	3.1	2.8	2.1	2.4	2.2
Replacement market	96.9	97.2	97.9	97.6	97.8
U.S. importers' U.S. shipments from all other countries					
OEMs	24.1	26.4	27.9	28.8	29.2
Replacement market	75.9	73.6	72.1	71.2	70.8

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

GEOGRAPHIC DISTRIBUTION

U.S. producers and importers alike reported selling PVLT tires throughout the contiguous United States (table II-2). Many U.S. producers and importers were present in all continental regions. For U.S. producers, 20.5 percent of sales were within 100 miles of their production facilities, 67.9 percent were between 101 and 1,000 miles, and 11.6 percent were over 1,000 miles. Importers sold 25.5 percent within 100 miles of their U.S. point of shipment, 38.7 percent between 101 and 1,000 miles, and 35.7 percent over 1,000 miles.

[8] The share of imports from China shipped to OEMs from January 2011 through March 2014 was broadly similar to that found during the 421 investigation, which ranged from 0.8 percent in 2004 to 5.0 percent in 2008. Tires 421 investigation, V-3. Some OEMs may purchase almost exclusively from domestic sources, as *** reported that *** are imported from China. Submission from ***.

[9] Submission from ***.

Table II-2

PVLT tires: Geographic market areas in the United States served by U.S. producers and importers, by number of responding firms

Region	U.S. producers	U.S. importers from China
Northeast	8	30
Midwest	8	34
Southeast	9	32
Central Southwest	8	30
Mountain	8	31
Pacific Coast	8	32
Other[1]	6	18
Present in all continental regions	8	28

[1] All other U.S. markets, including AK, HI, PR, and VI, among others.

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

SUPPLY AND DEMAND CONSIDERATIONS

U.S. supply

Domestic production

Based on available information, U.S. producers of PVLT tires have the ability to respond to changes in demand with moderate changes in the quantity of shipments of U.S.-produced PVLT tires to the U.S. market. The main contributing factors to this degree of responsiveness of supply are some available capacity, the existence of alternate markets, and some inventories.

Industry capacity

Domestic capacity utilization decreased from 93.6 percent in 2011 to 87.2 percent in 2013. Domestic capacity utilization was higher in the first quarter of 2014 (91.7 percent) than in the similar period in 2013 (89.6 percent). Also, some tire manufacturers are reportedly considering expanding existing facilities or building new production capacity.[10] This relatively high level of capacity utilization coupled with plans for additional capacity suggests that U.S. producers may have some available capacity to respond to changes in demand.

[10] Continental, Bridgestone, Yokohama, Michelin, and Toyo have announced plans to build additional capacity. Meyer, Bruce. "Rubber Manufacturing in America: Tire Makers Pump Billions into Facilities," RubberNews.com, April 7, 2014. http://www.rubbernews.com/article/20140407/NEWS/304079995/rubber-manufacturing-in-america-tire-makers-pump-billions-into Petitioners stated, however, that announced planned construction may not actually take place unless market conditions improve. Transcript, 60–62.

Alternative markets

U.S. producers' export shipments, as a percentage of total shipments, remained relatively unchanged at approximately *** percent between January 2011 and March 2014. This moderate level of export shipments indicates that U.S. producers may have some ability to shift shipments between the U.S. market and other markets in response to price changes.

Inventory levels

U.S. producers' inventories were fairly steady at approximately 22 million tires from 2011 to 2013, but were higher during January–March in both 2013 and 2014 at approximately 25 million tires. Inventories were approximately 16–17 percent of U.S. producers' shipments from 2011 to 2013. These inventory levels suggest that U.S. producers may have some ability to respond to changes in demand with changes in the quantity shipped from inventories.

Production alternatives

Two of nine responding U.S. producers stated that they could switch production from PVLT tires to other products. ***, which responded affirmatively, stated that it had limited capability to produce other products because of size constraints on its tire-building equipment. ***, which also responded affirmatively, reported that some equipment to process raw materials and some components can be shared between PVLT tires and other tires, but that equipment to build and mold the tires cannot be shifted between PVLT tires and other tires.

Subject imports from China

Based on available information, producers of PVLT tires from China have the ability to respond to changes in demand with large changes in the quantity of shipments of PVLT tires to the U.S. market. The main contributing factors to this degree of responsiveness of supply are alternate markets, unused capacity, and some available inventories.

Industry capacity

Chinese capacity to produce PVLT tires grew to almost 400 million tires in 2013, a 28 percent increase over the 2011 level. Also, the capacity during January–March of 2014 was 10 percent greater than that of the similar period in the previous year. Capacity utilization from 2011 to 2013 ranged from 81.9 percent to 83.6 percent. These data suggest that Chinese producers have available capacity to respond to changes in demand.

Alternative markets

Chinese producers' shipments to the home market as a share of their total shipments increased from 34 percent to 37 percent during 2011–13. Chinese producers' shipments to third-country markets declined from 45 percent of total shipments in 2011 to 39 percent of total shipments in 2013. Chinese producers' shipments to other countries and to the home market provide them the ability to divert shipments to the United States.

Inventory levels

Chinese producers' end-of-period inventories grew from approximately 25 million tires in 2011 to approximately 29 million tires for 2013; these inventories were 9 to 10 percent of total Chinese shipments of PVLT tires. These inventories give Chinese producers the ability to respond quickly to changes in demand.

Nonsubject imports

The largest sources of nonsubject imports during 2011–13 were Canada, Indonesia, Japan, Korea, Mexico, and Thailand. Combined, these countries accounted for 72 percent of nonsubject imports in 2013.

U.S. demand

Based on available information, changes in price are likely to result in small changes in the overall demand for tires. Factors contributing to low demand responsiveness include the limited ability to substitute other products for PVLT tires and the low cost share of PVLT tires in the total cost of passenger vehicles and light trucks.

The U.S. demand for PVLT tires in the OEM market segment depends on the numbers of new passenger vehicles and light trucks produced in the United States. The U.S. demand for PVLT tires in the replacement market depends on the condition of tires on existing vehicles, the number of miles driven, road conditions, and other factors.

End uses

U.S. producers and importers reported that end uses for PVLT tires include passenger cars and light trucks. A few importers reported that PVLT tires could also be used on sport utility vehicles and on utility trailers. One importer reported that PVLT tires could also be used on 2-wheel-drive backhoes. PVLT tires account for a very small share of the cost of the vehicles on which they are used. Two importers reported that tires account for about 4 percent of the cost of a passenger vehicle, which is broadly consistent with cost shares of 1–4 percent for light trucks and less than 1 percent for passenger vehicles reported in the 421 investigation.[11]

Business cycles and distinct conditions of competition

Two of six responding U.S. producers and 14 of 33 importers indicated that the U.S. market for PVLT tires was subject to business cycles. In commenting on the conditions of competition, one producer *** reported that seasonality exits and that the volume of imports was a distinct condition of competition. Another producer *** reported that the expiration of safeguard duties in 2012 led to increased imports from China and lower prices for competing products. One importer *** asserted that greater safety awareness together with the improved

[11] Tires 421 Investigation, V-11.

economy and lower prices for entry-level or tier 3 tires had induced customers at the low end of the market to switch from used tires to entry-level tires. Another importer *** asserted that conditions in other countries, such as new production facilities, affect the U.S. market and that low-cost tires from China are affecting the U.S. market. Another importer *** reported that, because of rising U.S. demand for tires and changing U.S. labor market conditions, several firms have announced new plants or expansions in the United States.

Apparent consumption

Apparent U.S. consumption of PVLT tires increased slightly during 2011–13. Based on value, apparent U.S. consumption in 2013 was 2.1 percent higher than in 2011 but was 1.5 percent lower in January–March 2014 compared to the similar period in 2013.

Demand trends

An industry publication reports that shipments of passenger tires to the U.S. replacement market rose to 199.1 million units in 2013, a 4.3 percent increase over the 2012 level, and shipments of light truck tires increased to 28.4 million units in 2013, a 1 percent increase over the 2012 level.[12] Original equipment shipments also rose in 2013 compared to 2012, with passenger tire shipments up 9 percent to 43.6 million units and light truck tire shipments up 4.5 percent to 4.4 million units.[13]

Most U.S. producers and importers similarly reported that the U.S. demand for PVLT tires had increased since January 1, 2011, (table II-3). However, responses varied somewhat as 7 out of 36 responding importers reported that U.S. demand had fluctuated. Although fewer firms responded, most expected demand outside of the United States to increase as well.

Table II-3

PVLT tires: Firms' responses regarding U.S. demand, by number of responding firms

Item	Increase	No change	Decrease	Fluctuate without clear trend
Demand in the United States				
U.S. producers	6	0	1	1
Importers	26	3	0	7
Demand outside the United States				
U.S. producers	2	0	0	2
Importers	13	2	1	5

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

[12] http://www.moderntiredealer.com/news/story/2014/02/rma-tire-shipments-close-in-on-300-million.aspx press release for the RMA Factbook.

[13] Ibid.

Substitute products

Substitutes for PVLT tires are very limited. All nine U.S. producers and 31 of 35 responding U.S. importers reported that there are no substitutes. The 421 Investigation reported that retreaded tires can be substituted for PVLT tires in many instances.[14]

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported PVLT tires depends upon such factors as relative prices, quality (*e.g.*, grade standards, reliability of supply, defect rates, etc.), 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 there is a moderate to high degree of substitutability between domestically produced PVLT tires and the similar product imported from China.

Ways of meeting orders and lead times

U.S. producers reported mainly meeting orders from their U.S. inventory, and importers reported meeting orders from both U.S. and foreign inventories (table II-4). On average, U.S. producers reported meeting 95.2 percent of their orders from U.S. inventories and taking 5.9 days to complete those orders. In contrast, U.S. importers from China reported completing 60.1 percent of their orders from foreign inventories, from which lead times averaged about two and a half months. U.S. importers averaged 9 days to complete orders from U.S. inventories. Lead times for produced-to-order sales averaged about a month for U.S. producers and about a month and a half for U.S. importers.

Table II-4

PVLT tires: U.S. producers and U.S. importers lead times, by U.S. inventory, produced-to-order, and foreign inventory, and by shares and days

Firm						
	U.S	Produced	Foreign	U.S.	Produced	Foreign
U.S. producers	95.2	4.8		5.9	30.0	
U.S. importers	35.7	4.1	60.1	9.0	44.6	75.5

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

[14] Tires 421 Investigation, V-11.

Comparisons of domestic products, subject imports, and nonsubject imports

To determine if PVLT tires from the United States, China, and other countries can generally be used in the same applications, U.S. producers and importers were asked whether the products can "always," "frequently," "sometimes," or "never" be used interchangeably (table II-5). Most U.S. producers reported that PVLT tires from all sources are always interchangeable; but one producer reported that the products were frequently interchangeable and another indicated they were never interchangeable. A majority of U.S. importers also reported that PVLT tires from different sources were always interchangeable, although there were a range of other responses as well. ***, which responded in the negative, reported that the product mix between the United States and China is different and that the overlap of products between the United States and China as well as between China and other countries is limited.

Table II-5

PVLT tires: Perceived degree of Interchangeability between tires produced in the United States and in other countries, by country pairs

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
United States vs. China	5	1	0	1	17	8	5	1
United States vs. Other	5	1	1	0	16	9	4	0
China vs. Other	5	0	1	0	15	11	3	0

Note.—A=Always, F=Frequently, S=Sometimes, N=Never.

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

In addition, producers and importers were asked to assess how often differences other than price were significant in sales of PVLT tires from the United States, China, or nonsubject countries. As seen in table II-6, most U.S. producers reported that differences other than price were sometimes important, and most importers reported that differences other than price were either frequently or sometimes important, although there were a range of responses, particularly for U.S. importers. *** stated that most tires produced in China are "entry-level" or "third-tier" tires, but that tires produced in the United States, Korea, Japan, and France are in the first and second tiers and have fewer safety risks and greater durability. ***, which reported that factors other than price are frequently significant, stated that adequate availability from a particular source can be a concern.

Table II-6

PVLT tires: Significance of differences other than price between tires produced in the United States and in other countries, by country pairs

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
United States vs. China	2	0	3	1	7	11	12	3
United States vs. Other	1	0	5	1	2	10	14	4
China vs. Other	1	0	3	1	2	11	15	2

Note.--A = Always, F = Frequently, S = Sometimes, N = Never.

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

It was stated that Chinese PVLT tires differ from U.S.-produced tires in rolling resistance, tread design, fuel efficiency, noise reduction, ride quality, all-season performance" and other attributes and because of lower scores on these attributes, subject Chinese tires are offered at lower prices.[15] In contrast, the petitioner stated that U.S-produced and imported Chinese PVLT tires compete with each other across various quality grades in many specifications of PVLT tires and that an identically specified tire from both the United States and China has been marketed under the same brand.[16]

[15] Declaration of Mark Mineur, 2.

[16] Petitioner's postconference brief, answers to staff questions, question 2; and transcript, 165.

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 alleged subsidies and dumping margins was presented in *Part I* of this report and information on the volume and pricing of imports of the subject merchandise is presented in *Part IV* and *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 nine firms that accounted for virtually all U.S. production of PVLT tires during 2013.

U.S. PRODUCERS

The Commission issued U.S. producer questionnaires to nine firms based on information contained in the petition. All nine firms provided useable data. Staff believes that these responses represent virtually all U.S. production of PVLT tires.[1] Table III-1 lists U.S. producers of PVLT tires, their positions on the petition, their production locations, and shares of total production from January 2011 through March 2014. As noted in table III-1, *** of the nine firms took no position on the petition, while *** supported the petition. Table III-2 presents information on daily capacity and unionization status of each of the domestic producers' plants.

[1] Denman Tire LLC ("Denman") filed for bankruptcy in March 2010. In June 2010, Titan Tire Corp., a maker of off the road tires, purchased the Denman name, tire specifications, patents, molds and other items for $4.4 million. The following month, a deal worth $3 million was finalized whereby Titan Tire acquired machinery, equipment, and other inventory from Denman. *Petitioner's Response to the Department's June 6, 2014 Supplemental Questions regarding General Issues.*

Table III-1
PVLT tires: U.S. producers of PVLT tires, their positions on the petition, production locations, and shares of reported production, January 2011 through March 2014

Firm	Position on petition	Production location(s)	Share of production (*percent*)
Bridgestone	***	Aiken County, SC; Wilson City, NC.	***
Continental	***	Mt. Vernon, IL; Sumter, SC	***
Cooper	***	Findlay, OH; Texarkana, AR; Tupelo, MS	***
Goodyear	***	Akron, OH; Fayetteville, NC; Gadsden, AL; Lawton, OK; Topeka, KS; Union City, TN	***
Michelin	***	Greenville, SC (Antioch Church Rd. and Perimeter Rd.); Dothan, AL; Lexington, SC; Ardmore, OK; Tuscaloosa, AL; Fort Wayne, IN	***
Pirelli	***	Rome, GA	***
Specialty Tires	***	Indiana, PA	***
Toyo	***	White, GA	***
Yokohama	***	Salem, VA	***
Total			100.0

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

Table III-2
PVLT tires: U.S. producers' plants and daily capacity, as of Jan. 1, 2014

Firm	Union	Plant location(s)	Daily capacity (*1,000 tires*)	Share of total U.S. capacity (*percent*)
Bridgestone	None	Wilson City, NC	34.0	6.2
	None	Aiken, SC	29.7	5.4
Continental	None	Sumter, SC	4.5	0.8
	None	Mount Vernon, IL	31.0	5.7
Cooper	USW	Findlay, OH	23.0	4.2
	USW	Texarkana, AR	32.0	5.9
	None	Tupelo, MS	42.0	7.7
Goodyear	USW	Buffalo, NY	6.5	1.2
	USW	Fayetteville, NC	41.0	7.5
	USW	Gadsden, AL	26.0	4.8
	None	Lawton, OK	63.0	11.5
	USW	Topeka, KS	1.5	0.3
Michelin	None	Ardmore, OK	44.0	8.0
	None	Dothan, AL	5.0	0.9
	USW	Fort Wayne, IN	30.5	5.6
	None	Greenville, SC	28.0	5.1
	None	Greenville, SC (C3M)[1]	7.0	1.3
	None	Lexington, SC	24.0	4.4
	USW	Tuscaloosa, AL	30.0	5.5
Pirelli	None	Rome, GA	1.7	0.3
Specialty Tires	None	Indiana, PA	0.4	0.1
Toyo	None	White, GA	15.6	2.9
Yokohama	USW	Salem, VA	26.8	4.9
Total			546.8	100.0

[1] C3M (Confection Monofilament Mondrian Michelin) is automated continuous tire production process invented by Michelin).

Source: Modern Tire Dealer

Bridgestone

Bridgestone is headquartered in Nashville, TN and is a business unit of Bridgestone Americas, Inc., whose parent company is Bridgestone Corp., Japan. Bridgestone operates facilities in Wilson City, NC and Aiken, SC that produce PVLT tires in the United States. In 2013, Bridgestone produced its first passenger car and light truck radial tires at its expanded Aiken, SC plant. The expansion reportedly cost $300 million and is expected to produce more than 12,750 additional passenger car and light truck radial tires per day.[2] As noted in table III-2, Bridgestone's facilities account for approximately 11.6 percent of the total U.S. production capacity for PVLT tires. Bridgestone reported ***.

Continental

Continental is headquartered in Fort Mill, SC, and is a subsidiary of Continental AG, Germany. Continental operates facilities in Mt. Vernon, IL and Sumter, SC. In 2011, Continental reportedly invested $224 million to expand capacity at its Mt. Vernon, IL plant creating four million additional units of passenger and light truck tire capacity.[3] Continental's new plant in Sumter, SC, which opened in January 2014, reportedly cost $500 million and will have an eventual capacity of approximately five million units per year in 2017 with a second phase expected to be completed in 2021 bringing capacity to eight million units per year.[4] As noted in table III-2, these two facilities currently account for approximately 6.5 percent of total U.S. production capacity for PVLT tires. Continental reported ***.

Cooper

Cooper is headquartered in Findlay, OH and operates facilities that produce PVLT tires in Findlay, OH; Texarkana, AR; and Tupelo, MS. A three-month lockout of more than 1,000 workers occurred at Cooper's Findlay plant in 2012. The lockout ended in March 2012 after members of United Steelworkers Local 207-L approved a new five-year contract with Cooper.[5] In February 2013, Cooper announced plans to establish a Global Technical Center for research

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[2] "Bridgestone unveils first production tire from Aiken County plant expansion," Georgia Newsday, April 1, 2013. http://www.georgianewsday.com/news/augusta/153822-bridgestone-unveils-first-production-tire-from-aiken-county-plant-expansion.html, retrieved July 2, 2014.

[3] "Continental Invests US $224 Million in Expansion of Tire Plant in Mt. Vernon," Continental Press Release, May 13, 2011. http://www.continental-tires.com/www/tires_de_en/themes/news/meldungen/pr_2011_05_13_vernon_en.html, retrieved July 2, 2014.

[4] "Conti's Sumter Plant is Ahead of Schedule," Modern Tire Dealer, May 14, 2011. http://www.moderntiredealer.com/channel/wholesale-distributing/news/story/2013/11/conti-s-sumter-plant-is-ahead-of-schedule.aspx, retrieved July 2, 2014.

[5] Conference transcript, p. 72 (Nelson). "Union approves new contract with Cooper Tire," March 12, 2012. http://www.13abc.com/story/17028777/cooper-tire, retrieved July 3, 2014.

and development purposes; however, this plan was put on hold when Cooper announced a merger with Apollo Tyres Ltd, a tire manufacturer based in India, in June 2013. Cooper ultimately terminated the merger agreement at the end of 2013 and now reportedly plans to go forward with the Global Technical Center.[6] As noted in table III-2, Cooper's facilities account for approximately 17.8 percent of total U.S. production capacity for PVLT tires. Cooper reported ***.

Goodyear

Goodyear is headquartered in Akron, OH and operates facilities in Buffalo, NY; Fayetteville, NC; Gadsden, AL; Lawton, OK; and Topeka, KS. Goodyear closed one facility (Union City, TN), which produced PVLT tires in 2011, eliminating approximately 1,800 jobs at the facility.[7] As noted in table III-2, Goodyear's five facilities currently account for approximately 25.3 percent of total U.S. production capacity for PVLT tires. Goodyear reported ***.

Michelin

Michelin is headquartered in Greenville, SC and is wholly owned by Michelin Corp., Greenville, SC, which is part of Compagnie Generale des Etablissements Michelin, France. Michelin operates facilities in Ardmore, OK; Dothan, AL; Fort Wayne, IN; Greenville, SC; Lexington, SC; and Tuscaloosa, AL. In 2011, Michelin invested a reported $200 million to expand its Lexington, SC facility.[8] In October 2013, Michelin announced it was going to lay off nearly 100 workers at its Tuscaloosa, AL plant. According to testimony at the staff conference, these workers are in the process of being hired back.[9] As noted in table III-2, Michelin's seven facilities account for approximately 30.8 percent of total U.S. production capacity for PVLT tires. Michelin reported ***.

Pirelli

Pirelli is headquartered in Rome, GA and is wholly owned by Pirelli North America, Inc., which is a subsidiary of Pirelli Tyre S.p.A., Milan, Italy, a division of Pirelli Group, Milan, Italy. As noted in table III-2, Pirelli's manufacturing facility in Rome, GA accounts for less than one percent of total U.S. production capacity of PVLT tires. Pirelli reported ***.

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[6] "Cooper Tire makes Global Technical Center official," Rubber News, June 24, 2014 http://www.rubbernews.com/article/20140624/NEWS/140629982/cooper-tire-makes-global-technical-center-official#, retrieved July 3, 2014.

[7] Petition, p. I-44.

[8] "Michelin Announces Expansion in Lexington County," South Carolina Department of Commerce, May 9, 2011. http://sccommerce.com/news/press-releases/michelin-announces-expansion-lexington-county, retrieved July 2, 2014.

[9] Conference transcript, p. 37 (Williams).

Specialty Tires

Specialty Tires is headquartered in Indiana, PA, and is wholly owned by Polymer Enterprises, Inc., Greensburg, PA. As noted in table III-2, its facility in Indiana, PA accounts for less than one percent of total U.S. production capacity for PVLT tires. Specialty Tires ***.

Toyo

Toyo is headquartered in White, GA and is a wholly-owned subsidiary of Toyo Tire Holdings of Americas Inc., Cypress, CA, which is a wholly owned subsidiary of Toyo Tire & Rubber Co., Ltd., Osaka, Japan. In 2013, Toyo invested a reported $207 million to expand its White, GA facility to increase capacity by 3.3 million. This project is scheduled to be completed by August 2015.[10] As noted in table III-2, Toyo's facility in White, GA accounts for approximately 2.9 percent of total U.S. production capacity for PVLT tires. Toyo reported ***.

Yokohama

Yokohama is headquartered in Fullerton, CA and is a wholly owned subsidiary of Yokohama Corp. of America of Fullerton, CA, which is owned by Yokohama Rubber Co., Tokyo, Japan. As noted in table III-2, its facility in Salem, VA accounts for approximately 4.9 percent of total U.S. production capacity of PVLT tires. Yokohama reported ***.

In their questionnaires, U.S. producers were asked if they possessed the ability to switch production capacity between PVLT tires and other products using the same machinery and equipment. Two firms *** reported the ability to switch production capacity between PVLT tires and non-PVLT tires. When asked to describe the factors that affect the ability to switch production capacity between the products and the degree to which these factors enhance or constrain such shifts, *** and ***.

During the period of investigation, one domestic producer closed a plant (Goodyear's Union City, TN plant), while another producer opened a plant (Continental's Sumter, SC plant). Goodyear's Union City, TN plant, which had a capacity of *** and employed approximately 1,800 workers, closed in July 2011.[11] Continental's new facility in Sumter, SC was opened in January 2014. The first phase of the plant will reportedly reach a production capacity of approximately five million units per year in 2017 and the second phase is expected to bring the

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[10] "Toyo To Spend $210 million on Georgia Plant Expansion," Rubber News, September 3, 2013. http://www.rubbernews.com/article/20130903/NEWS/130839992/toyo-to-spend-210-million-on-georgia-plant-expansion, retrieved July 2, 2014.

[11] In September 2011, Titan Tire, a maker of off-the-road tires, agreed to buy the Union City facility for $9 million. "Titan buys Goodyear plant for $9 million," Tire Business, November 21, 2011. http://www.tirebusiness.com/article/20111121/ISSUE/311219983/titan-buys-goodyear-plant-for-9-million, retrieved June 20, 2014.

plant's full production capacity to approximately eight million units per year by 2021 and employee 1,600 workers.[12]

Domestic producers reported a number of changes in the nature of the operations relating to the production of PVLT tires during the period of investigation. Seven firms (***) reported expansions of existing facilities and/or the investments in new equipment. Three firms *** reported prolonged shutdowns or production curtailments. Four firms (***) reported revised labor agreements. Details of these changes are provided in table III-3.

Table III-3
PVLT tires: Changes in the nature of operations

* * * * * * *

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

Tables III-4, III-5, and figure III-1 present and depict U.S. producers' production, capacity, and capacity utilization rates during the period of investigation. During 2011-13, four U.S. producers reported decreases in capacity; four U.S. producers reported increases in capacity; and one U.S. producer reported that capacity was unchanged. Overall capacity in the domestic industry decreased by 2.2 percent during 2011-13, which is largely attributable to the closure of Goodyear's Union City, TN plant[13] and shift reductions and production curtailments at Michelin's Tuscaloosa, AL plant.[14] During 2011-2013, production decreased by 8.9 percent.[15] In addition to the aforementioned events at Goodyear and Michelin plants, a three-month lockout that ended in March 2012 at Cooper's Findlay, OH plant and production curtailments at other Cooper plants in 2013 also contributed to decreases in the domestic industry's production during the period. U.S. production was 3.6 percent higher in interim 2014 when compared to interim 2013.

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[12] "New Continental Tire Plant in Sumter, South Carolina Now Officially Open," http://www.continentaltire.com/www/tires_us_en/conti_communication/news/01_29_2014_sumter_en.html, retrieved June 20, 2014.

[13] As shown in table III-5, Goodyear reported a decrease in capacity of *** million tires during 2011-13. In its questionnaire response, Goodyear reported that ***. Regarding the issue raised at the staff conference about the Union City plant having an annual capacity to produce 12 million tires, ***. Conference transcript, pp. 112-113 (McCullough) and June 25, 2014 Goodyear response to staff follow-up questions.

[14] Conference transcript, pp. 36-37 (Johnson). "Goodrich plant will be idle for one week," http://www.tuscaloosanews.com/article/20120301/NEWS/120229689?p=2&tc=pg, retrieved June 26, 2014.

[15] Conference transcript, p. 72 (Nelson). "Cooper eyes rebound in 2014," Tire Business, March 14, 2014. http://www.tirebusiness.com/article/20140314/NEWS/140319938/cooper-eyes-rebound-in-2014, retrieved July 2, 2014.

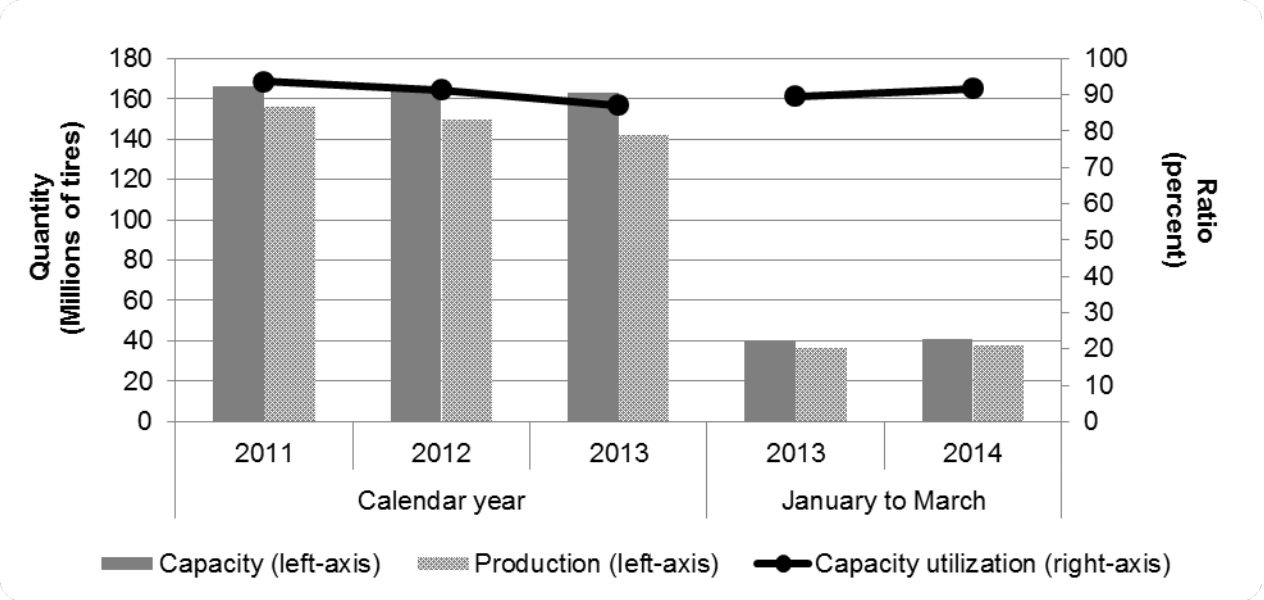
Capacity utilization rates ranged from a high of 93.6 percent in 2011 to a low of 87.2 percent in 2013, representing a decrease of 6.4 percentage points during 2011-13. Capacity utilization rates were higher in interim 2014 (91.7 percent) when compared to interim 2013 (89.6 percent).

Table III-4
PVLT tires: U.S. producers' capacity, production, and capacity utilization, 2011-13, January to March 2013, and January to March 2014

Item	Calendar year			January to March	
	2011	2012	2013	2013	2014
Quantity (*1,000 tires*)					
Capacity	166,440	163,689	162,736	40,358	40,855
Production	155,804	149,393	141,882	36,162	37,473
Ratio (*percent*)					
Capacity utilization	93.6	91.3	87.2	89.6	91.7

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

Figure III-1
PVLT tires: U.S. producers' capacity, production, and capacity utilization, 2011-13, January to March 2013, and January to March 2014



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

Table III-5
PVLT tires: U.S. producers' capacity, production, and capacity utilization, 2011-13, January to March 2013, and January to March 2014

	Calendar year			January to March	
	2011	2012	2013	2013	2014
Firm	**Capacity (*1,000 tires*)**				
Bridgestone	***	***	***	***	***
Continental	***	***	***	***	***
Cooper	***	***	***	***	***
Goodyear	***	***	***	***	***
Michelin	***	***	***	***	***
Pirelli	***	***	***	***	***
Specialty Tires	***	***	***	***	***
Toyo	***	***	***	***	***
Yokohama	***	***	***	***	***
Total	166,440	163,689	162,736	40,358	40,855
Firm	**Production (*1,000 tires*)**				
Bridgestone	***	***	***	***	***
Continental	***	***	***	***	***
Cooper	***	***	***	***	***
Goodyear	***	***	***	***	***
Michelin	***	***	***	***	***
Pirelli Tire	***	***	***	***	***
Specialty Tires	***	***	***	***	***
Toyo	***	***	***	***	***
Yokohama	***	***	***	***	***
Total	155,804	149,393	141,882	36,162	37,473
Firm	**Capacity utilization (*percent*)**				
Bridgestone	***	***	***	***	***
Continental	***	***	***	***	***
Cooper	***	***	***	***	***
Goodyear	***	***	***	***	***
Michelin	***	***	***	***	***
Pirelli Tire	***	***	***	***	***
Specialty Tires	***	***	***	***	***
Toyo	***	***	***	***	***
Yokohama	***	***	***	***	***
Total	93.6	91.3	87.2	89.6	91.7

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

U.S. producers were asked to describe the constraints that set limits on their firms' production capacity. U.S. producers generally reported that production capacity is limited by the combination of equipment and product mix. Examples included equipment constraints such as for tire building machines, for the curing process, and for tire molds which are usually limited to specific sizes, as well as cycle times which are generally longer for larger and/or more complex tires.

U.S. PRODUCERS' U.S. SHIPMENTS AND EXPORTS

Table III-6 presents U.S. producers' U.S. shipments, export shipments, and total shipments. U.S. producers' U.S. shipments accounted for the vast majority of total shipments throughout the period. When measured by quantity, U.S. shipments decreased by 8.0 percent during 2011-13 and were 1.7 percent higher in interim 2014 when compared to interim 2013.[16] When measured by value, U.S. shipments decreased by 5.7 percent and were 2.9 percent lower in interim 2014 when compared to interim 2013. ***. *** firms (***) reported transfers to related firms during the period.[17] *** U.S. producers reported exports, the vast majority of which were accounted for by ***.[18] Australia, Canada, and Mexico were among the most common export markets identified by U.S. producers.

[16] During the period, U.S. shipments of passenger vehicle tires accounted for approximately 87-88 percent of total U.S. shipments and light truck tires accounted for the remaining share. Petition, exh. I-15.

[17] ***. ***. ***. ***.

[18] *** accounted for approximately *** percent of total reported U.S. exports in 2013.

Table III-6
PVLT tires: U.S. producers' U.S. shipments, exports shipments, and total shipments, 2011-13, January to March 2013, and January to March 2014

Item	Calendar year			January to March	
	2011	2012	2013	2013	2014
	Quantity (*1,000 tires*)				
Commercial U.S. shipments	130,230	123,690	118,293	27,232	27,510
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
Subtotal, U.S. shipments	138,943	132,372	127,774	29,444	29,944
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
	Value (*1,000 dollars*)				
Commercial U.S. shipments	11,527,227	11,289,259	10,718,049	2,498,079	2,383,807
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
Subtotal, U.S. shipments	12,490,953	12,254,218	11,773,930	2,728,373	2,648,759
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
	Unit value (*dollars per tire*)				
Commercial U.S. shipments	$88.51	$91.27	$90.61	$91.73	$86.65
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
Subtotal, U.S. shipments	89.90	92.57	92.15	92.66	88.46
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
	Share of quantity (*percent*)				
Commercial U.S. shipments	83.73	83.07	82.85	82.03	81.53
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
Subtotal, U.S. shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
	Share of value (*percent*)				
Commercial U.S. shipments	82.21	81.63	81.78	81.69	79.57
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
Subtotal, U.S. shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***

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

U.S. PRODUCERS' INVENTORIES

Table III-7 presents U.S. producers' end-of-period inventories and the ratio of these inventories to U.S. producers' production, U.S. shipments, and total shipments over the period of investigation**.** U.S. producers' end-of-period inventories remained stable throughout the period. The ratio of these inventories to U.S. shipments ranged from a low of 15.8 percent in 2011 to a high of 21.6 percent in interim 2013.

Table III-7
PVLT tires: U.S. producers' inventories, 2011-13, January to March 2013, and January to March 2014

Item	Calendar year			January to March	
	2011	2012	2013	2013	2014
	Quantity (*1,000 tires*)				
U.S. producers' end-of-period inventories	21,943	22,426	21,526	25,388	25,254
	Ratio (*percent*)				
Ratio of inventories to.--					
U.S. production	14.1	15.0	15.2	17.6	16.8
U.S. shipments	15.8	16.9	16.8	21.6	21.1
Total shipments	***	***	***	***	***

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

U.S. PRODUCERS' IMPORTS

As described in greater detail in Part VII of this report, eight of the nine U.S. producers own or are otherwise related to one or more Chinese producers of PVLT tires. All U.S. producers with the exception of *** reported imports of PVLT tires during the period of investigation. These data are reported in table III-8.

***. ***. ***. ***.[19] ***. ***. ***. ***. *** reported purchases of PVLT tires from U.S. importers.[20]

[19] ***. July 9, 2014 *** response to staff follow-up questions.
[20] ***. July 1, 2014 *** response to staff follow-up questions.

Table III-8
PVLT tires: U.S. producers' direct imports, 2011-13, January to March 2013, and January to March 2014

* * * * * * *

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

At the Staff Conference, witnesses from the USW, which represents workers from four (Cooper, Goodyear, Michelin, and Yokohama) of the nine firms that produce PVLT tires in the United States, discussed a number of events and issues that have impacted workers in the domestic industry.[21] Table III-9 shows U.S. producers' employment-related data during the period examined. Goodyear's closure of the Union City, TN plant had the largest impact on the number of production-related workers ("PRWs") employed, hours worked and wages paid during the period.[22] During 2011-13, the number of PRWs and total hours worked in the domestic industry decreased by 13.0 percent and 12.9 percent, respectively.

Table III-9
PVLT tires: Average number of production and related workers, hours worked, wages paid to such employees, hourly wages, productivity, and unit labor costs, 2011-13, January to March 2013, and January to March 2014

Item	Calendar year			January to March	
	2011	2012	2013	2013	2014
Production-Related Workers (PRWs) (*number*)	33,390	29,921	29,033	29,420	28,545
Total hours worked (*1,000 hours*)	66,703	60,776	58,070	15,455	15,577
Hours worked per PRW (*hours*)	1,998	2,031	2,000	525	546
Wages paid (*$1,000*)	2,213,789	2,037,383	1,995,184	493,983	488,320
Hourly wages (*dollars per hour*)	$33.19	$33.52	$34.36	$31.96	$31.35
Productivity (*tires per hour*)	2.34	2.46	2.44	2.34	2.41
Unit labor costs (*dollars per tire*)	$14.21	$13.64	$14.06	$13.66	$13.03

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

[21] Events that were discussed included reductions in plant production and layoffs at Michelin's facilities, pp. 36-37 (Williams); reductions in plant production, employment, and hours at Cooper's facilities, pp. 40-41 (Nelson); production cuts, reduced hours, and falling prices at Yokohama's facilities, pp. 43-45 (Jones); and reductions in production, hours, and employment at Goodyear's facilities, pp. 48-50 (Hayes).

[22] In addition to the impact caused by the closure of the Union City, TN plant, ***.

PART IV: U.S. IMPORTS, APPARENT U.S. CONSUMPTION, AND MARKET SHARES

U.S. IMPORTERS

The Commission issued importer questionnaires to 36 firms believed to be importers of PVLT tires, as well as to all U.S. producers of PVLT tires.[1] Usable questionnaire responses were received from 37 companies, representing 83.6 percent of U.S. imports from China in 2013. Table IV-1 lists all responding U.S. importers of PVLT tires from China and other sources, their locations, and their shares of U.S. imports since 2011. *** were among the largest importers of PVLT tires from China, while *** were the largest importers of PVLT tires from nonsubject sources.

Four importers reported using a free trade zone ***, one importer *** reported using a bonded warehouse and two importers *** reporting importing under the Temporary Import Bond (TIB) program. When asked to identify third country measures on PVLT tires, most U.S. importers identified the U.S. safeguard tariffs, which expired in 2012 and the antidumping duties in place in Brazil.[2]

[1] The Commission issued 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 accounted for more than one percent of total imports under HTS subheadings 4011.10.1010, 4011.10.1020, 4011.10.1030, 4011.10.1040, 4011.10.1050, 4011.10.1060, 4011.1010.70, 4011.10.50.00, 4011.20.1005, 4011.20.5010, 4011.99.4500, and 4011.99.8500 during the period.

[2] As noted in the petition, imports of passenger car tires are subject to antidumping duty measures in Brazil, Egypt, India, Columbia, and Turkey. Petition, p. I-54.

Table IV-1
PVLT tires: U.S. importers by source, since January 2011

Firm	Headquarters	Share of imports by source (*percent*)		
		China	All Other Sources	Total
Alliance Tire Americas	Wakefield , MA	***	***	***
American Kenda Rubber	Reynoldsburg, OH	***	***	***
American Omni Trading	Houston, TX	***	***	***
American Pacific Industries	Valencia, CA	***	***	***
Americana Tire & Wheel	Reynoldsburg, OH	***	***	***
Bridgestone	Nashville, TN	***	***	***
China Manufacturers Alliance	Monrovia, CA	***	***	***
Continental	Fort Mill, SC	***	***	***
Cooper	Findlay, OH	***	***	***
Crown International	Qingdao, China,	***	***	***
Crowntyre America	Miami, FL	***	***	***
Dunlap & Kyle	Batesville, MS	***	***	***
Falken Tire	Rancho Cucamonga, CA	***	***	***
Foreign Tire Sales	Union, NJ	***	***	***
GITI Tire USA Ltd.	Rancho Cucamonga, CA	***	***	***
Global Tire Alliance Corp.	Brea, CA	***	***	***
Goodyear	Akron, OH	***	***	***
Hankook Tire America	Wayne, NJ	***	***	***
Hercules Tire & Rubber	Findlay, OH	***	***	***
Highpoint Trading.	Chungli City, Taiwan,	***	***	***
Horizon Tire	Houston, TX	***	***	***
ITG Voma	Memphis, TN	***	***	***
Kumho Tire USA.	Rancho Cucamonga, CA	***	***	***
Maxon International	Qingdao,	***	***	***
Maxxis International USA	Suwanee, GA	***	***	***
Michelin North America	Greenville, SC	***	***	***
Omni United	Singapore,	***	***	***
Pirelli	Rome, GA	***	***	***
Sentaida International	Miami Lakes , FL	***	***	***
Strategic Tire Supply Group	Minnetonka, MN	***	***	***
Sutong China Tire	Houston, TX	***	***	***
TBC Corporation	Palm Beach Gardens, FL	***	***	***
Tireco	Gardena, CA	***	***	***
Toyo	Cypress, CA	***	***	***
Tredit Tire and Wheel	Elkhart, IN	***	***	***
Turbo Wholesale Tires	Irwindale, CA	***	***	***
Unicorn Tire	Memphis, TN	***	***	***
Yokohama	Fullerton, CA	***	***	***
Total		100.0	100.0	100.0

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

U.S. importers reported a number of changes in the nature of the operations relating to the importation of PVLT tires during the period. Eight firms *** reported office/warehouse openings; four firms *** reported office/warehouse closings; four firms *** reported relocations; nine firms *** reported expansions; two firms *** reported acquisitions; and one firm *** reported ***.[3]

U.S. IMPORTS

Tables IV-2, IV-3, and figure IV-1 present and depict data for U.S. imports of PVLT tires from China and all other sources.[4] When measured by quantity, U.S. imports of PVLT tires from China increased by 107.0 percent during 2011-13 and were 24.5 percent higher in interim 2014 compared to interim 2013. When measured by value, U.S. imports of PVLT tires from China increased by 71.4 percent during 2011-13 and were 17.7 percent higher in interim 2014 than in interim 2013.[5] As noted earlier in Part I of this report, U.S. imports of PVLT tires from China were subject to safeguard tariffs until September 2012. Between 2012 and 2013, the quantity of U.S. imports of PVLT tires from China increased by 61.5 percent.

China accounted for an increasing share of total imports of PVLT tires throughout the period. The quantity of U.S. imports of PVLT tires from China accounted for 17.6 percent of total imports in 2011 and 30.4 percent of total imports in 2013. When measured by quantity, China's share of total imports in interim 2014 (31.2 percent) was higher than in interim 2013 (27.1 percent). U.S. imports of PVLT tires from China accounted for an increasing share of U.S. production throughout the period, accounting for 15.8 percent of total U.S. imports in 2011 and 35.8 percent of total U.S. imports in 2013. When measured by quantity, China was the largest single source of PVLT tires throughout the period; however, it was not the largest single source when measured by value until 2013.[6]

U.S. imports from nonsubject sources accounted for more than two-thirds of total imports in the United States, with Canada and South Korea being the two largest sources of nonsubject imports. The quantity of nonsubject imports remained relatively stable throughout the period, increasing by 1.0 percent during 2011-13 and accounting for a decreasing share of total U.S. imports throughout the period. When measured by quantity, U.S. imports from nonsubject sources accounted for 82.4 percent of total U.S. imports in 2011 and 69.6 percent of total U.S. imports in 2013.

[3] Additionally, ***.

[4] According to official Commerce statistics, passenger car tires accounted for between 80 and 85 percent of U.S. imports of PVLT tires from China and between 76 and 80 percent of U.S. imports of PLVT tires from all other sources combined on a value basis during the period. Petition, exh. I-15.

[5] U.S. import data submitted in response to questionnaires followed a similar trend as data in official Commerce statistics.

[6] As shown in table IV-3, Canada and Korea were larger sources by value in 2011-12.

Table IV-2
PVLT tires: U.S. imports, by source, 2011-13, January to March 2013, and January to March 2014

Item	Calendar year			January to March	
	2011	2012	2013	2013	2014
Quantity (*1,000 tires*)					
U.S. imports from.--					
China	24,565	31,479	50,847	10,275	12,793
All other sources	115,053	114,987	116,248	27,645	28,182
Total U.S. imports	139,618	146,466	167,096	37,920	40,975
Value (*1,000 dollars*)					
U.S. imports from.--					
China	1,361,185	1,583,853	2,333,209	489,047	575,403
All other sources	7,953,773	8,409,908	8,165,458	1,979,978	1,895,257
Total U.S. imports	9,314,958	9,993,761	10,498,667	2,469,025	2,470,660
Unit value (*dollars per tire*)					
U.S. imports from.--					
China	$55.41	$50.31	$45.89	$47.60	$44.98
All other sources	69.13	73.14	70.24	71.62	67.25
Total U.S. imports	66.72	68.21	62.85	65.12	60.30
Share of quantity (*percent*)					
U.S. imports from.--					
China	17.59	21.49	30.43	27.10	31.22
All other sources	82.41	78.51	69.57	72.90	68.78
Total U.S. imports	100.00	100.00	100.00	100.00	100.00
Share of value (*percent*)					
U.S. imports from.--					
China	14.61	15.85	22.22	19.81	23.29
All other sources	85.39	84.15	77.78	80.19	76.71
Total U.S. imports	100.00	100.00	100.00	100.00	100.00
Ratio to U.S. production (*percent*)					
U.S. imports from.--					
China	15.8	21.1	35.8	28.4	34.1
All other sources	73.8	77.0	81.9	76.4	75.2
Total U.S. imports	89.6	98.0	117.8	104.9	109.3

Source: Official import statistics, HTS 4011.10.1010, 4011.10.1020, 4011.10.1030, 4011.10.1040, 4011.10.1050, 4011.10.1060, 4011.10.1070, 4011.10.5000, 4011.20.1005, and 4011.20.5010.

Table IV-3

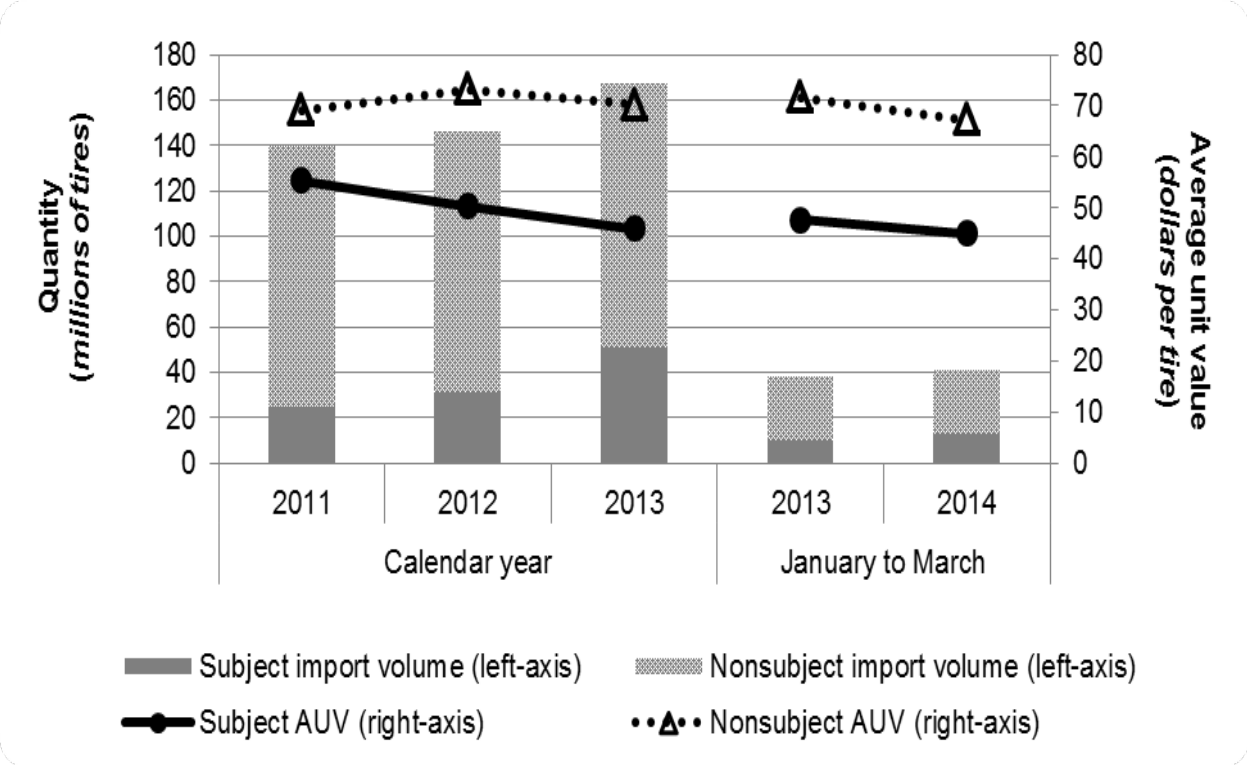
PVLT tires: U.S. imports from major nonsubject sources, 2011-13, January to March 2013, and January to March 2014

Item	Calendar year			January to March	
	2011	2012	2013	2013	2014
	Quantity (*1,000 tires*)				
U.S. imports from.--					
Canada	21,216	20,652	20,622	5,304	5,189
Indonesia	10,277	10,482	11,334	2,466	2,791
Japan	15,447	10,666	10,250	2,561	2,090
Korea	21,984	22,697	19,768	5,109	4,592
Mexico	9,793	10,870	10,890	2,569	2,744
Thailand	9,238	10,821	11,119	2,216	3,244
All other sources	27,098	28,799	32,265	7,421	7,532
Total U.S. imports, non-subject	115,053	114,987	116,248	27,645	28,182
	Value (*1,000 dollars*)				
U.S. imports from.--					
Canada	1,591,384	1,662,117	1,601,189	418,393	371,838
Indonesia	486,304	504,790	536,745	115,798	130,264
Japan	1,258,585	1,011,773	954,387	245,848	192,734
Korea	1,553,801	1,668,905	1,382,900	359,004	326,197
Mexico	571,824	674,453	669,064	157,116	163,486
Thailand	549,589	679,770	629,054	130,001	164,522
All other sources	1,942,285	2,208,100	2,392,118	553,818	546,215
Total value of imports, non-subject	7,953,773	8,409,908	8,165,458	1,979,978	1,895,257
	Unit value (*dollars per tire*)				
U.S. imports from.--					
Canada	$75.01	$80.48	$77.64	$78.88	$71.66
Indonesia	47.32	48.16	47.36	46.97	46.66
Japan	81.48	94.86	93.11	96.01	92.23
Korea	70.68	73.53	69.96	70.27	71.04
Mexico	58.39	62.05	61.44	61.15	59.58
Thailand	59.49	62.82	56.58	58.67	50.72
All other sources	71.68	76.67	74.14	74.63	72.52
Unit value of imports, non-subject	69.13	73.14	70.24	71.62	67.25
	Share of non-subject U.S. imports by quantity (*percent*)				
U.S. imports from.--					
Canada	18.4	18.0	17.7	19.2	18.4
Indonesia	8.9	9.1	9.7	8.9	9.9
Japan	13.4	9.3	8.8	9.3	7.4
Korea	19.1	19.7	17.0	18.5	16.3
Mexico	8.5	9.5	9.4	9.3	9.7
Thailand	8.0	9.4	9.6	8.0	11.5
All other sources	23.6	25.0	27.8	26.8	26.7
Total non-subject imports	100.0	100.0	100.0	100.0	100.0

Source: Official import statistics, HTS 4011.10.1010, 4011.10.1020, 4011.10.1030, 4011.10.1040, 4011.10.1050, 4011.10.1060, 4011.10.1070, 4011.10.5000, 4011.20.1005, and 4011.20.5010.

Figure IV-1

PVLT tires: U.S. import volumes and prices, 2011-13, January to March 2013, and January to March 2014



During 2011-13, average unit values of U.S. imports of PVLT tires from China ranged from a high of $55.41 in 2011 to a low of $45.89 in 2013. Over the same period, average unit values of U.S. imports of PVLT tires from nonsubject sources ranged from a $69.13 in 2011 to a high of $73.14 in 2012.

NEGLIGIBILITY

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.[7] 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. However, if there are imports of such merchandise from a number of countries subject to investigations initiated on the same day that individually account for less than 3 percent of the total volume of the subject merchandise, and if the

[7] 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)).

imports from those countries collectively account for more than 7 percent of the volume of all such merchandise imported into the United States during the applicable 12-month period, then imports from such countries are deemed not to be negligible.[8] Imports from China accounted for 31.8 percent of total imports of PVLT tires by quantity during June 2013 to May 2014.

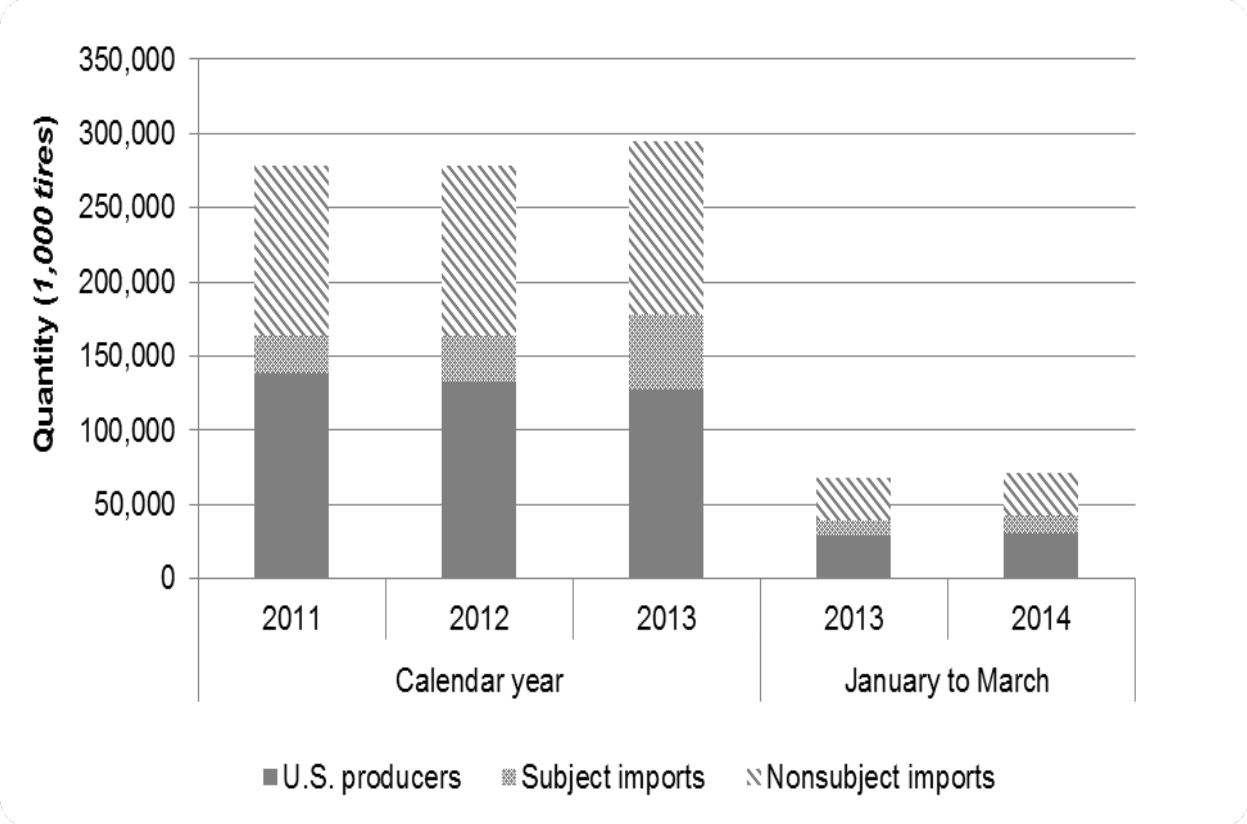
APPARENT U.S. CONSUMPTION

Table IV-4 and figure IV-2 present and depict data on apparent U.S. consumption and U.S. market shares for PVLT tires. During 2011-13, apparent U.S. consumption increased by 5.9 percent when measured by quantity and by 2.1 percent when measured by value. U.S. producers' market share decreased by 6.5 percentage points, by quantity and by 4.4 percentage points, by value. Over the same period, the market share for U.S imports of PVLT tires from China increased by 8.4 percentage points, by quantity, and 4.2 percentage points, by value. The market share for U.S. imports of PVLT tires from nonsubject sources remained relatively steady, decreasing by 1.9 percentage points, by quantity, and increasing by 0.2 percentage points, by value, during 2011-2013.

Between the interim periods, apparent U.S. consumption was 5.3 percent higher in interim 2014 compared to interim 2013 when measured by quantity, but was 1.5 percent lower in interim 2014 compared to interim 2013 when measured by value. U.S. producers' market share was 1.5 percentage points lower in interim 2014 compared to interim 2013 when measured by quantity and 0.8 percentage points lower in interim 2014 compared to interim 2013 when measured by value. The market share for U.S. imports of PVLT tires from China was 2.8 percentage points higher in interim 2014 than in interim 2013 when measured by quantity and was 1.8 percentage points higher when measured by value.

[8] Section 771 (24) of the Act (19 U.S.C § 1677(24)).

Figure IV-2
PVLT tires: Apparent U.S. consumption, 2011-13, January to March 2013, and January to March 2014



Source: Compiled from data submitted in response to Commission questionnaires and official U.S. import statistics.

Table IV-4
PVLT tires: Apparent U.S. consumption, 2011-13, January to March 2013, and January to March 2014

Item	Calendar year			January to March	
	2011	2012	2013	2013	2014
			Quantity (*1,000 tires*)		
U.S. producers' U.S. shipments	138,943	132,372	127,774	29,444	29,944
U.S. imports from.--					
China	24,565	31,479	50,847	10,275	12,793
All other sources	115,053	114,987	116,248	27,645	28,182
Total U.S. imports	139,618	146,466	167,096	37,920	40,975
Apparent U.S. consumption	278,561	278,838	294,870	67,364	70,919
			Value (*1,000 dollars*)		
U.S. producers' U.S. shipments	12,490,953	12,254,218	11,773,930	2,728,373	2,648,759
U.S. imports from.--					
China	1,361,185	1,583,853	2,333,209	489,047	575,403
All other sources	7,953,773	8,409,908	8,165,458	1,979,978	1,895,257
Total U.S. imports	9,314,958	9,993,761	10,498,667	2,469,025	2,470,660
Apparent U.S. consumption	21,805,911	22,247,979	22,272,597	5,197,398	5,119,419
			Market share by quantity (*percent*)		
U.S. producers' U.S. shipments	49.9	47.5	43.3	43.7	42.2
U.S. imports from.--					
China	8.8	11.3	17.2	15.3	18.0
All other sources	41.3	41.2	39.4	41.0	39.7
Total U.S. imports	50.1	52.5	56.7	56.3	57.8
			Market share by value (*percent*)		
U.S. producers' U.S. shipments	57.3	55.1	52.9	52.5	51.7
U.S. imports from.--					
China	6.2	7.1	10.5	9.4	11.2
All other sources	36.5	37.8	36.7	38.1	37.0
Total U.S. imports	42.7	44.9	47.1	47.5	48.3

Source: Compiled from data submitted in response to Commission questionnaires and official U.S. import statistics.

PART V: PRICING DATA

FACTORS AFFECTING PRICES

Raw material costs

*** stated in its questionnaire response that multiple factors affect the price of PVLT tires and that the price of raw materials may have a significant influence. In response to how prices for raw materials in tires may have changed since January 1, 2011, four U.S. producers reported that prices had declined, and four reported that they had fluctuated. In response to the same question, 26 importers reported that they had decreased, and ten reported that they had fluctuated.

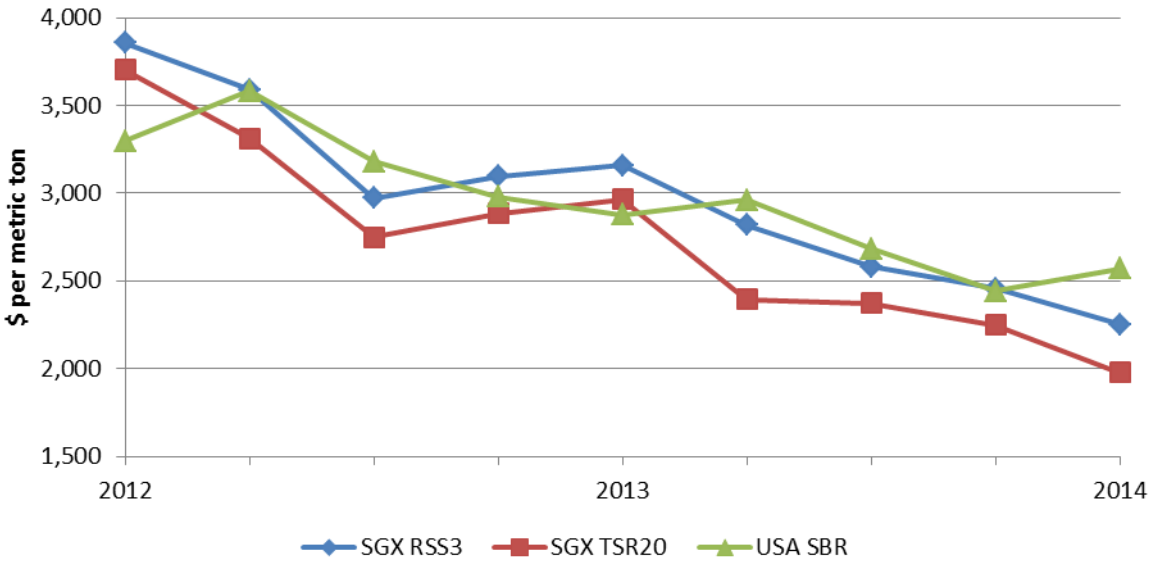
Rubber is the major raw material used in manufacturing tires.[1] Ribbed smoked sheets (RSS 3) are made from high quality natural rubber and used to produce tires, tubes, tread, and other products.[2] Its price on the Singapore Exchange (SGX) fell 41.6 percent between the first quarter of 2012 and the first quarter of 2014 (figure V-1).[3] The SGX price of technically specified rubber (TSR 20), a general purpose natural rubber used in making tires and other products, declined by 46.6 percent between the first quarter of 2012 and the first quarter of 2014. Styrene-butadiene rubber (SBR) is a synthetic rubber produced from petroleum and used extensively in the production of tires; its U.S. export unit value declined by 22.1 percent between the first quarter of 2012 and the first quarter of 2014.

[1] Yokohama reports that rubber accounts for slightly more than half of the raw materials in a tire by weight. Other raw materials are rubber-reinforcing filler, steel cord, textile cord, compounding ingredients, and bead wire. http://global.yokohamatire.net/technology/tireknowledge/rawmaterials.html . Another source reported that natural rubber accounts for 14 percent of the weight of a finished passenger tire, and synthetic rubber accounts for 27 percent; for truck tires, natural rubber accounts for 27 percent, and synthetic rubber accounts for 14 percent. http://infohouse.p2ric.org/ref/11/10504/html/intro/tire.htm

[2] Rubber product descriptions are from Thomson Rubber, http://www.thomsonrubbers.com/natural_rubber.html.

[3] Major producers of natural rubber are in South Asia, and natural rubber prices are often quoted on the Singapore Exchange.

Figure V-1 Rubber prices



Note.—SGX RSS3 and SGX TSR20 are natural rubbers, and USA SBR is a synthetic rubber.

Source: *Rubber Statistical Bulletin*. April–June 2014 edition.

U.S. inland transportation costs

All responding U.S. producers and importers reported that they typically arrange transportation to their customers. The median U.S. inland transportation cost as a share of total delivered costs was 5.5 percent for U.S. producers, and the similar figure for U.S. importers was 3 percent. A profile of distances shipped by U.S. producers and importers is shown in table V-1.

Table V-1
PVLT tires: Shares of reported shipping distance by U.S. producers and importers[1]

Distance	U.S. producers	U.S. importers
	(percent)	
0 to 100 miles	20.5	25.5
101 to 1,000 miles	67.9	38.7
More than 1,000 miles	11.6	35.7

[1] Columns may not sum to 100 percent due to rounding.

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

PRICING PRACTICES

Pricing methods

U.S. producers use transaction-by-transaction negotiations, contracts, and set price lists in approximately similar proportions to establish prices (Table V-2). Importers were more likely to establish prices based on price lists or individual transactions.

Table V-2
PVLT tires: U.S. producers and importers reported price setting methods, by number of responding firms[1]

Method	U.S. producers	U.S. importers
Transaction-by-transaction	5	17
Contract	5	9
Set price list	7	25
Other	1	3

[1] The sum of responses down may not add up to the total number of responding firms as each firm was instructed to check all applicable price setting methods employed.

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

U.S. producers and importers reported their 2013 U.S. commercial shipments of PVLT tires by type of sale. U.S. producers reported selling their PVLT tires primarily in the spot market (table V-3). Although U.S. importers also sold their PVLT tires in spot markets, they relied more on contracts, especially long-term contracts, than U.S. producers.

Table V-3
PVLT tires: U.S. producers' and importers' shares of U.S. commercial shipments by type of sale, 2013

Type of sale	Share of U.S. commercial shipments (percent)	
	U.S. producers	U.S. importers
Long-term contracts	17.8	39.2
Short-term contracts	20.2	24.6
Spot sales	62.0	36.3

Note.--Because of rounding, figures may not add to the totals shown.

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

Sales terms and discounts

U.S. producers and importers typically quote prices on a delivered basis, although both fairly routinely also quote on an fob basis. U.S. producers and importers reported using a variety of sales terms with net 30 days being the most common arrangement. Both U.S. producers and importers offer a variety of discount programs, with total volume discounts being the most common. A few U.S. producers and importers reported not offering discounts.

PRICE DATA

The Commission requested U.S. producers and importers to provide quarterly data for the total quantity and f.o.b. value of the following products shipped to unrelated U.S. customers during January 2011–March 2014.

Product 1.—PVLT tires, tire size 205/55R16, 89-94 load index, T speed rating

Product 2.—PVLT tires, tire size P215/55R17, 93-98 load index, T speed rating

Product 3.—PVLT tires, tire size 225/60R16, 97-98 load index, T speed rating

Product 4.—PVLT tires, tire size P235/75R15, 104-110 load index, T speed rating

Product 5.—PVLT tires, tire size LT245/75R16, 111-116 load index, R speed rating

Product 6.—PVLT tires, tire size LT265/75R16, 112-116 load index, R or T speed rating

Six U.S. producers and 23 importers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters. Pricing data reported by these firms accounted for approximately 4.7 percent of U.S. producers' shipments of PVLT tires and 9.2 percent of U.S. shipments of subject imports from China in 2013. No price data were submitted for nonsubject imports. Price data for products 1–6 are presented in tables V-4 to V-9 and figures V-2 to V-7.

Table V-4

PVLT tires: Weighted-average f.o.b. prices and quantities of domestic and imported product 1[1] and margins of underselling/(overselling), by quarters, January 2011-March 2014

Period	United States		China		
	Price *(per tire)*	Quantity *(tires)*	Price *(per tire)*	Quantity *(tires)*	Margin *(percent)*
2011:					
Jan.-Mar.	***	***	53.27	60,431	***
Apr.-June	***	***	58.99	111,196	***
July-Sept.	***	***	58.38	88,455	***
Oct.-Dec.	***	***	55.86	44,151	***
2012:					
Jan.-Mar.	***	***	55.38	76,369	***
Apr.-June	***	***	55.15	123,016	***
July-Sept.	***	***	55.03	80,118	***
Oct.-Dec.	***	***	48.71	157,739	***
2013:					
Jan.-Mar.	***	***	45.59	150,494	***
Apr.-June	***	***	44.90	198,296	***
July-Sept.	***	***	43.61	228,071	***
Oct.-Dec.	***	***	42.23	238,033	***
2014:					
Jan.-Mar.	***	***	42.16	175,184	***

[1] Product 1: tire size 205/55R16, 89-94 load index, T speed rating

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

Table V-5

PVLT tires: Weighted-average f.o.b. prices and quantities of domestic and imported product 2[1] and margins of underselling/(overselling), by quarters, January 2011-March 2014

Period	United States		China		
	Price *(per tire)*	Quantity *(tires)*	Price *(per tire)*	Quantity *(tires)*	Margin *(percent)*
2011: Jan.-Mar.	***	***	57.85	7,115	***
Apr.-June	***	***	64.78	16,678	***
July-Sept.	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***
2012: Jan.-Mar.	***	***	***	***	***
Apr.-June	***	***	***	***	***
July-Sept.	***	***	59.07	16,626	***
Oct.-Dec.	***	***	52.15	40,043	***
2013: Jan.-Mar.	***	***	48.36	59,954	***
Apr.-June	***	***	47.73	71,296	***
July-Sept.	***	***	47.39	70,419	***
Oct.-Dec.	***	***	46.39	67,459	***
2014: Jan.-Mar.	***	***	44.95	74,441	***

[1] Product 2: tire size P215/55R17, 93-98 load index, T speed rating

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

Table V-6

PVLT tires: Weighted-average f.o.b. prices and quantities of domestic and imported product 3[1] and margins of underselling/(overselling), by quarters, January 2011-March 2014

Period	United States		China		
	Price *(per tire)*	Quantity *(tires)*	Price *(per tire)*	Quantity *(tires)*	Margin *(percent)*
2011:					
Jan.-Mar.	***	***	58.82	74,283	***
Apr.-June	***	***	63.63	98,702	***
July-Sept.	***	***	62.89	80,665	***
Oct.-Dec.	***	***	62.20	59,324	***
2012:					
Jan.-Mar.	***	***	63.44	68,646	***
Apr.-June	***	***	58.51	108,551	***
July-Sept.	***	***	58.26	70,864	***
Oct.-Dec.	***	***	51.54	159,769	***
2013:					
Jan.-Mar.	***	***	51.34	179,985	***
Apr.-June	***	***	49.40	213,606	***
July-Sept.	***	***	48.59	207,845	***
Oct.-Dec.	***	***	47.64	200,025	***
2014:					
Jan.-Mar.	***	***	46.26	206,964	***

[1] Product 3: PVLT tires, tire size 225/60R16, 97-98 load index, T speed rating

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

Table V-7

PVLT tires: Weighted-average f.o.b. prices and quantities of domestic and imported product 4[1] and margins of underselling/(overselling), by quarters, January 2011-March 2014

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Table V-8

PVLT tires: Weighted-average f.o.b. prices and quantities of domestic and imported product 5[1] and margins of underselling/(overselling), by quarters, January 2011-March 2014

Period	United States		China		
	Price *(per tire)*	Quantity *(tires)*	Price *(per tire)*	Quantity *(tires)*	Margin *(percent)*
2011:					
Jan.-Mar.	***	***	90.20	42,313	***
Apr.-June	***	***	96.53	39,722	***
July-Sept.	***	***	92.45	56,979	***
Oct.-Dec.	***	***	92.68	36,627	***
2012:					
Jan.-Mar.	***	***	***	***	***
Apr.-June	***	***	***	***	***
July-Sept.	***	***	***	***	***
Oct.-Dec.	***	***	81.77	88,181	***
2013:					
Jan.-Mar.	***	***	78.69	113,163	***
Apr.-June	***	***	78.09	127,970	***
July-Sept.	***	***	75.64	150,024	***
Oct.-Dec.	***	***	75.42	166,217	***
2014:					
Jan.-Mar.	***	***	76.06	101,376	***

[1] Product 5: tire size LT245/75R16, 111-116 load index, R speed rating

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

Table V-9

PVLT tires: Weighted-average f.o.b. prices and quantities of domestic and imported product 6[1] and margins of underselling/(overselling), by quarters, January 2011-March 2014

Period	United States		China		
	Price *(per tire)*	Quantity *(tires)*	Price *(per tire)*	Quantity *(tires)*	Margin *(percent)*
2011: Jan.-Mar.	***	***	98.86	26,906	***
Apr.-June	***	***	105.37	19,124	***
July-Sept.	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***
2012: Jan.-Mar.	***	***	***	***	***
Apr.-June	***	***	***	***	***
July-Sept.	***	***	***	***	***
Oct.-Dec.	***	***	79.16	38,690	***
2013: Jan.-Mar.	***	***	83.48	48,240	***
Apr.-June	***	***	80.97	68,573	***
July-Sept.	***	***	80.71	74,034	***
Oct.-Dec.	***	***	84.74	83,682	***
2014: Jan.-Mar.	***	***	86.43	85,717	***

[1] Product 6: tire size LT265/75R16, 112-116 load index, R or T speed rating

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

Figure V-2

PVLT tires: Weighted-average prices and quantities of domestic and imported product 1, by quarters, January 2011-March 2014

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Figure V-3

PVLT tires: Weighted-average prices and quantities of domestic and imported product 2, by quarters, January 2011-March 2014

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Figure V-4

PVLT tires: Weighted-average prices and quantities of domestic and imported product 3, by quarters, January 2011-March 2014

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Figure V-5

PVLT tires: Weighted-average prices and quantities of domestic and imported product 4, by quarters, January 2011-March 2014

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Figure V-6

PVLT tires: Weighted-average prices and quantities of domestic and imported product 5, by quarters, January 2011-March 2014

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Figure V-7

PVLT tires: Weighted-average prices and quantities of domestic and imported product 6, by quarters, January 2011-March 2014

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Price trends

Weighted-average unit values for the pricing products generally decreased, particularly for PVLT tires from China, during 2011–14. Table V-10 summarizes the price trends, by country and by product. As shown in the table, domestic prices increased for product 1 and product 4, but decreased for the other products. Prices for PVLT tires from China decreased for all products by 12.6 to 22.3 percent during 2011–14.

Table V-10

PVLT tires: Summary of weighted-average f.o.b. prices for products 1–6 from the United States and China

Item	Number of quarters	Low price (per tire)	High price (per tire)	Change in price[1] (percent)
Product 1				
United States	13	***	***	***
China	13	***	***	***
Product 2				
United States	13	***	***	***
China	13	***	***	***
Product 3				
United States	13	***	***	***
China	13	***	***	***
Product 4				
United States	13	***	***	***
China	13	***	***	***
Product 5				
United States	13	***	***	***
China	13	***	***	***
Product 6				
United States	13	***	***	***
China	13	***	***	***

[1] Percentage change from the first quarter in which data were available to the last quarter in which price data were available, based on rounded data.

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

Price comparisons

As shown in table V-11, prices for PVLT tires imported from China were priced below those for U.S.-produced product in all 78 instances; margins of underselling ranged from 1.0 to 45.5 percent.

Table V-11

PVLT tires: Instances of underselling/overselling and the range and average of margins, by country, January 2011-March 2014

	Underselling			Overselling		
Source	Number of instances	Range (percent)	Average margin (percent)	Number of instances	Range (percent)	Average margin (percent)
China	78	1.0 to 45.5	17.5	0	NA	NA

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

LOST SALES AND LOST REVENUE

The petitioner reported that workers in this industry lack the information needed to allege specific occurrences of lost sales and lost revenue.[4] However, the petitioner added that, as subject imports undersold the similar domestic products and gained market share, lost sales and lost revenues doubtlessly occurred.[5]

In the questionnaire, the Commission asked U.S. producers of PVLT tires to report instances of lost sales or revenue due to competition from subject imports from China. Some producers did not respond to this question, and other producers acknowledged declining prices but did not necessarily attribute the market decline to subject imports from China. *** made specific allegations of lost sales and lost revenue. These responses are summarized in table V-12.

Table V-12

PVLT tires: Summary of U.S. producers' responses regarding lost revenues and lost sales

U.S. producer	Reduced prices	Delayed price increases	Lost sales	Producers' comments
Bridgestone	***	***	***	***
Continental	***	***	***	***
Cooper	***	***	***	***
Goodyear	***	***	***	***
Michelin	***	***	***	***
Pirelli	***	***	***	***
Specialty Tires	***	***	***	***
Toyo Tire	***	***	***	***
Yokohoma	***	***	***	***

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

[4] Petition, I-16.

[5] Petition, I-16.

In response to an allegation of lost sales from ***, *** said that the only North American company with which he had discussed a tire deal during this time was ***.[6] He said that *** never quoted a price until after the negotiations had advanced for several weeks, and then *** never said that the price was too low but that it could make a higher profit by selling elsewhere. *** was requesting a quote for a private-label tire, and *** said that it was likely true that *** could sell its tires under its own label at a higher price. *** added that he believed that if the deal had gone through, *** would have manufactured the tires in one of its Asian plants. *** said that *** was requesting a large volume of tires and knew that *** had extra capacity in one of its Asian plants but probably did not have capacity in North America. *** concluded by stating that the allegation was inaccurate and therefore invalid.

*** also made 15 allegations of lost revenue based on being forced to reduce prices on its U.S. produced tires because of low-priced PVLT tires from China. *** was unable to provide complete information for these allegations; it presented average price reductions based on all sizes in its offered products that ranged from $2 to $8 per tire for unspecified quantities. Six of these allegations concerned ***, ***, but *** was unable to confirm or deny the allegations based on the information provided. The other nine allegations involved ***. *** provided names for three of these customers, only one of whom responded to staff inquiries. ***, the director of marketing for ***, responded that his firm's acquisition cost had decreased for PVLT tires during the last two years due to market pressure from Chinese imports. After estimating his firm's average acquisition costs, he stated being comfortable confirming that the alleged initial prices and accepted prices were reasonably accurate.

[6] ***-Deese telephone conversation, June 26, 2014.

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

BACKGROUND

The following *** U.S. producers reported their financial results on PVLT tires: ***. The majority of U.S. producers reported their financial results for calendar-year periods and on the basis of U.S. generally accepted accounting principles (GAAP).[1]

PVLT tire revenue primarily reflects commercial sales (89.5 percent), followed by transfers (10.5 percent).[2] Although most U.S. producers sell in the OEM and replacement markets, several producers reported that they sell PVLT tires only in the replacement market.[3] Other differences among the U.S. producers include the relative importance of the U.S. market to overall operations, as well as the degree to which U.S. producers have significant operations beyond tires (PVLT or non-PVLT).[4]

With respect to their U.S. operations, several producers reported that they purchase inputs from related parties: ***.[5] [6] As it relates to vertical integration and natural rubber (a key

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[1] *** reported their financial results on the basis of International Financial Reporting Standards (IFRS).

[2] Most U.S. producers with transfer sales reported a substantially larger share of corresponding commercial sales. ***. See Part III, footnote 17.

[3] Narrative information accompanying Cooper's public financial statements indicates that the company focuses on the replacement market and currently does not sell into the OEM market. Cooper 2011 10-K, p. 3. ***. *** U.S. producer questionnaire, response to II-7. *** U.S. producer questionnaire, response to II-7.

[4] With respect to public financial information, most U.S. producers reported their relevant tire segment operations on a product basis, while only several reported regional segment operations. Narrative information accompanying public financial statements also generally indicated that segment operations consist of discrete business units, focused on specific markets such as OEM or replacement, which may in turn be managed on a global or regional basis; e.g., Continental specified in its 2012 Annual Report that, while the Replacement business unit is organized by region, its Passenger and Light Truck Tire OEM business unit operates on a global basis. Continental 2012 Annual Report, p. 60. Based on public financial information, reportable segments which include subject tire operations are as follows:

Regional basis segment reporting -- Cooper Tires (North American Tire Operations); Goodyear (North American Tire). Cooper 2011 10-K, p. 3. Goodyear 2012 10-K, p. 4.

Product-specific segment reporting -- Bridgestone (Tires); Continental (Tires); Michelin (Passenger Car and Light Truck Tires); Pirelli (Tire segment); Toyo (Tires); Yokohama (Tires). Bridgestone 2011 Annual Report, p. 33. Continental 2012 Annual Report, p. 160. Michelin 2011 Annual and Sustainable Development Report, p. 80. Pirelli 2011 Annual Report, p. 166. Toyo 2012 Annual Report, p. 6. Yokohama 2012 Annual Report, p. 56.

[5] *** U.S. producer questionnaire, response to III-7. *** U.S. producer questionnaire, response to III-7. *** U.S. producer questionnaire, response to III-7. *** U.S. producer questionnaire, response to III-7.

As described in Goodyear's 2012 10-K, the majority of the company's synthetic rubber requirements are supplied by its plants in Beaumont and Houston, Texas. Goodyear 2012 10-K, p. 7. ***. June 25, 2014 *** response to staff follow-up questions.

raw material input), public information generally indicates that Bridgestone is the only major tire producer that directly controls a portion of its natural rubber requirements.[7]

As noted in Part III of this report, the operations of U.S. producers were impacted by various actions/events during the period.[8] The extent to which these actions/events impacted reported financial results (directly and/or indirectly) is noted below.

Operations on PVLT tires

Income-and-loss data for U.S. producers are presented in table VI-1. Table V1-2 presents selected company-specific data as referenced in this section of the report. A variance analysis of the overall financial results is presented in table VI-3.[9]

(…*continued*)

[6] With regard to input purchases from a related party, the Commission's standard practice requires the elimination of the related party's profit or loss from the relevant COGS reported in the financial section of the U.S. producer questionnaire. The intent of this adjustment is for the related party's actual cost to be recognized in determining the financial results reported to the Commission. The U.S. producers referenced above generally indicated that they complied with the Commission's requested input valuation.

[7] As described by a Michelin official, "{v}ery few tire manufacturers own natural rubber plantations and these only account for a small proportion of their needs. Out of the three global tire manufacturers, Bridgestone controls approximately 40% of its needs through its plantations in Liberia and Indonesia. Given the price of farm land today acquiring plantations would be very expensive and would not bring a significant competitive advantage." Michelin: a commodity-based industry, retrieved on June 25, 2014 at www.rcem.eu/media/123151/info_203_s3_50-51.pdf.

[8] The primary events/actions impacting U.S. operations were as follows: reductions in shifts and extended plant shut-downs, a plant-specific labor dispute, capacity reductions, restructuring and plant closure, weather and fire-related production disruptions, and the addition of new capacity.

[9] The Commission's variance analysis is calculated in three parts: Sales variance, cost of sales variance (COGS variance), and selling, general and administrative (SG&A) expense variance. Each part consists of a price variance (in the case of the sales variance) or a cost or expense variance (in the case of the COGS and SG&A expense variance), and a volume variance. The sales or cost/expense variance is calculated as the change in unit price or per-unit cost/expense times the new volume, while the volume variance is calculated as the change in volume times the old unit price or per-unit cost/expense. Summarized at the bottom of the table, the price variance is from sales; the cost/expense variance is the sum of those items from COGS and SG&A variances, respectively, and the volume variance is the sum of the volume components of the net sales, COGS, and SG&A expense variances. In general, the utility of the variance analysis is enhanced when product mix remains the same throughout the period. As noted in the *Sales value* section below, period-to-period changes in average sales value reflect changes in both pricing and product mix.

Table VI-1
PVLT tires: Results of operations of U.S. producers, 2011-13, January-March 2013, and January-March 2014

Item	Calendar year			January-March	
	2011	2012	2013	2013	2014
	Quantity (*1,000 tires*)				
Commercial sales	148,228	136,892	130,971	30,877	30,330
Transfers	10,925	11,622	12,867	3,046	3,300
Total net sales quantity	159,153	148,514	143,838	33,923	33,630
	Value (*$1,000*)				
Commercial sales	12,107,149	11,824,638	11,212,917	2,654,690	2,561,778
Transfers	1,249,211	1,359,822	1,454,527	352,832	375,670
Total net sales value	13,356,360	13,184,460	12,667,444	3,007,522	2,937,448
Cost of goods sold:					
Raw materials	5,997,106	5,643,840	4,992,264	1,176,124	1,100,779
Conversion costs[1]	5,022,307	4,890,715	4,913,039	1,156,129	1,142,033
Total cost of goods sold	11,019,413	10,534,555	9,905,303	2,332,253	2,242,812
Gross profit	2,336,947	2,649,905	2,762,141	675,269	694,636
SG&A expenses	1,270,545	1,282,411	1,339,474	302,916	316,301
Operating income	1,066,402	1,367,494	1,422,667	372,353	378,335
Interest expense	106,428	102,726	150,059	36,286	38,898
Other expenses[2]	153,792	93,803	52,874	27,507	9,213
Other income items	14,590	6,298	22,824	1,585	10,624
Net income	820,772	1,177,263	1,242,558	310,145	340,848
Depreciation/amortization	426,156	453,276	466,214	112,465	119,530
Estimated cash flow	1,246,928	1,630,539	1,708,772	422,610	460,378
	Ratio to net sales (*percent*)				
Raw materials	44.9	42.8	39.4	39.1	37.5
Conversion costs[1]	37.6	37.1	38.8	38.4	38.9
Cost of goods sold	82.5	79.9	78.2	77.5	76.4
Gross profit	17.5	20.1	21.8	22.5	23.6
SG&A expenses	9.5	9.7	10.6	10.1	10.8
Operating income	8.0	10.4	11.2	12.4	12.9
Net income	6.1	8.9	9.8	10.3	11.6

Table continued on next page.

Table VI-1--*Continued*
PVLT tires: Results of operations of U.S. producers, 2011-13, January-March 2013, and January-March 2014

Item	Calendar year			January-March	
	2011	2012	2013	2013	2014
	Ratio to cost of goods sold (*percent*)				
Raw materials	54.4	53.6	50.4	50.4	49.1
Conversion costs[1]	45.6	46.4	49.6	49.6	50.9
	Unit values (*dollars per tire*)				
Commercial sales	82	86	86	86	84
Transfers	114	117	113	116	114
Total net sales	84	89	88	89	87
Cost of goods sold:					
Raw materials	38	38	35	35	33
Conversion costs[1]	32	33	34	34	34
Total cost of goods sold	69	71	69	69	67
Gross profit	15	18	19	20	21
SG&A expenses	8	9	9	9	9
Operating income	7	9	10	11	11
	Number of firms reporting				
Operating losses	0	0	0	1	0
Data	9	9	9	9	9

[1] ***. June 25, 2014 e-mail with attachment from *** to USITC auditor. Accordingly and in order to present consistent financial information for the industry as a whole, direct labor and other factory costs have been combined into a single line item identified as "conversion costs."

[2] ***. June 26, 2014 e-mail with attachment from *** to USITC auditor. *** U.S. producer questionnaire, response to III-9. ***. June 26, 2014 e-mail with attachment from *** to USITC auditor. *** IFRS and GAAP differ on some points regarding how impairments are recognized; e.g., under IFRS, impairment charges for assets not held for sale can be reversed, while impairment reversal is not allowed under current GAAP. The underlying concept of impairment, however, is basically the same under both accounting systems: "{t}he condition that exists when a long-lived asset's carrying amount is not expected to be recoverable over the remainder of its expected life." Wiley GAAP 2012, p. 434.

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

Table VI-2
PVLT tires: Results of operations of U.S. producers, by firm, 2011-13, January-March 2013, and January-March 2014

* * * * * * *

Table VI-3
PVLT tires: Variance analysis on the operations of U.S. producers, 2011-13, January-March 2013, and January-March 2014

Item	Calendar year		Jan.-March
	2011-12	2012-13	2013-14
Total net sales:	Value ($*1,000*)		
Price variance	720,953	(101,908)	(44,090)
Volume variance	(892,853)	(415,108)	(25,984)
Total net sales variance	(171,900)	(517,016)	(70,074)
Net cost of sales:			
Cost variance	(251,773)	297,575	69,291
Volume variance	736,631	331,677	20,150
Total net cost of sales variance	484,858	629,252	89,441
Gross profit variance	312,958	112,236	19,367
SG&A expenses:			
Expense variance	(96,800)	(97,439)	(16,002)
Volume variance	84,934	40,376	2,617
Total SG&A variance	(11,866)	(57,063)	(13,385)
Operating income variance	301,092	55,173	5,982
Summarized as:			
Price variance	720,953	(101,908)	(44,090)
Net cost/expense variance	(348,573)	200,136	53,289
Net volume variance	(71,287)	(43,055)	(3,217)

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

Sales volume

The revenue section of the table VI-3 variance analysis shows that overall sales volume variances were negative throughout the period. As shown in table VI-2 and on a company-specific basis, most U.S. producers reported declines in sales volume between 2011-12, followed by a mix of increases and decreases in sales volume between 2012-13. In interim 2014 compared to interim 2013, the majority of U.S. producers reported higher sales volume; i.e., the industry's lower overall sales volume in interim 2014 compared to interim 2013 was attributable ***.

In some cases, changes in underlying capacity may be directly reflected in the pattern of sales volume. For example, ***.[10] In contrast and while Goodyear's *** corresponds with the

[10] ***. *** U.S. producer questionnaire, response to II-2. As described in Toyo's 2010 Annual Report, "{t}he third-phase of production capacity expansion at Toyo Tire North America Manufacturing Inc. (TNA, Georgia, the United States) is designed to expand production capacity 1.8 times on current levels by

(*continued*...)

closure of the Union City, TN plant, the company did not identify this closure as a specific factor impacting sales volume.[11]

Cooper, which did not report *** change in its capacity during the period, had the *** company-specific decline in sales volume between 2012-13 (*** percent). With respect to its overall North American Tire Operations, Cooper stated that the reduction in its sales volume between 2012-13 reflected, in large part, the impact of increased import competition, "primarily on private label and lower value entry level consumer tires." Cooper also indicated that issues related to enterprise resource planning (ERP) implementation negatively impacted U.S. shipments in 2013.[12]

Sales value

Table VI-2 shows that U.S. producers reported a relatively wide range of average sales values which appears to be generally consistent with differences in product mix and market focus. In contrast with the pattern of consistent negative sales volume variances, the revenue section of the variance analysis (table VI-3) shows that between 2011-12 the overall price variance was positive. This was followed by negative price variances between 2012-13 and in interim 2014 compared to interim 2013. On a company-specific basis (table VI-2), U.S. producers were for the most part directionally uniform in terms of reporting increases in average sales value between 2011-12, but were mixed in terms of directional change between 2012-13. In interim 2014 compared to interim 2013, the pattern was again more uniform with most U.S. producers reporting lower average sales values. While other factors also likely played a role, the pattern of average sales value, at least in part, appears to reflect changes in the corresponding cost of primary raw material inputs (see also *Cost of goods sold* section below).

With respect to the directional pattern of average sales value, U.S. producers were mixed in terms of what they considered the primary source of the period-to-period changes. *** indicated that underlying price, as opposed to product mix, was the primary factor explaining changes in average sales value.[13] In contrast, *** reported that its average sales value increased

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(…*continued*)
establishing new production lines. With the phase completed, production is expected to reach 4.3 million units in FY 2011. In the latest expansion of production capacity, we focused on facilities for producing light truck tires." Toyo's 2010 Annual Report, p. 12.

[11] Describing overall segment operations, Goodyear stated that "North American Tire unit sales in 2012 decreased 3.4 million units, or 5.2%, to 62.6 million units. The decrease was primarily related to a reduction in replacement tire volume of 5.5 million units, or 11.0%, primarily in our consumer business, reflecting lower industry demand and decreased sales of lower end consumer products. Increased OE tire volume, primarily in our consumer business, of 2.1 million units, or 12.8%, primarily related to improved industry conditions, partially offset this decrease." Goodyear 2012, 10-K, p. 33. With regard to Goodyear's Union City, TN plant, testimony at the staff conference indicated that operations were substantially reduced prior to closure in 2011. Conference transcript (Johnson), pp. 73-74.

[12] Cooper 2013 10-K, p. 22.

[13] ***. June 20, 2014 *** response to staff follow-up questions.

(*continued*...)

due in large part to a shift in product mix.[14] *** indicated that the pattern of their average sales values reflected both increases and decreases in raw material costs, as well as improved product mix.[15] *** noted that the pattern of its average sales value reflects a decline in prices which was offset in part by an improved product mix.[16] *** response to this question emphasized the importance of product mix,[17] while *** indicated that changes in both price level and product mix explain the pattern of its average sales value.[18]

Cost of goods sold

In its 2011 10-K, Goodyear states that "{t}he principal raw materials used . . . are natural and synthetic rubber. Natural rubber typically accounts for approximately half of all rubber consumed by us on an annual basis . . . {o}ther important raw materials and components we use are carbon black, steel cord, fabrics, and petrochemical-based commodities."[19] In varying levels of detail, other U.S. producers generally reported the same basic primary raw materials.[20]

With respect to the beginning of the period and as described by Michelin ". . . the most striking event of the year {2011} was the unprecedented run-up in commodity prices, especially natural rubber. . ."[21] As described by Goodyear, "{i}n 2011, raw material costs increased by approximately 30% in our tire businesses compared to 2010, primarily driven by an increase in the cost of natural and synthetic rubber and carbon black."[22] In its 2011 10-K, Cooper stated that "{t}he Company experienced significant increases in the costs of certain of its principal raw materials during 2011 compared with 2010 levels. While raw material costs did begin to stabilize

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(…*continued*)

***. USITC auditor preliminary-phase notes.

***. June 25, 2014 e-mail with attachments from *** to USITC auditor.

[14] ***. June 26, 2014 e-mail with attachment from *** to USITC auditor.

[15] ***. June 25, 2014 e-mail with attachments from *** to USITC auditor.

***. June 25, 2014 *** response to staff follow-up questions.

[16] ***. June 25, 2014 e-mail with attachments from *** to USITC auditor.

[17] As described by Bridgestone, the company ***. June 25, 2014 e-mail with attachment from *** to USITC auditor. As noted in the *Financial results* section below, Bridgestone's Annual Report indicated, with respect to tires in general, that prices were increased in order to pass through higher raw material costs.

[18] ***. June 27, 2014 *** response to staff follow-up questions.

[19] Goodyear 2011 10-K, p. 7.

[20] Bridgestone 2011 Annual Report, p. 9 (specifying natural rubber as a key input for tires); Cooper 2012 10-K, p. 4 (principal raw materials include natural rubber, synthetic rubber, carbon black, chemicals and steel reinforcement components). Yokohama 2013 Annual Report, p. 33 (principal raw materials are natural rubber and petrochemical products, including synthetic rubber and carbon black).

While the range of company-specific average raw material costs shown in table VI-2 appears primarily to reflect differences in product mix, variations in company-specific average raw material cost may also reflect how costs were classified and reported to the Commission; e.g., ***.

[21] Michelin 2011 Annual and Sustainable Development Report, p. 9.

[22] Goodyear 2011 10-K, p. 7.

in the 4th quarter {of 2011}, they were volatile throughout the year and remained at elevated levels relative to historic prices."[23]

As shown in table VI-2, the directional trend of average raw material costs on a company-specific basis was mixed between 2011-12. In contrast, most U.S. producers reported lower average raw material costs throughout the rest of the period.[24] On an overall basis and as a share of total COGS, the industry's raw material costs declined throughout the period (see table VI-1): from 54.4 percent of total COGS in 2011 to 50.4 percent in 2013. In interim 2014, the share of raw material costs to total COGS was also marginally lower (49.1 percent) compared to interim 2013 (50.4 percent).

In addition to raw material costs, Goodyear's 2013 10-K notes the importance of fixed costs in the company's cost structure: "{w}e have substantial fixed costs and, as a result, our operating income fluctuates disproportionately with changes in our net sales. We operate with significant operating and financial leverage."[25] Testimony at the staff conference confirmed that all U.S. producers are capital intensive and thus have relatively high fixed costs. The importance of direct labor costs was also noted.[26]

Conversion costs (direct labor and other factory costs), as a share of total COGS, ranged from 45.6 percent in 2011 to 50.9 percent in interim 2014.[27] While overall average conversion cost increased marginally during the period (see table VI-1), the directional trend varied on a company-specific basis (see table VI-2). In some instances, changes in company-specific average conversion costs appear to be, at least in part, related to changes in capacity and cost structure.[28]

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[23] Cooper 2011 10-K p. 19.

[24] Cooper, whose average raw material cost was *** in 2012 compared to 2011 (see table VI-2), stated in its 2012 10-K that "{t}he Company experienced decreases in the costs of certain of its principal raw materials in 2012 compared with 2011." Ibid. ***, Goodyear, whose average raw material cost *** between 2011-12, stated, with regard to its tire operations generally, that "{i}n 2012, raw material costs increased by approximately 7% in our tire businesses compared to 2011, primarily driven by an increase in the cost of synthetic rubber and carbon black." Goodyear 2012 10-K, p. 7.

According to narrative information accompanying their public financial statements, Cooper and Goodyear both reported lower raw material costs in 2013. Cooper 2013 10-K, p. 4. Goodyear 2013 10-K, p. 7.

[25] Goodyear 2013 10-K, p. 17.

[26] As described by an industry witness at the Commission's staff conference, "{f}ixed costs are a significant part of any industrial operation. Tire plants have a good bit of facility and machinery requirements that lead to extensive overhead so therefore fixed costs are significant. But labor costs are also significant, it's a pretty labor intensive industry as well as a relatively expensive high overhead industry." Conference transcript (Johnson), p. 75.

[27] The Commission's U.S. producer questionnaire generally divides COGS into raw materials, direct labor, and other factory costs. However, due to *** to report direct labor and other factory costs separately (see note 1 to table VI-1), direct labor and other factory costs have been combined for the industry as a whole into a single item identified as "conversion costs."

[28] Continental reported the *** in average conversion cost between 2011-12 (*** percent). At least in part, this appears to reflect the impact of expansion activity at the company's Mt. Vernon, IL plant (see footnote 39). As noted previously (see footnote 10), Toyo's ***.

For other U.S. producers, in contrast, the pattern of average conversion cost appears to be more directly related to market conditions and corresponding production and sales volume.

Between 2011-12 Goodyear's average conversion cost *** percent. With respect to its overall North American Tire segment operations, Goodyear noted that "{h}igher conversion costs were driven by $105 million of increased under-absorbed overhead costs resulting from lower production volumes as well as increased pension expense and inflationary cost increases, partially offset by $80 million in rationalization savings, primarily due to the closure of Union City in July 2011."[29] Testimony at the staff report indicated that Goodyear's Union City, TN plant, which the company's 2011 10-K described as "high-cost manufacturing capacity,"[30] was negatively impacted prior to its closure by lower production levels and reduced capital investment.[31]

As shown in table VI-2, Cooper's average conversion cost *** somewhat between 2011-12, [32] but then *** in 2013. The *** in 2013 was in conjunction with a *** in Cooper's sales volume.[33]

Financial results

For the industry as a whole, gross profit increased due to a widening spread between average sales value and raw material costs.[34] With regard to this pattern and with respect to its tire operations in general, Michelin noted prices were increased in order to pass through higher

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[29] Goodyear 2012 10-K, p. 39. ***. *** U.S. producer questionnaire, response to III-9.
***. *** U.S. producer questionnaire, response to II-2.

[30] Goodyear 2011 10-K, p. 19.

[31] As described by an industry witness at the Commission's staff conference, the Union City, TN plant was "{a} modern facility with a great layout as far as tire plants go, they had had some cost issues intertwined with the continuing reduction in ticket which does indeed exacerbate any type of ability to perform at your peak levels so I would have to say both things were factors, but I believe that the lack of investment creates the lack of productivity which creates the cost, circumstance and so once you put a plant in that position it could never become competitive again just simply because of the lack of investment." Conference transcript (Johnson), pp. 74-75; (Stewart) pp. 75-76.

[32] ***. June 25, 2014 e-mail with attachments from *** to USITC auditor.

[33] In general, Cooper's ***. An industry witness at the Commission's staff conference stated that "{i}n 2013, {Cooper} management started taking days out of our schedule to adjust production down. As a result we only operated 41 weeks in 2013. While we were operating 298 molds before the tariffs came off, we are now down to 242 molds. We have lost workers as well. Through attrition we went down from 1,050 workers in 2012, to only 906 today." Conference transcript (Nelson), pp. 40-41. In addition to the impact of lower production and sales volume, ***.

[34] ***. June 25, 2014 e-mail with attachments from *** to USITC auditor. *** narrative information in the company's 2013 10-K which states that overall SG&A expenses were higher in that year due to costs associated with a planned merger, since terminated, costs associated with a new ERP system, and global investments related to the Cooper brand. Cooper 2013 10-K, p. 20.

raw material costs in 2011.[35] Similarly, Bridgestone generally indicated that it increased tire prices in order to offset higher raw material costs.[36] As shown in table VI-2, while a number of U.S. producers reported expanding gross profit ratios during the full-year period, this pattern was not uniform. Improvements in cost structure were also noted as a factor explaining the pattern of financial performance.[37]

Notwithstanding period-to-period declines in total PVLT tire revenue, the industry's absolute operating income increased throughout the period. Since SG&A expense ratios remained within a relatively narrow range, the industry's higher operating income can be attributed primarily to factors impacting profit at the gross level. On a company-specific basis, however, there were exceptions to this pattern. For example and in contrast with U.S. producers whose improved gross profit margins translated directly into higher levels of operating income, ***.

CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

Table VI-4 presents U.S. producers' capital expenditures and research and development ("R&D") related to PVLT tires.

*** accounted for the *** company-specific share of total capital expenditures (*** percent).[38] ***, representing *** percent total sales volume, reported the *** share of total capital expenditures (*** percent).[39] As shown in table VI-4, ***. Other U.S. producers were mixed in terms of the absolute level and directional trend of their capital expenditures.[40] [41] [42] [43]

R&D was reported by all U.S. producers with the largest company-specific shares accounted for by ***.[44] [45] Other U.S. producers provided descriptions of their R&D expenses which generally reflected similar activities.[46] [47] [48] [49]

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[35] Michelin 2011 Annual and Sustainable Development Report, p. 9. ***. June 27, 2014 *** response to staff follow-up questions. Testimony at the staff conference indicated that since mid-2012 Michelin's Tuscaloosa, AL plant, which makes tires with rim diameters from 14 to 20 inches, has experienced reduced production and employee layoffs. Conference transcript (Williams), pp. 34-38. Newly negotiated USW contracts reportedly do not protect employees at the Tuscaloosa, AL plant, or its sister plant in Fort Wayne, IN, from further layoffs or plant closure. Conference transcript (Williams), p. 38.

[36] Bridgestone 2011 Annual Report, p. 1.

[37] ***. June 25, 2014 *** response to staff follow-up questions.

[38] ***. June 27, 2014 *** response to staff follow-up questions.

[39] ***. June 26, 2014 e-mail with attachment from *** to USITC auditor.

[40] ***. June 25, 2014 *** response to staff follow-up questions. ***. Ibid.

[41] ***. June 25, 2014 e-mail with attachments from *** to USITC auditor.

[42] ***. June 25, 2014 e-mail with attachments from *** to USITC auditor

[43] ***. June 25, 2014 e-mail with attachments from *** to USITC auditor.

[44] ***. June 25, 2014 *** response to staff follow-up questions.

[45] ***. June 27, 2014 *** response to staff follow-up questions

[46] ***. June 26, 2014 e-mail with attachment from *** to USITC auditor.

Table VI-4
PVLT tires: Capital expenditures and research and development expenses of U.S. producers, 2011-13, January-March 2013, and January-March 2014

Item	Calendar year			January-March	
	2011	2012	2013	2013	2014
Capital expenditures	**Value ($*1,000*)**				
* * * * * * *					
Total capital expenditures	719,339	727,414	744,694	146,841	150,231
R&D expenses	**Value ($*1,000*)**				
* * * * * * *					
Total R&D expenses	224,863	224,430	221,585	57,769	53,720

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

CAPITAL AND INVESTMENT

The Commission requested U.S. producers of PVLT tires to describe any actual or potential negative effects of imports of PVLT tires from China on their firms' growth, investment, ability to raise capital, development and production efforts, or the scale of capital investments. The companies' responses are presented below.

Effects of imports

Bridgestone ***.
Continental ***.
Cooper ***.
Goodyear ***.
Michelin ***.
Pirelli ***.
Specialty Tires ***.
Toyo ***.
Yokohama ***.

(…*continued*)

[47] ***. June 25, 2014 e-mail with attachments from *** to USITC auditor.
[48] ***. June 25, 2014 e-mail with attachments from *** to USITC auditor.
[49] ***. June 25, 2014 e-mail with attachments from *** to USITC auditor.

Anticipated effects of imports

Bridgestone	***.
Continental	***.
Cooper	***.
Goodyear	***.
Michelin	***.
Pirelli	***.
Specialty Tires	***.
Toyo	***.
Yokohama	***.

PART VII: THREAT CONSIDERATIONS AND INFORMATION ON NONSUBJECT COUNTRIES

Section 771(7)(F)(i) of the Act (19 U.S.C. § 1677(7)(F)(i)) provides that—

> *In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors*[1]*--*
>
> *(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,*

---

[1] Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that "The Commission shall consider {these factors} . . . as a whole in making a determination of 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 under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition."

(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 title 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 705(b)(1) or 735(b)(1) 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).[2]

Information on the nature of the alleged subsidies was presented earlier in this report; information on the volume and pricing of imports of the subject merchandise is presented in *Parts IV* and *V*; 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

Approximately 160 companies were identified as operating tire production facilities in China as of September 2013. Of these firms, about 50 percent or 80 companies were reported to be operating plants producing subject PVLT tires. Sixteen subject PVLT plants were identified

[2] Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

as coming online during the 2007-12 period, while two additional new plants reportedly became operational in 2013.[3]

The last known publically available statistics on Chinese tire production disclosed that in 2007, China produced 152 million passenger tires and 185 million commercial vehicle light truck, truck and bus tires, or 337 million tires in total. In comparison, the U.S. was reported to have produced a similar quantity of passenger tires (154 million), and 41 million light truck, truck and bus tires, or a total of 195 million tires. China and the United States were ranked as the leading global tire producers.[4]

Hangzhou Zhongce Rubber Co. Ltd. ranks tenth globally in tire sales with annual sales in 2012 of about $5 billion, and operates two subject PVLT plants at Hangzhou, Zheijiang and Jintan, Jiangzhou. The Hangzhou plant commenced operations in 1958 and has a production capability of 33 million radial and bias ply DOT coded tires annually consisting of PVLT and other tires produced by a workforce of some 28,000 unionized employees. The Jintan plant came online in 2013 with a production capability of 12 million tires annually consisting of PVLT and other tires produced by some 1,500 nonunion workers.

GITI Tire Pte. Ltd. ranks 15th globally in tire sales with sales of about $3 billion in 2012. The firm operates six plants, three of which produce subject PVLT tires. These plants came online in 1988, 1993, and 2000 and are located at Mudanjiang Heilongujiang; Anhui, Hefei; and Pu Tian City, Fujian, respectively. The plants in total are manned by a combined workforce of approximately 14,000 nonunion employees having an annual production capability of approximately 46 million tires, consisting of PVLT and other tires, radial and bias ply, all DOT coded. The Pu Tian City plant has a production capability of 19 million radial PVLT ply tires annually.

Shandong Linglong Rubber Co., Ltd. ranks 19th globally with tire sales of about $2 billion in 2012. Shandong opened a tire plant in 2001 at Zhaoyuan, Shandong, having a production capability of 35 million tires annually consisting of PVLT and several other types of tires, radial and bias ply. The plant employs 4,100 workers and is DOT rated.[5]

The Commission received 53 usable questionnaire responses from foreign producers or exporters of PVLT tires in China.[6] These firms' exports to the United States accounted for approximately 99.2 percent of U.S. imports of PVLT tires from China in 2013 and are believed to account for the vast majority of production of PVLT tires in China.[7]

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[3] Data compiled from statistics published in Rubber & Plastics News, September 9, 2013.

[4] Rubber and Plastics News statistics, February 2009. Additionally, according to data submitted on behalf the China Rubber Industry Association, Chinese production of passenger vehicle and light truck tires totaled 369 million in 2013 and is projected to be 399 million in 2014 and 415 million in 2015. Respondents' postconference brief, exh. 9.

[5] Chinese tire producer profiles are based on information published in Rubber and Plastics News, September 9, 2013.

[6] The Commission received a questionnaire response from ***; however, it contained data that were not usable.

[7] Data compiled from foreign producer questionnaires account for approximately 84 percent of total Chinese production, according to the Chinese Rubber Industry Association. Respondents'

(*continued*...)

In their questionnaire responses, foreign producers reported a number of changes in the nature of the operations relating to the production of PVLT tires during the period. Twelve firms reported opening plants[8] and four firms reported relocating or plans to relocate.[9] Four firms *** reported being involved in acquisitions and/or consolidations[10] and two firms reported prolonged shutdowns or curtailments.[11] Two firms *** reported revised labor agreements and four firms reported other changes.[12]

Fifteen foreign producers in China reported anticipating changes in the character of their operations organization relating to the production of PVLT tires in the future, the vast majority of which involved projected increases in production capacity. Details of these anticipated changes are provided in table VII-1.

Table VII-1
PVLT tires: Anticipated changes in the character of operations

* * * * * * *

Fourteen foreign producers reported the production of non-PVLT tires, including racing tires (ZR), off-the-road tires (OTR), and special trailer (TR) tires using the same equipment and labor used in the production of PVLT tires. Table VII-2 presents these data. As noted in table VII-2, Chinese firms' production of non-PVLT tires accounted for between four and five percent Chinese producers' total overall production throughout the period. When asked to describe the factors that affect their firms' ability to shift production between these products and PVLT tires, most foreign producers reported that the equipment, including tire building and curing equipment (including molds) used to produce PVLT tires cannot be shared with other products.

(…*continued*)
postconference brief, exh. 9. Both Petitioner and Respondents agree that the Commission has broad coverage of the Chinese subject tire industry as a whole. Hearing transcript, p 62 (Stewart); pp. 135-136 (Durling); and p. 54 (Porter).

[8] Three firms ***; reported opening plants in 2011; five firms (***) reported opening plants in 2012; and four firms (***) reported opening plants in 2013.

[9] ***. ***. ***.

[10] ***. ***; and ***.

[11] ***. ***.

[12] ***. ***. ***. ***.

Table VII-2
PVLT tires: Foreign producers' overall capacity and production, 2011-13, January to March 2013, and January to March 2014

Item	Calendar year			January to March	
	2011	2012	2013	2013	2014
			Quantity (1,000 tires)		
Overall capacity	316,036	347,465	403,007	92,343	101,923
Production:					
PVLT tires	261,603	282,055	327,715	72,163	82,031
Other products	14,479	13,602	14,130	3,321	3,921
Total production	276,082	295,657	341,845	75,484	85,952
			Ratios and shares (percent)		
Capacity utilization	87.4	85.1	84.8	81.7	84.3
Share of production:					
PVLT tires	94.8	95.4	95.9	95.6	95.4
Other products	5.2	4.6	4.1	4.4	4.6
Total production	100.0	100.0	100.0	100.0	100.0

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

Foreign producers were asked to describe the constraints that set the limits on their firms' production capacity. The most common constraints identified included: equipment availability and maintenance (molds, mixers, extruders, tire building machines, and curing presses); availability of power, raw materials, skilled labor, and research and development on new product types. *** reported holding inventories in the United States.[13]

Tables VII-3 presents information on responding producers and exporters in China. As detailed in table VII-3, the largest producers of PVLT tires in China include: ***.

[13] These inventories ranged from *** tires between 2011 and 2013.

Table VII-3

PVLT tires: Summary data on firms in China, including subject product share of total sales, January 2011 through March 2014

Firm	Subject product share of total sales (percent)	Production		Reported exports to the United States	
		Quantity (1,000 tires)	Share (percent)	Quantity (1,000 tires)	Share (percent)
Aeolus Tyre	***	***	***	***	***
Beijing Capital Tire	***	***	***	***	***
Bridgestone (China) Investment	***	***	***	***	***
Cooper (Kunshan) Tire	***	***	***	***	***
Cooper Chengshan (Shandong) Tire	***	***	***	***	***
Crowntyre Industrial	***	***	***	***	***
Double Coin Holdings	***	***	***	***	***
Doublestar-Dongfeng Tyre	***	***	***	***	***
Federal Tire (Jiangxi)	***	***	***	***	***
GITI Tire (China)	***	***	***	***	***
Goodyear Dalian	***	***	***	***	***
Guangzhou Pearl River Rubber Tyre	***	***	***	***	***
Guizhou Tyre	***	***	***	***	***
Hankook Tire (China)	***	***	***	***	***
Kenda Rubber (China)	***	***	***	***	***
Kumho Tire (Changchun)	***	***	***	***	***
Kumho Tire (Tianjin)	***	***	***	***	***
Longkou Xinglong Tyre	***	***	***	***	***
Nanjing Kumho Tire	***	***	***	***	***
Nankang Rubber Industrial	***	***	***	***	***
Pirelli Tyre	***	***	***	***	***
Qingdao Doublestar Tyre Industrial	***	***	***	***	***
Qingdao Fullrun Tyre Tech	***	***	***	***	***
Qingdao Sentury Tire	***	***	***	***	***
Sailun Group	***	***	***	***	***
Shandong Changfeng Tyres	***	***	***	***	***
Shandong Duratti Rubber	***	***	***	***	***
Shandong Guofeng Rubber Plastics	***	***	***	***	***
Shandong Haohua Tire	***	***	***	***	***
Shandong Haolong Rubber Tire	***	***	***	***	***
Shandong Hengyu Science & Technology	***	***	***	***	***
Shandong Jinyu Industrial	***	***	***	***	***
Shandong Linglong Tyre	***	***	***	***	***
Shandong Longyue Rubber	***	***	***	***	***

Table continued on the next page.

Table VII-3--*Continued*

PVLT tires: Summary data on firms in China, including subject product share of total sales, January 2011 through March 2014

Firm	Subject product share of total sales (percent)	Production		Reported exports to the United States	
		Quantity (1,000 tires)	Share (percent)	Quantity (1,000 tires)	Share (percent)
Shandong Luhe Group	***	***	***	***	***
Shandong New Continent Tire	***	***	***	***	***
Shandong Province Sanli Tire	***	***	***	***	***
Shandong Wanda Boto Tyre	***	***	***	***	***
Shandong Yongsheng Rubber	***	***	***	***	***
Shandong Yongtai Chemical	***	***	***	***	***
Shandong Zhongyi Rubber	***	***	***	***	***
Shengtai Group	***	***	***	***	***
Sichuan Tyre & Rubber	***	***	***	***	***
South China Tire and Rubber	***	***	***	***	***
Sumitomo Rubber Industries	***	***	***	***	***
Toyo Tire & Rubber	***	***	***	***	***
Triangle Tyre	***	***	***	***	***
Weihai Ping'an Tyre	***	***	***	***	***
Weihai Zhongwei Rubber	***	***	***	***	***
Wendeng Sanfeng Tyre	***	***	***	***	***
Xingyuan Tire Group	***	***	***	***	***
Zhaoqing Junhong	***	***	***	***	***
Zhongce Rubber Group	***	***	***	***	***
Total		953,403	100.0	121,138	100.0

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

As noted in part III of this report, eight of the nine U.S. producers of PVLT tires owns or is otherwise related to one or more Chinese producers of PVLT tires.[14] Details concerning these producers and their facilities in China are provided below.[15]

[14] Petition, exh. I-5.

[15] Additionally, the following firms reported being related to producers of PVLT tires in other countries: ***.

Bridgestone

Bridgestone operates two facilities that produce PVLT tires in China, which are located in the cities of Tianjin and Wuxi. In 2012, Bridgestone completed certain upgrades to its plant in Tianjin, including an expansion of capacity from 16,500 tires per day to 25,300 tires per day.[16] The upgrades also include the addition of capabilities for making winter tires in its "Blizzak" line, which feature the company's patented rubber compounds and technology for a tire that is more flexible to temperature changes to provide better traction on snow and ice.[17] In its questionnaire response, Bridgestone reported that ***.

Since opening the Wuxi facility in 2004, Bridgestone announced a number of capacity expansions. The first came in April 2009 when it announced that, in response to the expected increase in demand for radial passenger car tires in the China market, it would invest $98 million to expand daily output at the Wuxi plant from 8,000 radial tires per day (2.9 million tires per year) to approximately 12,000 tires per day (4.4 million tires per year).[18] Another came in August 2011 when it announced that it was increasing the capacity to a total of 16,300 tires per day, with the expansion focused on the production capacity of eco-friendly tires, such as its "ECOPIA" brand tires. The latest expansion announcement came in October 2013 when Bridgestone Wuxi stated its plans to invest $140 million to increase the plant's capacity to 22,600 tires per day by the second half of 2016, with a focus on high-performance tires.[19] Bridgestone reported that ***.

Continental

Continental operates one facility that produces PVLT tires in China, which is located in the city of Hefei. The plant, which opened in May 2011, reportedly produces premium, medium and high-end passenger tires for both the domestic market in China and other Asian markets. While the plant in Hefei began with an annual production capacity of four million tires, the firm announced in March 2012 that it would begin an expansion that would increase annual production capacity to eight million tires with a targeted eventual expansion of 16 million tires

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[16] Bridgestone's involvement at the Tianjin plant began in 2000, when it bought 94.5-percent control of the Kumho Industrial Co. Ltd. tire plant. "Bridgestone hikes tire making presence in China," February 1, 2000. http://www.tirebusiness.com/article/20000201/NEWS/302019997/bridgestone-hikes-tire-making-presence-in-china, retrieved July 3, 2014.

[17] "Bridgestone Tianjin makes first Blizzak tires," August 16, 2012 http://www.tirebusiness.com/article/20120816/NEWS/308169992/bridgestone-tianjin-makes-first-blizzak-tires, retrieved July 3, 2014.

[18] Tires 421 Investigation, pp. IV-6-7.

[19] "Bridgestone to Increase Production Capacity of Radial Passenger Tires at its Wuxi Plant in China," August 8, 2011. http://www.bridgestone.com/corporate/news/2011080804.html, retrieved July 2, 2014. "Bridgestone to Increase Passenger Car Radial Tire Production Capacity at Wuxi Plant in China," October 29, 2013. http://www.bridgestone.com/corporate/news/2013102901.html, retrieved July 2, 2014.

per year.[20] In 2013, it was reported that the Hefei plant had produced China's first domestic run-flat tires, which is designed to resist the effects of deflation when punctured, and to enable the vehicle to continue to run at a maximum speed of 80 km/h for limited distance of 80 km. Annual output of run-flat tires at the plant is estimated to reach 340,000 tires in 2014 and 510,000 in 2015.[21] The Commission did not receive a foreign questionnaire response from Continental (Hefei).

Cooper

Cooper entered the Chinese market in 2004 when it established a 50-50 joint venture with Taiwan Kenda Rubber Industrial Co., Ltd. in the city of Kunshan.[22] The first radial passenger and light truck tires produced by the joint venture came in February 2008.[23] In 2011, Cooper agreed to buy the remaining 50-percent stake in the joint venture for $116.5 million, renaming it Cooper Kunshan Tire. The plant in Kunshan reportedly has a nameplate capacity of 12,000 tires a day with a focus on export markets in North America and Europe.[24] In its questionnaire response, Cooper reported ***.

Cooper also produces tires as part of a joint venture with the Chengshan Group in Shandong Province, which reportedly has an annual capacity of 15 million tires including five million truck/bus radial tires, 8 million passenger radial tires and 2 million bias tires.[25] In June 2013, workers at the plant in Shandong went on strike interrupting operations until January 2014. According to the agreement that resolved the dispute, Cooper agreed to provide the Chengshan Group an option to purchase the factory. The shutdown took place during negotiations for the Cooper-Apollo merger, which Cooper's joint venture partner in China opposed. As a result of the shutdown, Cooper was unable to meet a mid-November filing deadline for its third-quarter results, which was a development that Apollo said made it impossible to secure financing for the merger ahead of a year-end deadline.[26] In its questionnaire response, Cooper reported that ***.

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[20] "Hefei Factory of Continental Tire to Expand," March 29, 2013. http://english.anhuinews.com/system/2012/03/29/004871739.shtml, retrieved July 3, 2014.

[21] "Continental accelerates localization in China," November 28, 2013 http://www.chinadaily.com.cn/business/2013-11/28/content_17138558.htm, retrieved July 3, 2014.

[22] In that same year, Cooper announced that Hangzhou Zhongce Rubber Co. located in Hangzhou, China would be supplying approximately one million passenger radial tries to Cooper for sale in the U.S. market. Tires 421 report, IV-7.

[23] Tires 421 report, IV-7.

[24] "Cooper buying 100% control of Cooper-Kenda venture," March 3, 2011. http://www.tirebusiness.com/article/20110303/NEWS/303039999, retrieved July 3, 2014. Cooper's business license for its Kunshan plant in China required the firm to export all of the tires produced at the plant between 2008 and 2012. Tires 421 Investigation, p. 34 n. 190.

[25] "About Us," http://www.cooperchengshan.com/AboutUs/AboutUse.aspx, retrieved July 7, 2014.

[26] According to the deal, if Chengshan does not exercise its right to buy out Cooper's 65 percent interest in the factory, then Cooper will have the right to purchase the remaining 35 percent joint

(*continued*...)

Goodyear

Goodyear was the first foreign company to build a tire factory in China, which was located in Dalian in 1994. When the plant in Dalian could not be expanded due to residential development, Goodyear constructed a new plant in Pulandian, which began operations in 2012. The Pulandian plant reportedly doubles the capacity of the Dalian plant, where capacity was listed as 15,000 tires a day, or approximately 5.4 million a year.[27] In its questionnaire response, Goodyear reported ***.

Michelin

Michelin established it manufacturing presence in China when it partnered with Shenyang Tire Factory in 1995 to produce radial tires for sedans and trucks as part of Shenyang Michelin.[28] In 2004, Shenyang Michelin announced a $300 million expansion to boost output from two million to three million tires a year. Production at the Shenyang plant began in 2013 and is reported to eventually have the capacity to produce more than 12 million car, light truck and medium truck/bus tires a year.[29] The Commission did not receive a foreign questionnaire response from Shenyang Michelin.

Pirelli

In 2005, Pirelli established a joint venture with Shandong Roadone Tyre for the production of truck tires in Shandong. In 2007, the joint venture began producing high performance car tires in a second factory with a capacity of three million car tires located in the same industry park that produces truck tires.[30] In 2013, Pirelli announced an expansion of the Shandong facility, making the plant Pirelli's largest in the world. Once completed, the expansion will reportedly raise annual car tire capacity to 10 million units from 4.1 million and truck tire

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(…*continued*)
venture. "Cooper Tire Reaches Agreement with Chengshan Group and CCT Labor Union on Path Forward for CCT Joint Venture," January 31, 2014. http://finance.yahoo.com/news/cooper-tire-reaches-agreement-chengshan-120000095.html, retrieved July 7, 2014.

[27] "Goodyear starts truck tires at China plant," October 27, 2012. http://www.tirebusiness.com/article/20121027/NEWS/121029926/goodyear-starts-truck-tires-at-china-plant, retrieved July 7, 2014.

[28] Michelin acquired 70 percent of a joint venture in Shanghai in 2001, which operates as Shanghai Michelin Warrior Tire Co. Tires 421 report, IV-9.

[29] "Michelin opens Shenyang plant," February 12, 2013. http://www.tirebusiness.com/article/20130212/NEWS/130219977/michelin-opens-shenyang-plant, retrieved July 7, 2014.

[30] "Expansion in China continues with new high performance car tyre factory," November 27, 2007. http://www.pirelli.com/tyre/ww/en/news/2007/11/27/pirelli-expansion-in-china-continues-with-new-high-performance-car-tyre-factory/, retrieved July 7, 2014.

capacity to 850,000 units from 700,000.[31] In its questionnaire response, Pirelli reported that ***.

Toyo

Toyo has PVLT manufacturing operations at two facilities in China. In 2010, Toyo established a subsidiary (Toyo Tire (Zhangjiang) to produce PVLT tires in Jiangu, which opened in December 2011 with an expected annual capacity of about two million tires.[32] In 2011, Toyo acquired a 75 percent equity interest in Chinese motor vehicle tire manufacturer and renamed it Toyo Tire (Zhucheng).[33] Toyo reported that ***.

Yokohama

Yokohama has PVLT manufacturing operations at two facilities in China: Hangzhou Yokohama Tire Co., Ltd. in Hangzhou and Suzhou Yokohama Tire Co., Ltd. in Suzhou, in Jiangsu province. Yokohama's plant in Hangzhou, which opened in 2001, produces radial tires for passenger cars and reportedly has an annual capacity of 5.1 million tires. Yokohama's plant in Suzhou, which opened in 2006, produces tires for trucks and buses. In 2013, Yokohama announced production at a second plant in Suzhou would start in April with an eventually capacity of six million passenger car tires per year with a focus on its "BluEarth eco tire brand and other high performance, fuel-efficient passenger car tires."[34] The Commission did not receive a foreign producer questionnaire response form Yokohama.

Table VII-4 presents aggregate data with respect to PVLT tires operations of the 53 responding firms in China. More than half of the 53 Chinese firms reported increases in annual capacity between 2011 and 2013. The largest of these increases were reported by: ***.

During 2011-13, capacity increased by 27.7 percent while production increased by 25.3 percent during 2011-13. During 2011-13, home market shipments accounted for between 34.3 and 37.0 percent of total shipments. *** accounted for the vast majority of reported internal

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[31] Pirelli also increased its stake in the joint venture, which was originally 60 percent in 2005 to 95 percent. "China plant to be Pirelli's largest," April 1, 2013. http://www.tirebusiness.com/article/20130401/ISSUE/304019979/china-plant-to-be-pirellis-largest, retrieved July 7, 2014.

[32] "Toyo holds grand opening at China tire factory," December 12, 2011. http://www.moderntiredealer.com/channel/retailing/news/story/2011/12/toyo-holds-grand-opening-at-china-tire-factory.aspx, retrieved July 7, 2014.

[33] Toyo also established a joint venture with Mitsubishi Corporation, as an automobile tire sales subsidiary company called Toyo Tire (Shanghai) Co., Ltd. in Shanghai in 2003. "History" http://www.toyo-rubber.co.jp/english/company/enkaku/, retrieved July 7, 2014. "Silverstone Acquisition Complete," July 4, 2011. http://www.toyotire.eu/news/item/id/7242, retrieved July 7, 2014.

[34] "Yokohama to build 2nd Chinese passenger tire plant," January 23, 2014. http://www.rubbernews.com/article/20140123/NEWS/140129972, retrieved July 8, 2014.

consumptions/internal transfers of PVLT tires. [35] Export shipments to the United States increased by 98.7 percent during 2011-13 and accounted for between 9.8 and 15.4 percent during the period. Exports all other markets increased by 9.6 percent during 2011-13 and accounted for between 37.3 and 45.2 percent of total shipments during the period. Chinese producers reported exports of PVLT tries to countries throughout the world.

Table VII-4

PVLT tires: Data on industry in China, 2011-13, January to March 2013, and January to March 2014 and projection Calendar years 2013-14, 2014-15

Item	Actual experience					Projections	
	Calendar year			January to March		Calendar year	
	2011	2012	2013	2013	2014	2014	2015
	Quantity (1,000 tires)						
Capacity	313,089	344,555	399,839	91,751	101,313	420,997	443,802
Production	261,603	282,055	327,714	72,164	82,031	360,713	383,423
End-of-period inventories	24,737	28,482	29,370	28,793	29,581	31,008	31,593
Shipments: Internal consumption/ transfers	27,573	27,878	28,073	6,874	6,889	29,466	33,515
Home market shipments	88,499	102,673	121,262	27,808	31,143	135,419	148,549
Export shipments to: United States	25,370	33,204	50,416	10,433	12,148	52,579	52,129
All other markets	116,456	115,098	127,628	26,839	31,762	142,316	149,323
Total exports	141,826	148,302	178,044	37,272	43,910	194,895	201,452
Total shipments	257,898	278,853	327,379	71,954	81,942	359,780	383,516
	Ratios and shares (percent)						
Capacity utilization	83.6	81.9	82.0	78.7	81.0	85.7	86.4
Inventories/production	9.5	10.1	9.0	10.0	9.0	8.6	8.2
Inventories/total shipments	9.6	10.2	9.0	10.0	9.0	8.6	8.2
Share of total shipments: Internal consumption/ transfers	10.7	10.0	8.6	9.6	8.4	8.2	8.7
Home market shipments	34.3	36.8	37.0	38.6	38.0	37.6	38.7
Export shipments to: United States	9.8	11.9	15.4	14.5	14.8	14.6	13.6
All other markets	45.2	41.3	39.0	37.3	38.8	39.6	38.9
Total exports	55.0	53.2	54.4	51.8	53.6	54.2	52.5
Total shipments	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

[35] ***.

China's export markets

Chinese exports of motor car (passenger car) tires by country as reported under HTS 4011.10 are detailed in the data of table VII-5. Light truck tires are excluded in this category.

Table VII-5

Motor car tires:[1] China's exports to major trading partners, 2009-13

Destination	Calendar year				
	2009	2010	2011	2012	2013
	Value ($1,000)				
United States	1,243,604	1,017,247	1,078,641	1,398,201	1,899,831
United Kingdom	263,100	341,574	499,903	480,675	490,784
Australia	137,597	200,730	273,766	302,878	251,791
Canada	96, 643	136,262	205,508	264,472	235,710
Germany	119,488	164,344	281,994	201,198	197,810
Brazil	26,654	85,466	182,860	163,874	181,234
Mexico	48,577	111,098	150,395	167,000	176,188
Netherlands	71,704	202,325	266,246	186,279	161,473
Japan	62,613	73,879	134,396	161,472	153,890
Italy	51,508	74,318	155,424	1 23,881	136,221
Spain	45,061	71,371	100,928	102,631	127,359
Russia	5,705	18,579	65,326	113,863	125,385
United Arab Emirates	94,050	135,441	189,671	146,610	123,761
Saudi Arabia	59,233	81,153	118,246	137,509	114,216
Korea, South	51,117	71,224	126,572	137,304	111,705
Belgium	97,547	139,142	198,096	127,952	97,678
Nigeria	40,743	52,791	85,605	65,327	90,893
Algeria	21,950	44,759	76,886	88,261	66,670
France	47,668	59,445	79,978	66,535	64,676
South Africa	22,583	56,012	62,829	63,497	58,176
All other	592,218	912,630	1,229,670	1,380,077	1,319,171
Total	3,199,365	4,049,790	5,562,940	5,879,494	6,184,624

[1] HTS 4011.10 refers principally to subject passenger car tires; subject light truck tires (estimated at about 20 percent of all subject PVLT tires) not reported under this subheading. The data are ranked in order of value on calendar year 2013.

Source: Global Trade Atlas, Chinese Customs data (HTS subheading 4011.10).

The United States was reported as the leading destination for Chinese passenger car tire exports during the period 2009-13, and in 2013 accounted for about 31 percent of total Chinese global exports compared to 39 percent in 2009, and a low of 19 percent in 2011. In 2013, China exported passenger car tires valued at $6.2 billion to 209 countries in several regions around the globe, of which about 79 percent of the total was shipped to the 20 countries shown in table VII-6; On a regional basis, of the 20 countries shown, North America (U.S., Canada, and Mexico) accounted for about 37 percent of total Chinese exports, the EU, 21 percent, and Asia, Oceania, the Middle East, Africa, and Latin America, in order, about 20 percent in aggregate.

The data of table VII-6 reflect the aggregate sum of the value of Chinese exports of passenger car tire, truck and bus tires by country as reported under HTS 4011.10 and 4011.20, respectively. In 2013, according to Global Trade Atlas (GTIS) data, Chinese exports of passenger car, truck and bus tires in aggregate totaled $14.3 billion, of which truck and bus tires accounted for $8.1 billion or about 57 percent of the total, and passenger tires, $6.2 billion, or 43 percent of total exports.[36] Chinese truck and bus tires were exported to more than 200 countries around the globe, representative of the trend previously reported for Chinese exports of passenger car tires in table VII-5.[37]

[36] Chinese truck and bus tire export data as reported by GTIS at the 6-digit HTS level are likely to include a significant percentage of nonsubject product, judging from official U.S. import statistics reported by Commerce at the 10-digit HTS level under HTS 4011.20. In 2013, U.S. imports of subject Chinese light truck and nonsubject truck and bus tire imports at 10-digit levels were valued at $1.23 billion, of which nonsubject truck and bus tires accounted for $0.89 billion, or 72 percent of the total, and subject light truck tires $0.34 billion, or 28 percent of the total.

[37] Certain nonsubject truck and bus tires from China reported at the 10-digit level under HTS 4011.20 are the subject of AD/CVD orders: *Certain New Pneumatic Off-the-Road Tires From the People's Republic of China; Continuation of Antidumping and Countervailing Duty Orders,* 79 FR 6539, February 4, 2014.

Table VII-6
Motor Car, truck, and bus tires:[1] China's exports to major trading partners, 2009-13

Destination	Calendar year				
	2009	2010	2011	2012	2013
	Value ($1,000)				
United States	1,836,389	1,927,924	2,432,604	2,869,185	3,349,490
United Kingdom	318,525	416,802	640,314	607,137	656,625
Russia	76,124	216,339	493,727	527,656	548,088
Australia	274,573	372,836	557,793	588,219	525,592
United Arab Emirates	383,865	495,152	818,324	694,504	507,104
Saudi Arabia	191,810	234,913	355,647	536,131	494,729
Mexico	115,565	239,591	366,150	431,507	431,519
Canada	148,002	213,031	305,328	398,128	372,962
Nigeria	127,585	184,850	242,470	235,969	302,360
Germany	143,980	202,926	363,776	288,717	292,416
Brazil	53,597	167,698	278,503	231,279	269,601
Netherlands	112,594	268,189	368,270	262,277	252,987
Pakistan	120,830	143,001	210,538	244,664	233,163
Italy	87,894	117,682	249,007	196,860	231,193
Iraq	6,852	41,479	95,459	138,009	207,417
Chile	77,319	139,669	181,041	207,559	206,813
Spain	77,174	108,661	166,166	151,592	197,956
Japan	73,061	85,964	156,752	199,964	180,063
All other	2,490,545	3,521,766	4,683,760	5,129,556	5,057,477
Total	6,716,282	9,098,475	12,965,628	13,938,914	14,317,555

[1] Includes an indefinite number of nonsubject tires, especially truck and bus tires that are not subject to this investigation. Tires used on trucks and buses that are not light trucks, reported under HTS subheading 4011.20, are not subject to this investigation.

Source: Global Trade Atlas, Chinese Customs data, exporter records (HTS subheadings 4011.10 and 4011.20).

U.S. INVENTORIES OF IMPORTED MERCHANDISE

Table VII-7 presents data on U.S. importers' reported inventories of PVLT tires. Inventories of imported PVLT tires from China increased by 83.6 percent during 2011-13 and were 45.7 percent higher in interim 2014 compared to interim 2013. Inventories of imported PVLT tires from all other sources increased by 10.4 percent during 2011-13 and were 9.2 percent higher in interim 2014 compared to interim 2013.

Table VII-7
PVLT tires: U.S. importers' inventories, 2011-13, January to March 2013, and January to March 2014

Item	Calendar Year			January to March	
	2011	2012	2013	2013	2014
Imports from China:					
Inventories (1,000 tires)	2,804	3,997	5,147	3,879	5,652
Ratio to U.S. imports (percent)	14.0	15.3	12.1	10.5	12.9
Ratio to U.S. shipments of imports (percent)	13.3	16.8	13.1	11.2	14.2
Imports from all other sources:					
Inventories (1,000 tires)	13,648	14,264	15,072	13,539	14,788
Ratio to U.S. imports (percent)	13.8	14.4	15.0	14.3	14.8
Ratio to U.S. shipments of imports (percent)	15.2	15.8	16.3	15.1	16.0
Imports from all sources:					
Inventories (short tons)	16,452	18,261	20,219	17,418	20,440
Ratio to U.S. imports (percent)	13.8	14.6	14.1	13.3	14.2
Ratio to U.S. shipments of imports (percent)	14.8	16.0	15.4	14.0	15.4

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

U.S. IMPORTERS' OUTSTANDING ORDERS

The Commission requested importers to indicate whether they imported or arranged for the importation of PVLT tires from China after March 31, 2014. These data are presented in table VII-8.

Table VII-8

PVLT tires: U.S. importers' current orders arranged for delivery after March 31, 2014

Item	Period				
	2014 Q2	2014 Q3	2014 Q4	2015 Q1	(Total)
Imports arranged from China	9,709	6,422	1,653	1,513	19,297
Imports arranged from all other sources	18,550	14,495	11,064	11,069	55,178
Total arranged imports	28,259	20,917	12,717	12,582	74,475

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

ANTIDUMPING OR COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS

Petitioners cited five countries with antidumping duty orders on passenger vehicle and light truck tires, including Brazil, India, Turkey, Colombia, and Egypt. On June 9, 2009, Brazil imposed a tariff ranging from $1.12 to $2.59 per kilogram on radial construction tires for trucks from China. In September 2009, Brazil imposed an additional tariff of $0.75 per kilogram on radial construction tires for passenger cars from China. In July 2014, Brazil renewed the measures on radial tires for passenger cars from China, with modified rates ranging from $1.08 to $2.17 per kilogram.[38] On January 1, 2010, India imposed an antidumping duty order on new pneumatic radial tires for trucks and buses, with a rate ranging from $22.47 to $89.14 per tire.[39] On August 8, 2005, Turkey imposed an antidumping duty order on new pneumatic tires from China at rates ranging from 60 to 80 percent.[40] On June 12, 2013, Colombia imposed an antidumping duty order on radial tires from China.[41] On February 26, 2013 and March 31, 2013, Egypt instituted reviews of its antidumping duty orders on tires for buses and trucks.[42]

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[38] "RESOLUÇÃO No. 33," June 9, 2009. http://www.camex.gov.br/legislacao/interna/id/628, retrieved July 8, 2014. "RESOLUÇÃO No. 49," September 8, 2009. http://www.camex.gov.br/legislacao/interna/id/628, retrieved July 8, 2014. RESOLUÇÃO No. 56," July 24, 2013. http://www.camex.gov.br/legislacao/interna/id/1100, retrieved July 8, 2014.

[39] The order also included tubes and flaps, classified as Tire, Tube, and Flap ("TFF") sets. The final report stipulated that a rate of 90% of the actual listed rate would apply to tires imported without tubes or flaps. The above information reflects this 90% rate. "Antidumping investigation involving import of Bus and Truck Radial Tyres, originating in or exported from China PR and Thailand," January 1, 2010. http://www.commerce.nic.in/writereaddata/traderemedies/adfin_Bus_Truck_%20Radial_Tyres_ChinaPR_Thailand.pdf, retrieved July 8, 2014.

[40] "Barriers to trade," 2006. http://www.china.org.cn/english/features/fmar/168021.htm, retrieved July 8, 2014; *Semi-Annual Report Under Article 16.4 of the Agreement: Turkey*, World Trade Organization, January 24, 2014, p. 11.

[41] *Semi-Annual Report Under Article 16.4 of the Agreement: Colombia*, World Trade Organization, March 21, 2014, p. 13;

[42] *Semi-Annual Report Under Article 16.4 of the Agreement: Egypt*, January 17, 2014, p. 3.

INFORMATION ON NONSUBJECT COUNTRIES

In assessing whether the domestic industry is materially injured or threatened with material injury "by reason of subject imports," the legislative history states "that the Commission must examine all relevant evidence, including any known factors, other than the dumped or subsidized imports, that may be injuring the domestic industry, and that the Commission must examine those other factors (including non-subject imports) 'to ensure that it is not attributing injury from other sources to the subject imports.'"[43]

The global tire industry is made up of large multinational producers that are active throughout the world, with plants located in both the developed and developing nations. The most recent global tire sales data available from any one data source are presented in table VII-9.[44]

Global tire sales figures as reported by 75 international firms reflect a relatively level value of sales of approximately $188 billion during the 2011-12 period, led by the big three tire producers Bridgestone of Japan, Michelin of France, and Goodyear of the United States. The 15 leading firms in tire sales in 2012 as shown, accounted for about 73 percent of the global total. Big three sales were reported at $74 billion, or about 54 percent of the top 15 leading global tire manufacturer sales, and some 40 percent of the global total. Following on the heels of the big three were Continental of Germany, Sumitomo of Japan, Pirelli of Italy, and Hankook of South Korea, which in aggregate accounted for another $33 billion, or about 24 percent of sales by the top 15 tire producers. Japanese headquartered producers led the way in the top 15 bracket with sales of $45 billion, or 33 percent of the total. Two large Chinese producers were highly ranked, Hangzhou Zhongce (10) and Giti (15). Seven of the leading producers have production facilities in the United States, including Bridgestone, Michelin, Goodyear, Continental, Yokohama, Cooper, and Toyo.

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[43] *Mittal Steel Point Lisas Ltd. v. United States*, Slip Op. 2007-1552 at 17 (Fed. Cir. Sept. 18, 2008), quoting from Statement of Administrative Action on Uruguay Round Agreements Act, H.R. Rep. 103-316, Vol. I at 851-52; *see also Bratsk Aluminum Smelter v. United States*, 444 F.3d 1369 (Fed. Cir. 2006).

[44] Global tire sales by producer was obtained from data published in Rubber and Plastics News, September 9, 2013.

Table IV-9

Tires: Global leaders in new tire sales, by firm, 2011-12

2012 Rank	Firm and headquarters location	Estimated value of tire sales ($ million)		Share of global sales
		2011	2012	2012
1	Bridgestone Corp., Tokyo, Japan [1]	28,450	28,575	15.3
2	Group Michelin, Clermont-Ferrand, France	27,414	26,222	14.0
3	Goodyear Tire & Rubber Co., Akron, OH [2]	20,490	18,900	10.1
4	Continental A.G., Hanover, Germany	10,645	10,895	5.8
5	Sumitomo Rubber Industries Ltd., Kobe, Japan [2 3 4]	7,413	7,763	4.1
6	Pirelli & C. S.p.A., Milan, Italy	7,802	7,627	4.1
7	Hankook Tire Co. Ltd., Seoul, South Korea	5,744	6,259	3.3
8	Yokohama Rubber Co. Ltd., Tokyo, Japan	6,028	5,570	3.0
9	Maxxis International/Cheng Shin Rubber, Yuanlin, Taiwan	4,268	4,631	2.5
10	Hangzhou Zhongce Rubber Co. Ltd., Hangzhou, China	4,262	4,558	2.4
11	Cooper Tire & Rubber Co., Findlay, OH	3,927	4,201	2.2
12	Kumho Tire Co. Inc., Seoul, South Korea	3,522	3,600	1.9
13	Toyo Tire & Rubber Co. Ltd., Osaka, Japan[5]	3,065	2,867	1.5
14	MRF Ltd., Chennai, India	2,352	2,708	1.4
15	Giti Tire Co. Pte., Singapore[6]	2,894	2,696	1.4
	Subtotal	138, 271	137, 072	73.2
	All others	50,029	50,178	26.8
	Total	188,300	187,250	100.0

[1] Bridgestone owns 16% of Finland's Nokian Tyres P.L.C. (No. 18 on 2012 ranking) and 44% of Turkey's BRISA/Bridgestone (No. 37).

[2] Goodyear and Sumitomo operate 75/25 joint ventures in North America and Western Europe, incorporating Sumitomo's Dunlop-related tire activities in those regions.

[3] Sumitomo acquired Dunlop-related assets in Africa from Apollo Tyres Ltd., 2nd quarter 2013.

[4] Sumitomo setting up joint venture in Turkey with parent of Petlas Tyre (No. 52 on 2012 ranking).

[5] Toyo changed fiscal year to calendar year reporting; figure presented here represents nine months of sales in Japan plus 12 months of results from overseas subsidiaries.

[6] Giti Tire owns 49.7% of Indonesia's P.T. Gajah Tunggal (No. 27); announced new consumer tire plant in South Carolina (U.S.).

Note: Where possible, non-tire revenue from company-owned retail operations is excluded.

Source: Rubber and Plastic News, September 9, 2013.

APPENDIX A

FEDERAL REGISTER NOTICES

The Commission makes available notices relevant to its investigations and reviews on its website, www.usitc.gov. In addition, the following tabulation presents, in chronological order, *Federal Register* notices issued by the Commission and Commerce during the current proceeding.

Citation	Title	Link
79 FR 32994, June 9, 2014	*Certain Passenger Vehicle and Light Truck Tires From China; Institution of Antidumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations*	http://www.gpo.gov/fdsys/granule/FR-2014-06-09/2014-13342
79 FR 35725 June 24, 2014	*Notice of Extension of the Deadline for Determining the Adequacy of the Antidumping and Countervailing Duty Petitions: Certain Passenger Vehicle and Light Truck Tires From the People's Republic of China*	http://www.gpo.gov/fdsys/granule/FR-2014-06-24/2014-14716
79 FR 42285, July 21, 2014	*Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China: Initiation of Countervailing Duty Investigation*	http://www.gpo.gov/fdsys/pkg/FR-2014-07-21/html/2014-17096.htm
79 FR 42292, July 21, 2014	*Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China: Initiation of Antidumping Duty Investigation*	http://www.gpo.gov/fdsys/pkg/FR-2014-07-21/html/2014-17111.htm

APPENDIX B

CALENDAR OF THE PUBLIC STAFF CONFERENCE

CALENDAR OF PUBLIC PRELIMINARY CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's preliminary conference:

Subject:	Certain Passenger Vehicle and Light Truck Tires from China
Inv. Nos.:	701-TA-522 and 731-TA-1258 (Preliminary)
Date and Time:	June 24, 2014 - 9:30 am

Sessions were held in connection with these preliminary investigations in Courtroom B (room 111), 500 E Street, S.W., Washington, DC.

OPENING REMARKS:

Petitioner (**Terence P. Stewart**, Stewart and Stewart)
Respondents (**James P. Durling**, Curtis, Mallet-Prevost, Colt & Mosle LLP)

In Support of the Imposition of Antidumping and Countervailing Duty Orders:

Stewart and Stewart
Washington, DC
on behalf of

United Steel, Paper and Forestry, Rubber,
Manufacturing, Energy, Allied Industrial and
Service Workers International Union, AFL-CIO, CLC ("USW")

Stan Johnson, International Secretary-Treasurer, USW
Mark Williams, President, USW Local 351L
Rodney Nelson, President, USW Local 207L
Steve Jones, President, USW Local 1023
Darryl Jackson, President, USW Local 959
David Hayes, President, USW Local 12L

Terence P. Stewart)
Elizabeth J. Drake) – OF COUNSEL
Philip A. Butler)

In Opposition to the Imposition of Antidumping and Countervailing Duty Orders:

Curtis, Mallet-Prevost, Colt & Mosle LLP
Washington, DC
on behalf of

Sub-Committee of Tire Producers of the China Chamber of Commerce of Metals, Minerals & Chemical Importers ("CCCMC")

The China Rubber Industry Association ("CRIA")

Daniel L. Porter)
James P. Durling)
) – OF COUNSEL
Matthew P. McCullough)
Ross Bidlingmaier)

NON-PARTY APPEARANCE:

Bloom Tree Partners, LLC
New York, NY

Jem Atlas, Analyst, Bloom Tree Partners, LLC

REBUTTAL/CLOSING REMARKS:

Petitioner (**Elizabeth J. Drake**, Stewart and Stewart)
Respondents (**Matthew P. McCullough**, Curtis, Mallet-Prevost,Colt & Mosle LLP)

APPENDIX C

SUMMARY DATA

Table C-1
PVLT tires: Summary data concerning the U.S. market, 2011-2013, January to March 2013, and January to March 2014
(Quantity=1,000 tires; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per tire; Period changes=percent--exceptions noted)

	Report data					Period changes			
	Calendar year			January to March		Calendar year			Jan-Mar
	2011	2012	2013	2013	2014	2011-13	2011-12	2012-13	2013-14
U.S. consumption quantity:									
Amount	278,561	278,838	294,870	67,364	70,919	5.9	0.1	5.7	5.3
Producers' share (fn1)	49.9	47.5	43.3	43.7	42.2	(6.5)	(2.4)	(4.1)	(1.5)
Importers' share (fn1):									
China	8.8	11.3	17.2	15.3	18.0	8.4	2.5	6.0	2.8
All others sources	41.3	41.2	39.4	41.0	39.7	(1.9)	(0.1)	(1.8)	(1.3)
Total imports	50.1	52.5	56.7	56.3	57.8	6.5	2.4	4.1	1.5
U.S. consumption value:									
Amount	21,805,911	22,247,979	22,272,597	5,197,398	5,119,419	2.1	2.0	0.1	(1.5)
Producers' share (fn1)	57.3	55.1	52.9	52.5	51.7	(4.4)	(2.2)	(2.2)	(0.8)
Importers' share (fn1):									
China	6.2	7.1	10.5	9.4	11.2	4.2	0.9	3.4	1.8
All others sources	36.5	37.8	36.7	38.1	37.0	0.2	1.3	(1.1)	(1.1)
Total imports	42.7	44.9	47.1	47.5	48.3	4.4	2.2	2.2	0.8
U.S. importers' U.S. shipments of Imports from:									
China:									
Quantity	24,565	31,479	50,847	10,275	12,793	107.0	28.1	61.5	24.5
Value	1,361,185	1,583,853	2,333,209	489,047	575,403	71.4	16.4	47.3	17.7
Unit value	$55.41	$50.31	$45.89	$47.60	$44.98	(17.2)	(9.2)	(8.8)	(5.5)
Ending inventory quantity	2,804	3,997	5,147	3,879	5,652	83.6	42.5	28.8	45.7
All other sources:									
Quantity	115,053	114,987	116,248	27,645	28,182	1.0	(0.1)	1.1	1.9
Value	7,953,773	8,409,908	8,165,458	1,979,978	1,895,257	2.7	5.7	(2.9)	(4.3)
Unit value	$69.13	$73.14	$70.24	$71.62	$67.25	1.6	5.8	(4.0)	(6.1)
Ending inventory quantity	13,648	14,264	15,072	13,539	14,788	10.4	4.5	5.7	9.2
Total imports:									
Quantity	139,618	146,466	167,096	37,920	40,975	19.7	4.9	14.1	8.1
Value	9,314,958	9,993,761	10,498,667	2,469,025	2,470,660	12.7	7.3	5.1	0.1
Unit value	$66.72	$68.21	$62.85	$65.12	$60.30	(5.8)	2.2	(7.9)	(7.4)
Ending inventory quantity	16,452	18,261	20,219	17,418	20,440	22.9	11.0	10.7	17.3
U.S. producers':									
Average capacity quantity	166,440	163,689	162,736	40,358	40,855	(2.2)	(1.7)	(0.6)	1.2
Production quantity	155,804	149,393	141,882	36,162	37,473	(8.9)	(4.1)	(5.0)	3.6
Capacity utilization (fn1)	93.6	91.3	87.2	89.6	91.7	(6.4)	(2.3)	(4.1)	2.1
U.S. shipments:									
Quantity	138,943	132,372	127,774	29,444	29,944	(8.0)	(4.7)	(3.5)	1.7
Value	12,490,953	12,254,218	11,773,930	2,728,373	2,648,759	(5.7)	(1.9)	(3.9)	(2.9)
Unit value	$89.90	$92.57	$92.15	$92.66	$88.46	2.5	3.0	(0.5)	(4.5)
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	21,943	22,426	21,526	25,388	25,254	(1.9)	2.2	(4.0)	(0.5)
Inventories/total shipments (fn1)	***	***	***	***	***	***	***	***	***
Production workers	33,390	29,921	29,033	29,420	28,545	(13.0)	(10.4)	(3.0)	(3.0)
Hours worked (1,000s)	66,703	60,776	58,070	15,455	15,577	(12.9)	(8.9)	(4.5)	0.8
Wages paid ($1,000)	2,213,789	2,037,383	1,995,184	493,983	488,320	(9.9)	(8.0)	(2.1)	(1.1)
Productivity (tires per hour)	2.34	2.46	2.44	2.34	2.41	4.6	5.2	(0.6)	2.8
Unit labor costs	$14.21	$13.64	$14.06	$13.66	$13.03	(1.0)	(4.0)	3.1	(4.6)
Net Sales:									
Quantity	159,153	148,514	143,838	33,923	33,630	(9.6)	(6.7)	(3.1)	(0.9)
Value	13,356,360	13,184,460	12,667,444	3,007,522	2,937,448	(5.2)	(1.3)	(3.9)	(2.3)
Unit value	$83.92	$88.78	$88.07	$88.66	$87.35	4.9	5.8	(0.8)	(1.5)
Cost of goods sold (COGS)	11,019,413	10,534,555	9,905,303	2,332,253	2,242,812	(10.1)	(4.4)	(6.0)	(3.8)
Gross profit of (loss)	2,336,947	2,649,905	2,762,141	675,269	694,636	18.2	13.4	4.2	2.9
SG&A expenses	1,270,545	1,282,411	1,339,474	302,916	316,301	5.4	0.9	4.4	4.4
Operating income or (loss)	1,066,402	1,367,494	1,422,667	372,353	378,335	33.4	28.2	4.0	1.6
Capital expenditures	719,339	727,414	744,694	146,841	150,231	3.5	1.1	2.4	2.3
Unit COGS	$69.24	$70.93	$68.86	$68.75	$66.69	(0.5)	2.4	(2.9)	(3.0)
Unit SG&A expenses	$7.98	$8.63	$9.31	$8.93	$9.41	16.7	8.2	7.8	5.3
Unit operating income or (loss)	$6.70	$9.21	$9.89	$10.98	$11.25	47.6	37.4	7.4	2.5
COGS/sales (fn1)	82.5	79.9	78.2	77.5	76.4	(4.3)	(2.6)	(1.7)	(1.2)
Operating income or (loss)/sales (fn1)	8.0	10.4	11.2	12.4	12.9	3.2	2.4	0.9	0.5

Notes:

fn1.--Report data are in percent and period changes are in percentage points.
fn2.--Undefined.