CERTAIN PASSENGER VEHICLE AND LIGHT TRUCK TIRES FROM CHINA

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

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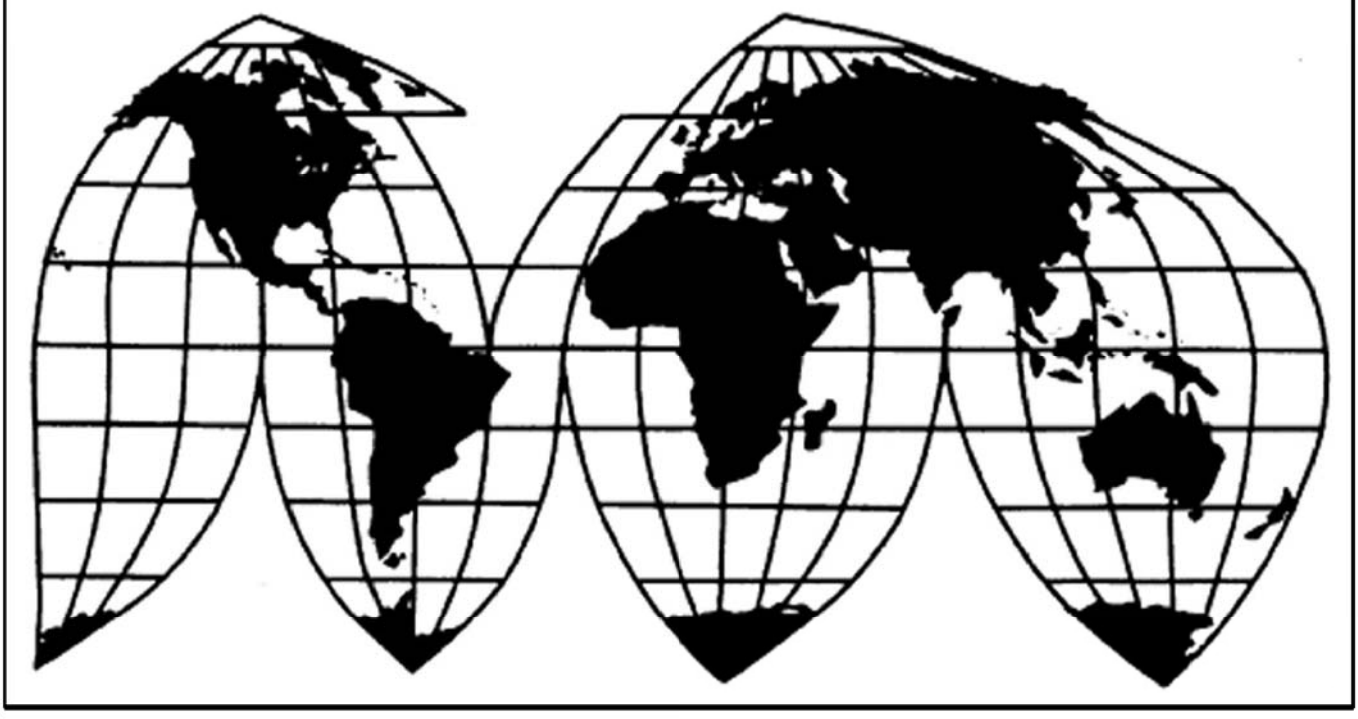
U.S. International Trade Commission



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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Note.—Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted.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 (Final)

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 the Tariff Act of 1930 ("the Act"), that an industry in the United States is materially injured by reason of imports of certain passenger vehicle and light truck tires from China, 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 have been found by the Department of Commerce to be sold in the United States at less than fair value ("LTFV") and subsidized by the government of China.[2] [3]

Background

The Commission, pursuant to sections 705(b) and 735(b) of the Tariff Act of 1930 (19 U.S.C. 1671d(b)) and (19 U.S.C. 1673d(b)), instituted these investigations effective June 3, 2014, following receipt of petitions filed with the Commission and Commerce by United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers, International Union, Pittsburgh, PA. The final phase of the investigations was scheduled by the Commission following notification of preliminary determinations by Commerce that imports of certain passenger vehicle and light truck tires from China were subsidized within the meaning of section 703(b) of the Act (19 U.S.C. 1671b(b)) and dumped within the meaning of 733(b) of the Act (19 U.S.C. 1673b(b)). Notice of the scheduling of the final phase of the Commission's investigations and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* on February

[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 voted in the affirmative. They further determine that imports subject to Commerce's affirmative critical circumstances determinations are not likely to undermine seriously the remedial effect of the countervailing and antidumping duty orders on certain passenger vehicle and light truck tires from China.

[3] Chairman Meredith M. Broadbent and Commissioners David S. Johanson and F. Scott Kieff dissenting.

24, 2015 (80 FR 9744). The hearing was held in Washington, DC, on June 9, 2015, 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 final phase of these investigations, we find that an industry in the United States is materially injured by reason of imports of certain passenger vehicle and light truck ("PVLT") tires from China that the U.S. Department of Commerce ("Commerce") has found to be sold in the United States at less than fair value and subsidized by the government of China.[1]

I. Background

On June 3, 2014, the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union ("Petitioner") filed antidumping and countervailing duty petitions regarding imports of PVLT tires from China.[2] Petitioner represents workers producing PVLT tires in the United States. Petitioner's representatives appeared at the hearing accompanied by counsel and submitted prehearing and posthearing briefs.

A number of respondents participated in these investigations. They include ITG Voma Corporation and American Omni Trading Company, U.S. importers of subject merchandise (collectively "ITG Voma"); the Subcommittee of Tire Producers of the China Chamber of Commerce of Metals, Minerals & Chemical Importers ("CCCMC"), the China Rubber Industry Association ("CRIA"), both of which are trade associations whose members produce PVLT tires in China, and several individual producers of subject merchandise (collectively "Chinese Respondents");[3] TireCo. Inc. ("TireCo"), a U.S. importer and distributor of PVLT tires from China; Hercules Tire & Rubber ("Hercules"), an importer of subject merchandise and marketer of tires in the replacement market; American Pacific Industries, Inc. ("API"), an importer of subject merchandise; and Ford Motor Co. ("Ford"), a major purchaser in the original equipment manufacturer ("OEM") segment of the U.S. PVLT tires market. The Commission received prehearing and posthearing briefs from ITG Voma and the Chinese Respondents, whose representatives appeared at the hearing with counsel. The Commission also received briefs or written statements from TireCo, Hercules, API, and Ford.

Nine firms submitted questionnaire data that accounted for all known U.S. production of PVLT tires during January 2012 to December 2014 (the period of investigation or "POI").[4]

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[1] Chairman Broadbent and Commissioners Johanson and Kieff determine that an industry in the United States is not materially injured or threatened with material injury by reason of imports of subject PVLT tires from China. Except as otherwise noted, they join sections I to V.A of these Views. *See* Dissenting Views of Chairman Meredith M. Broadbent and Commissioners David S. Johanson and F. Scott Kieff.

[2] *Certain Passenger Vehicle and Light Truck Tires from China*, Inv. Nos. 701-TA-522 and 731-TA-1258 (Preliminary), USITC Pub. 4482 at I-1 (Aug. 2014).

[3] The following producers joined the Chinese Respondents: Sailun Group Co., Ltd; Sailun Tire International Corp.; Shandong Jinyu Industrial Co., Ltd.; and Jinyu International Holding Co., Ltd..

[4] Confidential Report, Memorandum INV-NN-043 (Jul. 2, 2015) ("CR") at I-4; Public Report, *Certain Passenger Vehicle and Light Truck Tires from China*, Inv. Nos. 701-TA-522 and 731-TA-1258 (Final), USITC Pub. 4545 (Aug. 2015) ("PR") at I-3.

The Commission received importer questionnaire responses from 37 firms; their data accounted for *** percent of U.S. imports of PVLT tires from China and *** percent of total imports of PVLT tires from all sources in 2014 reported in official import statistics.[5] Data on the subject industry are based on questionnaire responses from 48 foreign producers/exporters whose reported exports to the U.S. market were equivalent to *** percent of U.S. imports of subject merchandise reported in official import statistics; these firms reported production equivalent to *** percent of industry association CRIA's estimate of total production in China in 2014.[6]

II. Domestic Like Product

A. In General

In determining whether an industry in the United States is materially injured or threatened with material injury by reason of imports of subject merchandise, the Commission first defines the "domestic like product" and the "industry."[7] 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."[8] In turn, the Tariff Act defines "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation."[9]

The decision regarding the appropriate domestic like product in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[10] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[11] The Commission looks for clear dividing lines among

[5] CR at IV-1; PR at IV-1.

[6] CR at VII-5; PR at VII-3 (referring to a report by the Tire Branch of the CRIA indicating that the industry in China produced 399 million PVLT tires in 2014).

[7] 19 U.S.C. § 1677(4)(A).

[8] 19 U.S.C. § 1677(4)(A).

[9] 19 U.S.C. § 1677(10).

[10] *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).

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

possible domestic like products and disregards minor variations.[12] Although the Commission must accept Commerce's determination as to the scope of the imported merchandise that is subsidized or sold at less than fair value,[13] the Commission determines what domestic product is like the imported articles Commerce has identified.[14]

B. Product Description

In its final determinations, Commerce defined the imported goods within the scope of these investigations as follows:

> 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

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[12] *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.").

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

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

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, unless the tire falls within one of the specific exclusions set out below.

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.[15]

[15] 80 Fed. Reg. 34888, 34890-91 (June 18, 2015); 80 Fed. Reg. 34893, 34898-99 (June 18, 2015). Commerce expressly excluded the following types of tires from the scope of the investigations: "(1) racing car tires; such tires do not bear the symbol "DOT" on the sidewall and may be marked with "ZR" in size designation; (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; (4) non-pneumatic tires, such as solid rubber tires; (5) tires designed and marketed exclusively as temporary use spare tires for passenger vehicles which, in addition, exhibit each of the following physical characteristics: (a) the size designation and load index combination molded on the tire's sidewall are listed in Table PCT- 1B ("T" Type Spare Tires for Temporary Use on Passenger Vehicles) of the *Tire and Rim Association Year Book*; (b) the designation "T" is molded into the tire's sidewall as part of the size designation, and (c) the tire's speed rating is molded on the sidewall, indicating the rated speed in MPH or a letter rating as listed by the *Tire and Rim Association Year Book*, and the rated speed is 81 MPH or a "M" rating; (6) tires designed and marketed exclusively for specialty tire (ST) use which, in addition, exhibit each of the following conditions: (a) The size designation molded on the tire's sidewall is listed in the ST sections of the *Tire and Rim Association Year Book*; (b) the designation "ST" is molded into the tire's sidewall as part of the size designation; (c) the tire incorporates a warning, prominently molded on the sidewall that the tire is "For Trailer Service Only" or "For Trailer Use Only"; (d) the load index molded on the tire's sidewall meets or exceeds those load indexes listed in the *Tire and Rim Association Year Book* for the relevant ST tire size, and (e) either (i) the tire's speed rating is molded on the sidewall, indicating the rated speed in MPH or a letter rating as listed by the *Tire and Rim Association Year Book*, and the rated speed does not exceed 81 MPH or an "M" rating; or (ii) the tire's speed rating molded on the sidewall is 87 MPH or an "N" rating, and in either case the tire's maximum pressure and maximum load limit are molded on the sidewall and either (1) both exceed the maximum pressure and maximum load limit for any tire of the same size designation in either the passenger car or light truck section of the *Tire and Rim Association Year Book*; or (2) if the maximum cold inflation pressure molded on the tire is less than any cold inflation pressure listed for that size designation in either the passenger car or light truck section of the *Tire and Rim Association Year Book*, the maximum load limit molded on the tire is higher than the maximum load limit listed at that cold inflation pressure for that size designation in either the passenger car or light truck section of the *Tire and Rim Association Year Book*; (7) tires designed and marketed exclusively for off-road use and which, in addition, exhibit each of the following physical characteristics: (a) The size designation and load index combination molded on the tire's sidewall are listed in the off-the-road, agricultural, industrial or ATV section of the *Tire and Rim Association Year Book*; (b) in addition to any size designation markings, the tire incorporates a warning, prominently molded on the sidewall, that the tire is "Not For Highway Service" or "Not for Highway Use"; (c) the tire's speed rating is molded on the sidewall, indicating the rated speed in MPH or a letter rating as listed by the *Tire and Rim Association Year Book*, and the rated speed does not exceed 55 MPH or a "G" rating; and (d) the tire features a

Passenger vehicle ("PV") tires are designed for use on standard-type passenger cars and associated vehicles such as sport utility vehicles ("SUVs") and other multipurpose passenger vehicles, including light trucks, whereas light truck ("LT") tires are those usually used specifically on light trucks or multipurpose passenger vehicles.[16] All PVLT tires sold in the U.S. market must meet the same National Highway Traffic Safety Administration ("NHTSA") standards and comply with NHTSA and United States Department of Transportation ("DOT") marking requirements.[17] PVLT tires are used by OEMs for new vehicles or are used by consumers as replacements on used vehicles, each subject to the same motor vehicle standards for safety, performance, quality, grade, and marking.[18] In the U.S. market, PVLT tires typically range from 13 to 26 inches in rim diameter and are principally of tubeless, steel-belted, radial-ply design.[19]

C. Analysis

In the preliminary phase of these investigations, the Commission defined the domestic like product to consist of all PVLT tires described in the scope of these investigations, regardless of size or design features.[20] Petitioner asks the Commission to define a single domestic like product matching the products in the scope definition for the same reasons discussed in the Commission's preliminary determinations.[21] Those Respondents that address this issue do not challenge Petitioner's proposed domestic like product definition.[22] For the reasons discussed below, we define a single domestic like product consisting of the PVLT tires described in the scope of these investigations, as in the preliminary determinations.

Physical characteristics and uses. The record in these investigations indicates that all PVLT tires have similar physical characteristics and uses. PVLT tires are produced largely from the same basic raw materials (*e.g.*, natural and synthetic rubber, carbon black reinforcement, reinforcing fabric body ply, and steel (belts and bead wire)) and have the same basic components (*e.g.*, inner liner, body ply, sidewall beads, belt package, and tread).[23] All PVLT tires have the same end use – for mounting on wheels of passenger vehicles and light trucks.[24]

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recognizable off-road tread design." Commerce explained that the products covered by these investigations are currently classified under Harmonized Tariff Schedule of the United States ("HTSUS") subheadings 4011.10.10.10; 4011.10.10.20; 4011.10.10.30; 4011.10.10.40; 4011.10.10.50; 4011.10.10.60; 4011.10.10.70; and 4011.10.50.00; 4011.20.10.05; and 4011.20.50.10 and may also enter under 4011.99.45.10, 4011.99.45.50; 4011.99.85.10; 4011.99.85.50; 8708.70.45.45; 8708.70.45.60; 8708.70.60.30; 8708.70.60.45; and 8708.70.60.60, but that the written description of the subject merchandise is dispositive. *Id*.

[16] CR at I-16 to I-17; PR at I-14.

[17] CR at I-20 to I-23; PR at I-17 to I-19.

[18] CR at I-16 to I-17, I-20 to I-23; PR at I-14, I-17 to I-19.

[19] CR at I-17; PR at I-14.

[20] USITC Pub. 4482 at 4-9; Confidential Preliminary Views, EDIS Doc. No. 540683 at 5-12.

[21] Petitioner's Prehearing Brief at 6-7.

[22] Chinese Respondents' Prehearing Brief at 16.

[23] CR at I-17 to I-21; PR at I-14 to I-17.

[24] CR at I-18 to I-21; PR at I-15 to I-17.

Manufacturing facilities, production processes, and employees. The record indicates that PVLT tires are produced in the United States using common manufacturing facilities, employees, and production processes. PVLT tires are produced using a five-step process that begins with the mixing of natural rubber, synthetic rubber, carbon black, and other chemicals to form various rubber compounds. In the second stage, several types of equipment process three types of rubber compounds into separate PVLT tire components: the tread, the carcass, and the sidewalls. In the tire-building stage, the components are then combined with 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 inspected and then coded to track their whereabouts and to identify the plant of manufacture and the individual tire builder.[25]

Domestic producers generally use overlapping production facilities, production equipment, and production-related workers to manufacture a range of PVLT tires, including both passenger vehicle and light truck tires.[26] Two of the nine responding U.S. producers reported a limited ability to switch from the manufacture of PVLT tires to the manufacture of other products, *** reported manufacturing other products on the same machinery and equipment during the POI.[27]

Channels of distribution. During the POI, U.S. shipments to the OEM segment accounted for about a quarter of U.S. producers' total shipments, with the remainder directed to the replacement segment.[28]

Interchangeability. PVLT tires are manufactured in a variety of dimensions and rim diameters, design configurations (*e.g.*, radial or non-radial plies), traction grades, tube constructions (with or without tubes), load-bearing capacities, and speed ratings.[29] While PVLT tires must be of a specific size to fit an individual passenger vehicle or light truck, tires of that size with different features can fit the same vehicle and generally be used interchangeably.[30]

Producer and customer perceptions. The record does not contradict Petitioner's assertion that customers and producers view PVLT tires as a single product category.[31]

Price. Prices of PVLT tires vary somewhat according to size and other features.[32]

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 other features, there do not appear to be any clear dividing lines among PVLT tires. Moreover, no

[25] CR at I-24 to I-30; PR at I-19 to I-23.

[26] Petitions, Vol. I at I-6 & Exhibit 3; Hearing Tr. at 35-36, 39-40, 44, 52-53, 151.

[27] CR at III-12; PR at III-7.

[28] CR/PR at Table II-3.

[29] CR at I-16 to I-24; PR at I-14 to I-19.

[30] Petitions, Vol. I at I-4; Petitioner's Posthearing Brief at 5, Response to Commissioner Kieff's Question 2; Hearing Tr. at 82; *see also, e.g.*, CR at V-8 at n.10; PR at V-4 at n.10 (indicating that some questionnaire respondents reported pricing data for products with different features than the defined pricing products that they believed were competitive with the pricing products).

[31] Petitions, Vol. I at I-6; Hearing Tr. at 22, 25, 35-36, 39-40, 44, 52-53, 200.

[32] CR/PR at Tables V-5 to V-10.

party has asserted a contrary argument. Consequently, we define a single domestic like product consisting of the PVLT tires corresponding to the scope of these investigations.

III. Domestic Industry

The domestic industry is defined as the domestic "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[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.[34]

These investigations raise the issue of whether it is appropriate to exclude any producer of the domestic like product from the domestic industry as a related party pursuant to 19 U.S.C. § 1677(4)(B). Section 1677(4)(B) of the Tariff Act 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.[35] Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each investigation.[36]

During the POI, nine firms manufactured PVLT tires in the United States: Bridgestone, Continental, Cooper, Goodyear, Michelin, Pirelli, Specialty Tires, Toyo, and Yokohama.[37] In the preliminary phase of these investigations, the Commission considered whether to exclude *** of these firms from the domestic industry as related parties. For purposes of the preliminary determinations, Chairman Broadbent and Commissioners Johanson and Kieff defined the domestic industry as all U.S. producers of PVLT tires, and Vice Chairman Pinkert and Commissioners Williamson and Schmidtlein defined the domestic industry as all U.S. producers of PVLT tires except ***.[38]

In the final phase of these investigations, we analyze whether appropriate circumstances exist to exclude any of the *** firms that are related parties from the domestic industry. *** of these firms are related parties by virtue of their imports of subject

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[33] 19 U.S.C. § 1677(4)(A).

[34] *Polyvinyl Alcohol from China, Germany, Japan, Korea & Singapore*, Inv. Nos. 731-TA-1014 to 1018 (Preliminary), USITC Pub. 3553 at 10 (Oct. 2002); *Ferrovanadium from China and South Africa*, Inv. Nos. 731-TA-986 to 987 (Preliminary), USITC Pub. 3484 at 7 & n.35 (Jan. 2002); *Certain Welded Large Diameter Line Pipe from Japan*, Inv. No. 731-TA-919 (Final), USITC Pub. 3464 at 10 n.53 (Nov. 2001); *Certain Carbon Steel Plate from China, Russia, South Africa, and Ukraine*, Inv. Nos. 731-TA-753 to 756 (Final), USITC Pub. 3076 at 9 (Dec. 1997).

[35] 19 U.S.C. § 1677(4)(B).

[36] *See Torrington Co. v. United States*, 790 F. Supp. at 1168; *Sandvik AB v. United States*, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989), *aff'd mem.*, 904 F.2d 46 (Fed. Cir. 1990); *Empire Plow Co. v. United States*, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987).

[37] CR at III-1; PR at III-1; CR/PR at Table III-1.

[38] *Certain Passenger Vehicle and Light Truck Tires from China*, Inv. Nos. 701-TA-522 and 731-TA-1258 (Preliminary), USITC Pub. 4482 at 13 (Aug. 2014); Confidential Preliminary Views, EDIS Doc. No. 540683 at 5-12.

merchandise.[39] Petitioner does not ask the Commission to exclude any firm as a related party and takes no position on whether to exclude ***.[40] Respondents argue against excluding any firm as a related party, maintaining that all domestic producers are part of multinational corporations with multiple PVLT tire manufacturing facilities globally.[41] For the reasons discussed below, Vice Chairman Pinkert and Commissioners Williamson and Schmidtlein determine that appropriate circumstances exist to exclude only *** from the domestic industry as a related party, whereas Chairman Broadbent and Commissioners Johanson and Kieff define the domestic industry as all U.S. producers of PVLT tires without excluding any firm as a related party.

***.** *** was the *** domestic producer, accounting for *** percent of domestic production during the POI.[42] Its imports of subject merchandise were considerably lower than its production of PVLT tires.[43] *** imports because ***.[44] The firm's capital expenditures and research and development ("R&D") expenses were ***.[45] It *** the petitions.[46] Its operating performance was *** than the domestic industry average ***.[47] We do not exclude *** from the domestic industry. It appears to be more interested in domestic production than importation of subject merchandise. Moreover, its financial performance *** than the domestic industry's average, which does not suggest that it benefitted from the *** of its subject imports.[48]

***.** *** was the *** domestic producer, accounting for *** percent of domestic production during the POI.[49] Its imports of subject merchandise were considerably lower than

[39] CR/PR at Table III-9. *** of these *** firms (***) also is affiliated with one or more producers of subject merchandise in China, (***). CR/PR at Table III-1.

[40] Petitioner's Prehearing Brief at 7-9.

[41] Respondents argue that all firms are *bona fide* domestic producers that supplement their U.S. production with imports, primarily from nonsubject countries, and whose imports from China ***. They argue against excluding ***, because *** U.S. PVLT tire production at levels that *** its imports from China in 2013 and 2014. Respondents assert that *** merely supplemented its high-end, high-priced U.S. production with imported PVLT tires, albeit ***. ITG Voma's Prehearing Brief at 7-8; Chinese Respondents' Prehearing Brief at 17-18.

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

[43] Its imports of subject merchandise were *** tires in 2012, *** tires in 2013, and *** tires in 2014, whereas its production of PVLT tires was *** tires in 2012, *** tires in 2013, and *** tires in 2014. The firm's imports of subject merchandise as a ratio to its production were *** percent or lower throughout this period. CR/PR at Table III-9.

[44] CR at III-27; PR at III-14.

[45] The firm made capital expenditures of $*** in 2012, $*** in 2013, and $*** in 2014, and its R&D expenses were $*** in 2012, $*** in 2013, and $*** in 2014. CR/PR at Table VI-4, Table VI-5.

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

[47] *** ratio of operating income to net sales was *** percent in 2012, *** percent in 2013, and *** percent in 2014, whereas the domestic industry's average was *** percent in 2012, *** percent in 2013, and *** percent in 2014. CR/PR at Table VI-3.

[48] Vice Chairman Pinkert does not rely upon related parties' financial performance in determining whether to exclude them from the domestic industry. *See Allied Mineral Products v. United States*, 28 CIT 1861, 1865-67 (2004).

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

its domestic production.[50] *** imports ***.[51] The firm's capital expenditures and R&D expenses were ***.[52] It *** the petitions.[53] Its operating performance was ***.[54] We do not exclude *** from the domestic industry. 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 the *** subject imports.

***.** *** was the *** domestic producer, accounting for *** percent of domestic production during the POI.[55] Its imports of subject merchandise were *** its domestic production.[56] *** imports ***.[57] The firm's capital expenditures and R&D expenses were ***.[58] It *** the petitions.[59] Its operating performance was ***.[60] We do not exclude *** from the domestic industry. It appears to be more interested in domestic production than importation of subject merchandise. Although it ***.

***.** *** was the *** domestic producer, accounting for *** percent of domestic production during the POI.[61] In the one year it imported subject merchandise during the POI, those imports *** relative to its domestic production.[62] *** reported that ***.[63] The firm's

[50] Its imports of subject merchandise were *** tires in 2012, *** tires in 2013, and *** tires in 2014, whereas its production of PVLT tires was *** tires in 2012, *** tires in 2013, and *** tires in 2014. The firm's imports of subject merchandise as a ratio to its production were *** percent or lower throughout this period. CR/PR at Table III-9.

[51] CR at III-27; PR at III-14.

[52] The firm made capital expenditures of $*** in 2012, $*** in 2013, and $*** in 2014, and its R&D expenses were $*** in 2012, $*** in 2013, and $*** in 2014. CR/PR at Table VI-4, Table VI-5.

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

[54] *** ratio of operating income to net sales was *** percent in 2012, *** percent in 2013, and *** percent in 2014, whereas the domestic industry's average was *** percent in 2012, *** percent in 2013, and *** percent in 2014. CR/PR at Table VI-3.

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

[56] Its imports of subject merchandise were *** tires in 2012, *** tires in 2013, and *** tires in 2014, whereas its production of PVLT tires was *** tires in 2012, *** tires in 2013, and *** tires in 2014. The firm's imports of subject merchandise as a ratio to its production were *** percent or lower throughout this period. CR/PR at Table III-9.

[57] CR at III-27; PR at III-14.

[58] The firm made capital expenditures of $*** in 2012, $*** in 2013, and $*** in 2014, and its R&D expenses were $*** in 2012, $*** in 2013, and $*** in 2014. CR/PR at Table VI-4, Table VI-5.

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

[60] *** ratio of operating income to net sales was *** percent in 2012, *** percent in 2013, and *** percent in 2014, whereas the domestic industry's average was *** percent in 2012, *** percent in 2013, and *** percent in 2014. CR/PR at Table VI-3.

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

[62] Its imports of subject merchandise were *** tires in 2012, *** tires in 2013, and *** tires in 2014, whereas its production of PVLT tires was *** tires in 2012, *** tires in 2013, and *** tires in 2014. The firm's imports of subject merchandise as a ratio to its production were *** percent ***. CR/PR at Table III-9.

[63] CR at III-27; PR at III-14.

capital expenditures and R&D ***.[64] It *** the petitions.[65] Its operating performance was ***.[66] We do not exclude *** from the domestic industry. It appears to be more interested in domestic production than importation of subject merchandise. *** imported ***, and it does not appear to have derived any significant financial benefit from its importation given *** of its subject imports.

***.** *** was the *** domestic producer, accounting for *** percent of domestic production during the POI.[67] Its imports of subject merchandise *** relative to its domestic production.[68] *** reported importing to ***.[69] The firm's capital expenditures and R&D ***.[70] It *** the petitions.[71] Its operating performance was ***.[72] We do not exclude *** from the domestic industry. It appears to be more interested in domestic production than importation of subject merchandise. *** imported ***, but ***. Moreover, there is no clear correlation between *** imports of subject merchandise and its financial performance.

***.** *** was the *** domestic producer, accounting for *** percent of domestic production during the POI.[73] Its imports of subject merchandise ***.[74] *** imports subject merchandise because ***.[75] The firm made capital expenditures and incurred R&D expenses throughout the POI.[76] It *** the petitions.[77] Its operating performance was ***.[78] Vice

[64] The firm made capital expenditures of $*** in 2012, $*** in 2013, and $*** in 2014, and its R&D expenses were $*** in 2012, $*** in 2013, and $*** in 2014. CR/PR at Table VI-4, Table VI-5.

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

[66] *** ratio of operating income to net sales was *** percent in 2012, *** percent in 2013, and *** percent in 2014, whereas the domestic industry's average was *** percent in 2012, *** percent in 2013, and *** percent in 2014. CR/PR at Table VI-3.

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

[68] Its imports of subject merchandise were *** tires in 2012, *** tires in 2013, and *** tires in 2014, whereas its production of PVLT tires was *** tires in 2012, *** tires in 2013, and *** tires in 2014. The firm's imports of subject merchandise as a ratio to its production were *** percent or lower throughout the POI. CR/PR at Table III-9.

[69] CR at III-27; PR at III-14.

[70] The firm made capital expenditures of $*** in 2012, $*** in 2013, and $*** in 2014, and its R&D expenses were $*** in 2012, $*** in 2013, and $*** in 2014. CR/PR at Table VI-4, Table VI-5.

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

[72] *** ratio of operating income to net sales was *** percent in 2012, *** percent in 2013, and *** percent in 2014, whereas the domestic industry's average was *** percent in 2012, *** percent in 2013, and *** percent in 2014. CR/PR at Table VI-3.

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

[74] Its imports of subject merchandise were *** tires in 2012, *** tires in 2013, and *** tires in 2014, whereas its production of PVLT tires was *** tires in 2012, *** tires in 2013, and *** tires in 2014. The firm's imports of subject merchandise as a ratio to its production were *** percent in 2012, *** percent in 2013, and *** percent in 2014. CR/PR at Table III-9.

[75] CR at III-27; PR at III-14.

[76] The firm made capital expenditures of $*** in 2012, $*** in 2013, and $*** in 2014, and its R&D expenses were $*** in 2012, $*** in 2013, and $*** in 2014. CR/PR at Table VI-4, Table VI-5.

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

Chairman Pinkert and Commissioners Williamson and Schmidtlein conclude that appropriate circumstances exist to exclude *** from the domestic industry.[79] Chairman Broadbent and Commissioners Johanson and Kieff determine that appropriate circumstances do not exist to exclude this firm.[80]

***.** *** was the *** domestic producer, accounting for *** percent of domestic production during the POI.[81] Its imports of subject merchandise ***.[82] *** imports because ***.[83] The firm *** capital expenditures and R&D expenses ***.[84] It *** the petitions.[85] Its operating performance was ***.[86] We do not exclude *** from the domestic industry. Even though *** imported ***, and it does not appear to have derived any significant financial benefit from its imports given that its financial results were *** the industry average.

Consequently, Vice Chairman Pinkert and Commissioners Williamson and Schmidtlein define the domestic industry as all U.S. producers of PVLT tires except ***, whereas Chairman Broadbent and Commissioners Johanson and Kieff define the domestic industry as all U.S. producers of PVLT tires, without excluding any firm as a related party.

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[78] *** ratio of operating income to net sales was *** percent in 2012, *** percent in 2013, and *** percent in 2014, whereas the domestic industry's average was *** percent in 2012, *** percent in 2013, and *** percent in 2014. CR/PR at Table VI-3.

[79] Vice Chairman Pinkert and Commissioners Williamson and Schmidtlein determine that appropriate circumstances exist to exclude *** from the domestic industry as a related party. *** had a *** ratio of subject imports to domestic production, indicating that its principal interest is importing rather than domestic production. The firm's ***, but this coincided with the filing of the petitions in these investigations. Given the small size of *** relative to the aggregate of other U.S. producers, Vice Chairman Pinkert and Commissioners Williamson and Schmidtlein observe that they would have reached the same result had they included *** in the domestic industry.

[80] Chairman Broadbent and Commissioners Johanson and Kieff determine that appropriate circumstances do not exist to exclude *** from the domestic industry as a related party. Although *** had a *** ratio of subject imports to domestic production during the POI, ***. Its operating performance ***; however, the firm *** for the domestic industry. In addition, like other domestic producers which also ***, it imported a product mix of tires that it did not produce in the United States. Moreover, none of the parties seeks to exclude *** from the domestic industry.

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

[82] Its imports of subject merchandise were *** tires in 2012, *** tires in 2013, and *** tires in 2014, whereas its production of PVLT tires was *** tires in 2012, *** tires in 2013, and *** tires in 2014. The firm's imports of subject merchandise as a ratio to its production were *** percent in 2012, *** percent in 2013, and *** percent in 2014. CR/PR at Table III-9.

[83] CR at III-27; PR at III-14.

[84] The firm made capital expenditures of $*** in 2012, $*** in 2013, and $*** in 2014, and its R&D expenses were $*** in 2012, $*** in 2013, and $*** in 2014. CR/PR at Table VI-4, Table VI-5.

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

[86] *** ratio of operating income to net sales was *** percent in 2012, *** percent in 2013, and *** percent in 2014, whereas the domestic industry's average was *** percent in 2012, *** percent in 2013, and *** percent in 2014. CR/PR at Table VI-3.

IV. Conditions of Competition and the Business Cycle

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

A. Demand Conditions

Most questionnaire respondents reported that PVLT tires account for a very small share of the cost of the vehicles on which they are used, such that consumers generally choose to replace their tires rather than their vehicle.[87] Demand for PVLT tires is affected by changes in overall U.S. economic activity, which increased irregularly between 2012 and 2014.[88] Apparent U.S. consumption of PVLT tires rose between 2012 and 2014.[89] The vast majority of questionnaire respondents reported an increase in U.S. demand for PVLT tires since 2012.[90] They attributed the increase to a rebounding economy, an increase in the number of miles driven as gasoline prices have declined, and an increase in vehicle sales.[91] The parties agreed that the U.S. market for higher-value and larger-diameter PVLT tires has grown during recent years.[92]

PVLT tires are sold to OEMs for mounting on new passenger vehicles and light trucks and to distributors and retailers for the replacement segment.[93] The parties agree that demand for PVLT tires in the OEM segment is derived from the number of new passenger vehicles and light trucks manufactured in the United States, whereas demand for PVLT tires for the replacement segment depends on the condition of tires on existing vehicles, the number of miles driven, road conditions, and other such factors.[94] During the POI, the replacement segment accounted for a larger share of the U.S. market (approximately *** percent) than the OEM segment (approximately *** percent).[95] The average age of U.S. vehicles on the road

[87] Most questionnaire respondents reported that PVLT tires account for 1-2 percent of the cost of the vehicles on which they are mounted. CR at II-21; PR at II-13 to II-14.

[88] The aggregate U.S. economy, as measured by percentage changes in the gross domestic product, grew from the first quarter of 2012 to the last quarter of 2013, declined in the first quarter of 2014, then increased through the remaining three quarters of 2014. CR at II-22; PR at II-14; CR/PR at Figure II-3.

[89] Apparent U.S. consumption, by quantity, increased from 274.3 million tires in 2012 to 290.6 million tires in 2013 and 301.0 million tires in 2014. CR/PR at Table IV-6. Apparent U.S. consumption increased 6.0 percent between 2012 and 2013 and 3.6 percent between 2013 and 2014, for an overall increase of 9.7 percent during the POI. CR/PR at Table C-2.

[90] CR/PR at Table II-6 (indicating that six of seven responding domestic producers, 31 of 36 responding importers, and 26 of 39 responding purchasers reported demand for PVLT tires had increased in the U.S. market since 2012).

[91] CR at II-25; PR at II-16.

[92] *See, e.g.*, ITG Voma's Posthearing Brief at 7, Answers to Commissioners' Questions at 41-50; Petitioner's Prehearing Brief at 6-7; CR at II-28, II-32; PR at II-18, II-21; Hearing Tr. at 121, 138, 139, 235, 240.

[93] CR at II-1; PR at II-1.

[94] CR at II-1; PR at II-1.

[95] Derived from CR/PR at Table II-3.

increased by almost 18 percent over the past decade, contributing to the importance of the replacement segment during this period.[96] According to industry publications, demand for PVLT tires in both the OEM and replacement segments of the U.S. market increased between 2012 and 2014.[97] The vast majority of questionnaire respondents also reported an increase in U.S. demand for PVLT tires in both segments of the U.S. market since 2012.[98]

Purchasers reported that 78.6 percent of their sales in 2014 involved branded PVLT tires, whereas private-label PVLT tires accounted for the remainder of their sales.[99] They reported that their sales of branded tires increased 7.2 percent, by quantity, between 2012 and 2014, whereas their sales of private-label tires increased 10.2 percent, by quantity, in that period.[100]

B. Supply Conditions

During the current POI, the U.S. market was supplied by the domestic industry, imports from nonsubject countries, and subject imports from China.

Domestic industry: Nine firms accounted for all known U.S. production of PVLT tires between 2012 and 2014.[101] Eight of these firms are part of global corporations with PVLT tire production plants elsewhere in the world.[102] Two firms reported prolonged shutdowns or production curtailments at their U.S. facilities during the POI. Three multinational corporations that had no existing U.S. PVLT tire operations announced plans to invest in new PVLT tires manufacturing facilities in the United States.[103] Notwithstanding its capital expenditures during the POI, the capacity of the domestic industry, which was substantially less than apparent U.S. consumption, remained constant.[104]

Subject imports: By far, China was the largest single source of imported PVLT tires in the U.S. market, by quantity, throughout the POI.[105] The Commission determined in July 2009, in response to a petition filed by the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union under section 421(b)(1) of the Trade Act of 1974,[106] that tires from China were being imported into the U.S. market in such

[96] CR at II-4; PR at II-3.

[97] CR at II-24 to II-25; PR at II-16.

[98] CR/PR at Table II-7.

[99] CR at II-34; PR at II-22.

[100] CR at II-34; PR at II-22.

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

[102] CR at III-4 to III-11; PR at III-3 to III-6; CR/PR at Table III-1.

[103] Giti is constructing a $560 million plant in Chester County, South Carolina that will have the capacity to produce 5 million PVLT tires annually for the U.S. replacement and OEM markets. Hankook is constructing an $800 million facility with a capacity of 12 million PVLT tires/year in Clarksville, Tennessee that it anticipates bringing online in 2016. Kumho anticipates beginning production of PVLT tires for the North American OEM market at its new Macon, Georgia plant in 2016, and it expects to add capacity to serve the replacement market in 2018. CR at III-4; PR at III-3.

[104] *Compare, e.g.*, CR/PR at Table III-5 (capacity) *with, e.g.*, CR/PR at Table IV-6.

[105] *Compare, e.g.*, CR/PR at Table IV-2 (China) *with, e.g.*, CR/PR at Table IV-3.

[106] 19 U.S.C. § 2451(b)(1).

increased quantities or under such conditions as to cause or threaten to cause market disruption to domestic producers of like or directly competitive products.[107] The Commission based its conclusions on an examination of relevant factors for calendar years 2004 to 2008.[108] During that period, imports from China increased their share of the U.S. market,[109] while the market share of the ten U.S. producers comprising the domestic industry fell.[110] Following the Commission's determination, President Obama determined to provide import relief, effective September 26, 2009, in the form of *ad valorem* duties above the column 1 general rate of duty of 35 percent for the first year, 30 percent for the second year, and 25 percent for the third year. These additional section 421 safeguard duties expired on September 26, 2012.[111]

Imports of PVLT tires from China, which were subject to additional duties under the section 421 safeguard measure described above for the first nine months of 2012, increased

[107] *Certain Passenger Vehicle and Light Truck Tires from China*, Inv. No. TA-421-7, USITC Pub. 4085 at 3 (July 2009). The scope of the Section 421 safeguard investigation largely coincided with that of the instant investigations. *Compare, e.g.*, *id*. at I-3 *with, e.g.*, CR at I-13 to I-15; PR at I-11 to I-13. The United States successfully defended its application of the Section 421 safeguard measure in challenges by the government of China before a World Trade Organization ("WTO") dispute settlement panel and before the WTO Appellate Body. Appellate Body Report, *United States – Measures Affecting Imports of Certain Passenger Vehicle and Light Truck Tyres*, WT/DS399/AB/R, adopted Oct. 5, 2011.

[108] USITC Pub. 4085 at 15.

[109] Imports of tires from China increased their share of the U.S. market from 4.7 percent in 2004 to 16.7 percent in 2008, whereas the domestic industry's market share fell from 63.3 percent to 49.6 percent, and nonsubject imports' market share rose from 31.9 percent to 33.7 percent. USITC Pub. 4085 at 25-26, Table C-1.

[110] USITC Pub. 4085 at 15 (noting the existence of domestic producer Denman at that time). The domestic industry's average production capacity declined from 226.8 million tires in 2004 to 186.4 million tires in 2008 due to capacity reductions as well as the closure of four plants with a combined annual capacity of 43.4 million tires in 2006 and 2007. Three additional closures had been announced for 2009. The domestic industry's production declined from 218.4 million tires in 2004 to 160.3 million tires in 2008, resulting in a decline in capacity utilization from 96.3 percent in 2004 to 86.0 percent in 2008. USITC Pub. 4085 at 15-16. Production and related workers ("PRWs"), hours worked, and productivity also declined overall between 2004 and 2008, but hourly wages increased. The domestic industry's capital expenditures increased from $550.8 million in 2004 to $729.3 million in 2008, and its R&D expenses increased from $270.7 million in 2004 to $306.7 million in 2008. During a period of nearly universal underselling of the domestic like product by increasing imports from China at average underselling margins of 18.9 percent, the domestic industry's U.S. shipments declined from 194.7 million tires in 2004 to 136.8 million tires in 2008, its operating income fell from $256.1 million in 2004 to an operating loss of $262.8 million in 2008, and as a share of operating income, its profit of 2.4 percent in 2004 degenerated to a loss of 2.4 percent in 2008. *Id*. at 16-18, 23, Table III-5.

[111] 74 Fed. Reg. 47861 (Sept. 17, 2009); 74 Fed. Reg. 47433 (Sept. 16, 2009). The petitioning union opted not to seek an extension of the safeguard relief because by "that time, the domestic industry had stabilized, shipments, market share, and employment had increased, and new investments were being planned. In other words, the union viewed the safeguard relief as having been effective." Moreover, the union was not willing to seek an extension of the safeguard relief that would have allowed the government of China to suspend its own concessions on goods from the United States in an amount equal to the safeguard relief. Petitioner's Posthearing Brief at Response to Chairman Broadbent's Question 1 at 1; Hearing Tr. at 93-94.

their share of the U.S. market from 11.5 percent in 2012 to 17.5 percent in 2013 and 19.3 percent in 2014.[112] CRIA estimates that the industry in China produced approximately 399 million PVLT tires in 2014. The largest producers in China include Hangzhou Zhongce Rubber Co., Ltd., Giti Tires, Pte, Ltd. ("Giti"), Triangle Group Co., Ltd., and Shandong Linglong Rubber Co., Ltd., all four of which ranked among the top 20 global PVLT manufacturers by sales in 2013.[113] Orders are in effect against PVLT tires from China in Brazil, India, Turkey, Colombia, and Egypt.[114]

Nonsubject imports: Canada and Korea were the two largest nonsubject sources of PVLT tires in the U.S. market; other nonsubject imports were sourced from Thailand, Indonesia, Mexico, Japan, or elsewhere.[115] Nonsubject imports accounted for a generally declining share of the U.S. market during the POI.[116]

C. Substitutability and Nature of Competition in U.S. Market

1. Product Features, Price, and Other Factors Influencing Purchases

We find that there is a moderate-to-high degree of substitutability between the domestic like product and subject imports from China. The PVLT tires industries in China and the United States each manufacture products with a broad range of sizes, styles, and performance characteristics.[117] The Commission asked questionnaire respondents whether PVLT tires made in China and the United States can generally be used in the same applications.[118] The majority of firms reported that PVLT tires made in the United States and China are "always" or "frequently" interchangeable.[119] The Commission also asked purchasers to compare PVLT tires made in China and the United States with respect to a series of factors that may affect their purchasing decisions.[120] More than half of responding purchasers reported that PVLT tires made in China and the United States are "comparable" in terms of discounts offered, extension of credit, packaging, private label, product consistency, quality both meets and exceeds industry standards, reliability of supply, and U.S. transportation

[112] CR/PR at Table IV-6.

[113] CR at VII-3; PR at VII-3.

[114] CR at VII-25 to VII-26; PR at VII-16 to VII-17.

[115] CR/PR at Table IV-3.

[116] Nonsubject imports' market share, by quantity, fell each year of the POI, from 41.9 percent in 2012 to 40.0 percent in 2013 and 38.8 percent in 2014. CR/PR at Table IV-6.

[117] *See, e.g.*, CR at I-22 to I-25, II-1, II-9 to II-13, II-32, II-39 to II-41; PR at I-18 to I-19, II-1, II-6 to II-9; CR/PR at Table II-16, Table II-17, Table II-18, Tables V-5 to V-10; Petitioner's Prehearing Brief at 24-26.

[118] CR at II-40; PR at II-25 to II-26.

[119] Six of seven domestic producers reported PVLT tires made in the United States and China are always interchangeable; of 31 responding importers, 13 reported that PVLT tires made in the United States and China are always interchangeable and 14 reported that they are frequently interchangeable; and of the 33 responding purchasers, 13 reported that PVLT tires made in the United States and China are always interchangeable and 15 reported that they are frequently interchangeable. CR/PR at Table II-17.

[120] CR at II-38; PR at II-25.

costs.[121] Most purchasers rated U.S. product superior on brand availability, delivery terms, delivery time, minimum quantity requirements, and technical support/service.[122] All PVLT tires sold in the U.S. market must meet NHTSA performance standards and must be marked in accordance with NHTSA and DOT requirements.[123] The majority of responding purchasers (32 of 43) reported that PVLT tires made in the United States "always" meet minimum quality specifications, and the majority of purchasers (22 of 38) reported that PVLT tires made in China "always" meet minimum quality specifications.[124]

Although purchasers consider a variety of factors, price is an important consideration in their purchasing decisions.[125] For price, purchasers reported that PVLT tires from the United States were inferior to (higher priced than) tires made in China.[126] When asked whether differences other than price were "always," "frequently," "sometimes," or "never" significant in their purchasing decisions, three of six responding U.S. producers, 19 of 32 responding importers, and 19 of 36 responding purchasers reported that differences other than price were only "sometimes" or "never" important when comparing PVLT tires made in the United States and China.[127]

2. Branded Versus Private-Label Tires

The parties disagreed about the importance of branded versus private-label PVLT tires in the U.S. market.[128] The Commission's questionnaire defined branded tires as those produced

[121] CR at II-39; PR at II-25; CR/PR at Table II-16.

[122] CR at II-39; PR at II-25; CR/PR at Table II-16.

[123] CR at II-1; PR at II-1.

[124] CR at II-41; PR at II-26; CR/PR at Table II-18.

[125] When asked to report whether certain factors were "very important," "somewhat important," or "not important" in their purchasing decisions, 37 purchasers reported price as "very important." Other "very important" factors reported by purchasers included availability (42 purchasers), reliability of supply (40 purchasers), product consistency (38 purchasers), and quality meets industry standards (37 purchasers). CR/PR at Table II-12. Purchasers reported quality more frequently than other factors as the most important factor in their purchasing decisions (20 purchasers),and they cited price as the second most important factor in their purchasing decisions (12 purchasers) and the third most important factor (14 purchasers). Availability was also frequently cited by purchasers as important to their purchasing decisions involving PVLT tires. CR/PR at Table II-11.

[126] CR at II-39; PR at II-25; CR/PR at Table II-16.

[127] CR/PR at Table II-19 (noting that three of six responding U.S. producers, 13 of 32 responding importers, and 17 of 36 responding purchasers reported that differences other than price were "frequently" or "always" important when comparing PVLT tires made in the United States and China). The most commonly identified factors other than price were product mix, transportation network, brand strength, quality, and technical support. CR at II-41; PR at II-26 to II-27; CR/PR at Table II-19.

[128] *See, e.g.*, Petitioner's Final Comments at 4 (noting that only 4 of 40 purchasers cite brand as one of their top three purchasing factors, whereas 34 purchasers cite price as one of their top three purchasing factors). Respondents argue that the domestic industry has decided to abandon the lower tiers of the U.S. market to imported private-label brands and instead focus on higher-value, higher-margin branded PVLT tires for OEMs and the upper tiers of the replacement market. ITG Voma's Final

or packaged for sale under the name of the manufacturer of the tire or a brand name owned by that manufacturer, whereas it defined private label tires as those that are produced or packaged for sale under a name other than the manufacturer's name or a brand name owned by that manufacturer.[129] All 47 responding purchasers reported that they sell branded tires, and 28 of them reported selling private-label tires, including three of the four largest purchasers (***).[130] As previously discussed, the substantial majority of sales that purchasers reported in 2014 involved branded tires.[131] When asked about the importance of branding to their purchasing decisions, 21 of 45 responding firms reported that branding is "somewhat important," compared to 17 reporting that branding is "very important," and 8 reporting that branding is "not important."[132] The vast majority of U.S. producers, importers, and purchasers reported that brand influences the price consumers are willing to pay for PVLT tires, with most indicating that brand names communicate the quality and performance of the tire; they reported that consumers are willing to pay more for the perception of higher quality and performance levels.[133]

Purchasers reported carrying anywhere from one to 50 brands of private-label or branded tires, averaging 11 different brands of tires at a given time.[134] The domestic industry shipped both branded and private-label tires to the U.S. market during the POI.[135] A larger share of the domestic industry's commercial shipments consisted of branded PVLT tires.[136] U.S. importers of subject merchandise also reported shipping both branded and private-label PVLT tires from China in the U.S. market during the POI.[137] Like the domestic industry, a greater share of subject importers' U.S. commercial shipments of PVLT tires also consisted of branded PVLT tires from China.[138]

Most U.S. producers and importers and 16 of 37 responding purchasers reported that private-label PVLT tires are at least "somewhat competitive" with their branded

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Comments at 10; ITG Voma's Posthearing Brief at Responses to the Commission's Written and Hearing questions at 38-39; Chinese Respondents' Final Comments at 12-13; Hearing Tr. at 22-23.

[129] CR at III-21 at n.27, IV-16 at n.15; PR at III-12 at n.27, IV-13 at n.15.

[130] CR at II-3, II-33; PR at II-2, II-21 to II-22; CR/PR at Table II-2.

[131] CR at II-34; PR at II-22.

[132] CR at II-34; PR at II-22.

[133] CR at II-34 to II-35; PR at II-21 to II-22.

[134] CR at II-33; PR at II-21 to II-22.

[135] Every U.S. producer except *** shipped branded PVLT tires during the POI, whereas only *** shipped private-label PVLT tires. CR at III-21 to III-22; PR at III-12; CR/PR at Table III-7. *** brands. CR III-22 at n.28; PR at III-12 at n.28.

[136] The domestic industry's commercial shipments of branded PVLT tires accounted for between 87.0 percent and 89.4 percent of total commercial shipments during the POI. CR/PR at Table III-7.

[137] CR/PR at Table IV-7.

[138] Branded tires accounted for between *** percent and *** percent of U.S. importers' commercial shipments of PVLT tires from China. CR/PR at Table IV-7.

counterparts.[139] Almost all firms agreed that private-label tires are always priced lower than their branded counterparts.[140]

3. OEM and Replacement Segments and "Categories" of PVLT Tires[141]

PVLT tires manufactured in the United States and in China were sold in both the OEM and replacement segments of the U.S. market, although the vast majority of the OEM segment was supplied by domestic and nonsubject producers.[142] Furthermore, PVLT tires from both sources were sold in overlapping geographic markets.[143] The domestic industry consistently directed a greater share of its total U.S. shipments to the replacement segment during the POI, and importers reported selling an even greater share of their PVLT tires imported from China in the replacement segment.[144] Most firms reported that OEM tires are subject to precise performance and technical specifications.[145] When asked about the interchangeability of PVLT tires sold in the OEM segment with PVLT tires sold in the replacement segment, the majority of firms (7 of 8 responding U.S. producers, 25 of 34 responding importers, and 26 of 46 responding purchasers) reported that they are "sometimes" interchangeable.[146]

In the section 421 investigation, the parties disagreed about whether the replacement segment of the U.S. market is structured in tiers. Based on the record of the section 421 investigation, the Commission found no clear dividing lines among categories of PVLT tires in the U.S. market and no consensus among producers, importers, and purchasers about how to define the tiers in the U.S. market.[147]

In these investigations, Respondents argue that the U.S. PVLT tires market is characterized by the existence of three to five tiers divided primarily by brand, quality, and selling price. According to Respondents, the domestic industry at most only competes with

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[139] CR at II-35; PR at II-22; CR/PR at Table II-13.

[140] CR at II-35; PR at II-22.

[141] Chairman Broadbent and Commissioners Johanson and Kieff do not join the following section regarding OEM and replacement segments and "categories" of PVLT tires or the conclusion with respect to the degree of substitutability between the domestic like product and subject imports of PVLT tires from China. They write separately concerning substitutability. *See* Dissenting Views of Chairman Broadbent and Commissioners Johanson and Kieff.

[142] CR/PR at Table II-1.

[143] The majority of U.S. producers and importers reported sales of PVLT tires in all continental regions. CR/PR at Table II-5.

[144] CR/PR at Table II-3 (indicating that between 72.4 percent and 73.9 percent of the domestic industry's total U.S. shipments involved sales to the replacement segment, whereas between 97.8 percent and 98.6 percent of subject imports from China involved sales to the replacement segment).

[145] CR at II-8 to II-9; PR at II-5 to II-6. According to purchaser ***, potential suppliers to the OEM segment must design a tire that meets the OEM's target metrics, manufacture prototypes, and deliver a batch of tires for testing. After evaluating the tire, the OEM identifies any features that may require improvement by the PVLT tire manufacturer. CR at II-36 to II-37; PR at II-23; *see also, e.g.*, Hearing Tr. at 86-87.

[146] CR at II-8 to II-9; PR at II-5.

[147] USITC Pub. 4085 at 21.

subject imports from China in a limited way in Tier 3 (which they estimate accounts for about 10-12 percent of the market). Respondents argue that the domestic industry shifted mostly, if not exclusively, towards producing branded Tier 1 and Tier 2 tires between 2004 and 2008 in order to focus on these more profitable product lines and ceded the lower tiers to imported private-label tires.[148]

Petitioner argues that there is no common industry definition of any tiers and considerable overlap among the tiers, as Respondents' own witnesses and questionnaire respondents confirmed. In any event, even if there are two, three, four or five tiers in the U.S. market (or even ***), Petitioner contends that PVLT tires made in the United States and China compete across the full spectrum of the U.S. market.[149]

The Commission asked U.S. producers, importers, and purchasers whether the U.S. PVLT tires market is divided into categories. The majority of U.S. producers (5 of 7) and some importers (8 of 35) and purchasers (11 of 45) reported that the U.S. PVLT tires market is not divided into categories.[150] Those questionnaire respondents that reported the existence of divisions (two U.S. producers, 27 of 35 importers, and 34 of 45 purchasers) identified anywhere from three to five distinct categories.[151] Questionnaire respondents disagreed widely about the relative sizes of any such categories.[152] When asked about the primary bases for differentiating among categories, most firms identified brand, quality, and price.[153] Questionnaire respondents mostly concurred about the characteristics differentiating category 1 PVLT tires from lower categories of PVLT tires[154] and about the PVLT tire producers or brands serving

[148] Chinese Respondents' Prehearing Brief at 20-23; TireCo's Prehearing Brief at 2-4, Exhibit A; ITG Voma's Prehearing Brief at 8-17, 40-44, 46-52; Chinese Respondents' Posthearing Brief at Appendix at 33-42, 58-62, Exhibit 6; ITG Voma's Posthearing Brief at 11-13, Exhibit 5, Attachment at 38-62; Hearing Tr. at 22, 194-202, 205, 218-222, 229-34, 271-280, 288-293, 303-309.

[149] Petitioner's Prehearing Brief at 30-45; Petitioner's Posthearing Brief at 3-7, Answer to Chairman Broadbent's Question 2 at 3-14; Hearing Tr. at 80-82, 90-93, 142-151.

[150] These firms reported that retailers and dealers may categorize products, but such categorizations are subjective, with no set industry definitions. CR at II-11; PR at II-7.

[151] Two U.S. producers, 7 of 25 responding importers, and 11 of 32 purchasers identified three distinct categories; 17 importers and 13 purchasers identified four distinct categories; and 4 importers and 7 purchasers identified five distinct categories. CR at II-11 to II-12; PR at II-7; CR/PR at Appendix D.

[152] The portion of the total U.S. market accounted for by category 1 was 21 percent according to U.S. producers, 21 percent to 65 percent according to importers, and 15 percent to 57 percent according to purchasers. The range of the total U.S. market accounted for by category 2 was 24 percent to 50 percent according to U.S. producers, 15 percent to 50 percent according to importers, and 15 percent to 45 percent according to purchasers. The range of the total U.S. market accounted for by category 3 was 29 percent to 56 percent according to U.S. producers, 5 percent to 56 percent according to importers, and 5 percent to 40 percent according to purchasers. The range of the total U.S. market accounted for by category 4 was 5 percent to 30 percent according to importers and 7 percent to 35 percent according to purchasers. The share of the total U.S. market accounted for by category 5 was 15 percent according to importers and 10 to 23 percent according to purchasers. CR/PR at Table II-4, Appendix D.

[153] CR at II-12; PR at II-7 to II-8; Appendix D.

[154] Questionnaire respondents reported the following main characteristics for category 1 PVLT tires: higher price, better/premium quality, strong and sophisticated marketing and retail programs,

category 1.[155] There was less agreement concerning the characteristics that differentiated among other categories of PVLT tires[156] and the producers or brands that serve the other categories.[157]

4. Conclusion

Based on this record evidence, we find a moderate-to-high degree of substitutability between the domestic like product and subject imports of PVLT tires from China.[158] We further

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brand recognition, mileage warranty, major original equipment manufacturers, and high level of technology. CR at II-12; PR at II-8; CR/PR at Appendix D.

[155] The vast majority of questionnaire respondents identified the same names for both the producers and the brands serving category 1. They most frequently identified Bridgestone, Continental, Goodyear, Michelin, and Pirelli, but they also identified the following as category 1 suppliers: BF Goodrich, Cooper, Dunlop, Firestone, Fuzion, General, Kelly, Sumitomo, Toyo, Uniroyal, and Yokohama. CR at II-12; PR at II-8; CR/PR at Appendix D. Several of these firms are domestic producers that import subject PVLT tires from their affiliated operations in China for sale in the U.S. market. *See, e.g*., CR/PR at Table III-9, Table E-1, Table E-2.

[156] Questionnaire respondents most frequently identified moderate brand recognition as the main distinguishing characteristic for category 2 PVLT tires, although they also identified other characteristics, including high quality, mid-level prices, moderate advertising support, strong warranties, and full product ranges. Questionnaire respondents most frequently identified lower price/price driven as the main distinguishing characteristic for category 3 PVLT tires, although they also identified other characteristics, including no original equipment fitments, little to no brand recognition, limited distribution support, imported brand, and low-to-moderate mileage warranties. Questionnaire respondents most frequently identified lower price as the main distinguishing characteristic for category 4 PVLT tires, although they also identified other characteristics, including private labels, little to no marketing, "entry level" tire, container-direct distribution, and no original equipment fitments on any vehicles. According to questionnaire respondents that identified a category 5, the PVLT tires that belong in this category are characterized by their lower price and no brand recognition. CR at II-12 to II-13; PR at II-8 to II-9; CR/PR at Appendix D.

[157] The most frequently identified producers/brands serving category 2 were BF Goodrich, Continental, Cooper, Dunlop, Firestone, General Tire, Hankook, Kumho, Pirelli, Sumitomo, Toyo, and Yokohama, but questionnaire respondents also identified Falken, Giti, Goodyear, Kelly, Mastercraft, Maxxis, Nexen, Nitto, and Uniroyal as other category 2 suppliers. The most frequently identified producers/brands serving category 3 were Cooper, Cordovan, Falken, Fuzion, General, GT Radial, Hankook, Kelly, Kumho, Mastercraft, Nexen, Sumitomo, and Uniroyal, but questionnaire respondents also identified Aelous, API, Bridgestone, Delinte, Delta, Dunlop, Firestone, Giti, Goodride, Goodyear, Hercules, Kendra, Linglong, Maxxis, Multi-Mile, Nitto, Nokian, Primewell, Prometer, Riken, Sailun, TBC, Toyo, Yokohama, and Yongsheng as other category 3 suppliers. Questionnaire respondents identified numerous producers/brands serving category 4, including the following: Atturo, Dynatrac, Falken, Goodride, GT Radial, Hi-Fly, Kelly, Linglong, Nexen, Primewell, Sailun, Sigma, Starfire, and Westlake. Those questionnaire respondents that identified a category 5 reported the following producers/brands as serving category 5: Auto Guard, Capitol, Delente, Goodride, Iron Man, Lavignator, Prometer, and Regul. CR at II-12 to II-13; PR at II-8 to II-9; CR/PR at Appendix D.

[158] *See, e.g.*, CR at I-22 to I-25, II-1, II-9 to II-13, II-32, II-39 to II-41; PR at I-18 to I-20, II-1, II-6 to II-8, II-20 to II-21, II-25 to II-27; CR/PR at Table II-16 to II-18, Tables V-5 to V-10.

find that subject imports from China compete in a meaningful way with the domestic industry's PVLT tires in the U.S. market.[159] The domestic industry and importers of subject merchandise from China supply the U.S. market with both branded and private-label PVLT tires.[160] PVLT tires from both sources are sold in overlapping geographic markets and to both the OEM and replacement segments of the U.S. market.[161] There is some differentiation in the U.S. market among PVLT tires based on brand, quality, and price, but the record does not warrant finding clear dividing lines among categories of tires, let alone the precise share of the U.S. market represented by any such categories. Those questionnaire respondents reporting the existence of categories did not agree on the number of categories, the characteristics that differentiated one category from another, or how to categorize specific brands/producers.[162] They even reported that certain brands/producers served multiple categories in the U.S. market.[163] Moreover, questionnaire respondents reported that PVLT tires manufactured in the United States competed in the same categories, however defined, where PVLT tires imported from China also competed.[164]

In view of the degree of substitutability and overlap of competition noted above, we find that competition between subject imports from China and PVLT tires manufactured in the United States depends primarily on price.[165]

D. Raw Materials

In 2014, raw material costs accounted for 52.6 percent of the domestic industry's total cost of goods sold ("COGS") to manufacture PVLT tires, down from 56.8 percent in 2012.[166] The main raw material input for PVLT tires is rubber, in natural and synthetic forms.[167] The majority of domestic producers reported that their raw material costs to manufacture PVLT tires have decreased since January 2012, and several of them reported passing raw material cost savings on to their customers.[168] The cost of rubber declined during the POI.[169]

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[159] CR/PR at Table II-13, Table III-7, Table IV-7; CR at II-33, II-35; PR at II-21, II-22.

[160] CR at III-21 to III-22; PR at III-12; CR/PR at Table III-7, Table IV-7.

[161] CR/PR at Table II-1, Table II-3, Table II-5; CR at II-8 to II-9; PR at II-5 to II-6.

[162] *See, e.g.*, CR/PR at Appendix D.

[163] CR/PR at Appendix D.

[164] CR/PR at Appendix D. Indeed, some domestic producers reported manufacturing some PVLT tires in the United States and importing others from China, so PVLT tires marked with the same domestic producers' brand sometimes were manufactured in the United States and sometimes were manufactured in China. CR/PR at Table III-9, Table E-1, Table E-2.

[165] CR/PR at Table II-11, Table II-19.

[166] CR at V-1; PR at V-1.

[167] Ribbed smoked sheets are made from high quality natural rubber and used to produce tires, tubes, tread, and other products. Technically specified rubber is a general purpose natural rubber used in making tires and other products. Styrene-butadiene rubber is a synthetic rubber manufactured from petroleum and used extensively in producing tires. CR at V-1; PR at V-1.

[168] CR at V-2 to V-3; PR at V-2.

[169] The price of ribbed smoked sheets declined by 58.0 percent between the first quarter of 2012 and the fourth quarter of 2014, whereas the price of technically specified rubber declined by

V. Material Injury By Reason of Subject Imports[170]

A. Legal Standards

In the final phase of antidumping and countervailing duty investigations, the Commission determines whether an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.[171] 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.[172] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[173] In assessing whether the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[174] 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."[175]

Although the statute requires the Commission to determine whether the domestic industry is "materially injured or threatened with material injury by reason of" unfairly traded imports,[176] it does not define the phrase "by reason of," indicating that this aspect of the injury analysis is left to the Commission's reasonable exercise of its discretion.[177] 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

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59.4 percent. Styrene butadiene rubber declined 22.2 percent during this period, whereas spot prices for crude oil declined 8.3 percent. CR at V-1 to V-2; PR at V-1; CR/PR at Figure V-1.

[170] Section 771(24) of the Tariff Act, which defines "negligibility," provides that imports from a subject country that are less than 3 percent of the volume of all such merchandise imported into the United States in the most recent twelve-month period for which data are available that precedes the filing of the petitions or self-initiation, as the case may be, shall be deemed negligible. 19 U.S.C. § 1677(24)(B); 15 C.F.R. § 2013. No party argues that subject imports from China are negligible. *See, e.g.*, Petitioners' Prehearing Brief at 9. According to available data for the most recent twelve-month period prior to the filing of the petitions (June 2013 to May 2014), imports of subject PVLT tires from China accounted for 31.8 percent of total PVLT tire imports. CR at IV-14; PR at IV-11. Because this figure exceeds the applicable three percent negligibility threshold, subject imports from China are not negligible.

[171] 19 U.S.C. §§ 1671d(b), 1673d(b).

[172] 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 ... and explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B).

[173] 19 U.S.C. § 1677(7)(A).

[174] 19 U.S.C. § 1677(7)(C)(iii).

[175] 19 U.S.C. § 1677(7)(C)(iii).

[176] 19 U.S.C. §§ 1671d(a), 1673d(a).

[177] *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).

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.[178]

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.[179] In performing its examination, however, the Commission need not isolate the injury caused by other factors from injury caused by unfairly traded imports.[180] Nor does

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

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

[180] SAA at 851-52 ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports."); *Taiwan Semiconductor,* 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 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

the "by reason of" standard require that unfairly traded imports be the "principal" cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such as nonsubject imports, which may be contributing to overall injury to an industry.[181] It is clear that the existence of injury caused by other factors does not compel a negative determination.[182]

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."[183] [184] Indeed, the Federal Circuit has examined and affirmed various Commission methodologies and has disavowed "rigid adherence to a specific formula."[185]

The Federal Circuit's decisions in *Gerald Metals, Bratsk*, and *Mittal* all involved cases where the relevant "other factor" was the presence in the market of significant volumes of price-competitive nonsubject imports. The Commission interpreted the Federal Circuit's guidance in *Bratsk* as requiring it to apply a particular additional methodology following its

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"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.").

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

[182] *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.").

[183] *Mittal*, 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.

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

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

542 F.3d at 878.

[185] *Nucor Corp. v. United States*, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); *see also Mittal*, 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.").

finding of material injury in cases involving commodity products and a significant market presence of price-competitive nonsubject imports.[186] 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* litigation.

Mittal 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.[187] 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* 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.[188]

The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence standard.[189] Congress has delegated this factual finding to the Commission because of the agency's institutional expertise in resolving injury issues.[190] [191]

Based on the record in the final phase of these investigations, we determine that an industry in the United States is materially injured by reason of imports of PVLT tires from China

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

[187] *Mittal*, 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). In its decision in *Swiff-Train v. United States*, Ct. No. 2014-1814 (Jul. 13, 2015), the Federal Circuit affirmed the Commission's causation analysis as comporting with the Court's guidance in *Mittal*.

[188] 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.

[189] 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.

[190] *Mittal*, 542 F.3d at 873; *Nippon*, 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.").

[191] Chairman Broadbent and Commissioners Johanson and Kieff have made negative determinations and do not join the remainder of this opinion. *See* Dissenting Views of Chairman Broadbent and Commissioners Johanson and Kieff.

that Commerce has found to be sold in the United States at less than fair value and subsidized by the government of China.

B. 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."[192]

As discussed above, the United States maintained a section 421 safeguard measure on imports of tires from China early in the POI, but this measure terminated on September 26, 2012.[193] The volume of subject imports from China progressively increased between 2012 and 2014, particularly between 2012 and 2013.[194] Apparent U.S. consumption of PVLT tires rose during the POI, and most of the growth occurred between 2012 and 2013.[195] The absolute volume of subject imports from China increased substantially faster than the growth in apparent U.S. consumption throughout the POI.[196] Moreover, the overall increase in subject imports from China contrasts with an overall decline in U.S. shipments of the domestic like product.[197]

Corresponding to this increase in absolute volume, subject imports from China also increased their market share by *** percentage points between 2012 and 2014, nearly doubling their share of the U.S. market.[198] Although subject imports from China took some

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[192] 19 U.S.C. § 1677(7)(C)(i).

[193] *See, e.g.*, USITC Pub. 4085; 74 Fed. Reg. 47861 (Sept. 17, 2009); 74 Fed. Reg. 47433 (Sept. 16, 2009).

[194] Subject imports from China increased from 31.4 million PVLT tires in 2012 to 50.8 million tires in 2013 and 58.0 million tires in 2014. CR/PR at Table IV-6, Table C-2. We note that the petitions in these investigations were filed on June 3, 2014, or approximately half-way into the final year of the POI, and that the monthly volume of subject imports from China progressively declined between July and December 2014. CR at I-1; PR at I-1; CR/PR at Table IV-4, Table C-2.

[195] Apparent U.S. consumption, by quantity, increased from 274.3 million PVLT tires in 2012 to 290.6 million tires in 2013 and 301.0 million tires in 2014. CR/PR at Table IV-6, Table C-2.

[196] Apparent U.S. consumption, by quantity, increased 6.0 percent between 2012 and 2013 and 3.6 percent between 2013 and 2014, for an overall increase of 9.7 percent. On an absolute basis, the volume of subject imports from China increased 61.5 percent between 2012 and 2013 and 14.1 percent between 2013 and 2014, for an overall increase of 84.3 percent. CR/PR at Table C-2.

[197] The domestic industry's U.S. shipments declined from *** PVLT tires in 2012 to *** tires in 2013 and increased somewhat to *** tires in 2014. Whereas the volume of subject imports outpaced increasing apparent U.S. consumption, the domestic industry's U.S. shipments consistently underperformed. Apparent U.S. consumption, by quantity, increased 6.0 percent between 2012 and 2013 and 3.6 percent between 2013 and 2014, for an overall increase of 9.7 percent, whereas the domestic industry's U.S. shipments declined *** percent between 2012 and 2013 and increased only *** percent between 2013 and 2014, for an overall decline of *** percent. CR/PR at Table C-2.

[198] Subject imports increased their share of apparent U.S. consumption, by quantity, from 11.5 percent in 2012 to 17.5 percent in 2013 and 19.3 percent in 2014. CR/PR at Table IV-6, Table C-2. Producers of subject merchandise in China supplied the U.S. market with products for which there was new demand growth, such as large-diameter tires, and marketed their products as having higher-quality

market share from nonsubject countries, most of their increased market share came at the domestic industry's expense.[199] Record evidence indicates that some purchasers shifted from domestically produced PVLT tires to subject imports from China.[200]

This increase in market penetration at the expense of the domestic industry is particularly noteworthy in light of the fact that subject imports competed in overlapping geographic markets and segments of the U.S. market with the domestic industry. Four of the five largest purchasers reported purchasing both subject imports from China and PVLT tires manufactured domestically.[201] As indicated earlier, the domestic industry and importers of subject merchandise from China sold both branded and private-label PVLT tires in the U.S. market, and 28 of the 47 purchasers that sold branded PVLT tires also sold private-label brands.[202] Importers increased their U.S. shipments of PVLT tires from China of both branded and private-label tires from 2012 to 2014,[203] whereas the domestic industry's U.S. shipments of

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features at lower prices. *See, e.g.*, CR at II-32; PR at II-21; Hearing Tr. at 81-83, 99-100, 103-105, 138, 140, 150-51, 303-304, 319-320; Petitioner's Posthearing Brief at Answers to Commissioner Schmidtlein's Question 2. The substantial and increasing presence of subject imports in the U.S. market during the POI is also apparent when the volume of subject imports from China is considered relative to U.S. production. The ratio of subject imports to domestic production was *** percent in 2012, *** percent in 2013, and *** percent in 2014. Derived from CR/PR at Table C-2.

[199] During a period of increasing apparent U.S. consumption, the domestic industry's share of apparent U.S. consumption, by quantity, declined from *** percent in 2012 to *** percent in 2013 and *** percent in 2014, for an overall loss of *** percentage points, most of which occurred between 2012 and 2013 (4.1 percentage points). Nonsubject imports lost 3.1 percentage points of market share, by quantity, between 2012 and 2014, and their market share fell from 41.9 percent in 2012 to 40.0 percent in 2013 and 38.8 percent in 2014. CR/PR at Table C-2.

[200] Twelve of 47 purchasers reported that they had decreased their purchases of domestic product due to price and product availability, and 21 of 46 responding purchasers reported that they had increased their purchases of PVLT tires from China for reasons that included price, market demand, increased availability, increased availability of mix of entry-level tires, suppliers moving production to facilities in China or expansion with partners in China. CR at II-37; PR at II-23 to II-24; CR/PR at Table II-14. For example, ***, a purchaser of tires in the replacement market, reported that it had switched purchases of PVLT tires from U.S. producers to PVLT tires imported from China. CR at V-25; PR at V-15 to V-16. Additionally, as discussed below, the record shows that subject imports increased at the domestic industry's expense throughout the U.S. market.

[201] CR/PR at Table II-2 (indicating that *** purchased PVLT tires produced in the United States and China during the POI and that their collective purchases, alone, accounted for *** percent of reported purchases in 2014). *** reported that less than five percent of its purchases were imported from China during the POI. CR at II-5 at n.9; PR at II-3 at n.9.

[202] CR/PR at Table III-7, Table IV-7.

[203] U.S. importers' shipments of branded PVLT tires increased by *** tires over the POI, from *** tires in 2012 to *** tires in 2013 and *** tires in 2014, and their shipments of private-label tires increased by *** tires over the POI, from *** tires in 2012 to *** tires in 2013 and *** tires in 2014. CR/PR at Table IV-7; *see also* CR/PR at Table IV-8 (indicating smaller increases between 2012 and 2014 of branded (*** tires) and private-label (***) tires from nonsubject sources).

both branded and private-label PVLT tires declined in the corresponding period.[204] Thus, subject imports from China gained both branded and private-label sales at the domestic industry's expense.

As also discussed above, the domestic industry and importers of subject merchandise from China shipped PVLT tires to both the OEM and replacement segments of the U.S. market during the POI.[205] In the smaller OEM segment that accounted for a modest portion of U.S. importers' U.S. shipments of subject merchandise from China, the domestic industry slightly increased its U.S. shipments of PVLT tires between 2012 and 2014.[206] In the larger replacement segment that accounted for approximately *** percent of the U.S. market and where the domestic industry and importers of subject merchandise from China directed most of their U.S. shipments,[207] importers of subject merchandise increased their U.S. shipments of PVLT tires from China from *** tires in 2012 to *** tires in 2013 and *** tires in 2014,[208] whereas the domestic industry's shipments to the replacement market fell overall during the POI.[209] Subject imports not only gained market share at the domestic industry's expense in the larger replacement segment, but their volume increased by a rate (72.7 percent) that exceeded by far the increase in demand in that segment (*** percent).[210]

Based on these considerations, we conclude that the volume of U.S. imports of PVLT tires from China is significant, absolutely and relative to consumption and production in the United States, and that the increase in subject import volume absolutely and relative to domestic production and apparent U.S. consumption is also significant.

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[204] CR/PR at Table III-7 (indicating that the domestic industry's shipments of branded PVLT tires fell from 100.3 million tires in 2012 to 98.1 million tires in 2013 and 99.9 million tires in 2014, and its shipments of private-label tires fell from 15.0 million tires in 2012 to 12.3 million tires in 2013 and 11.9 million tires in 2014).

[205] CR/PR at Table II-3 (indicating that importers' U.S. shipments of subject merchandise from China to the OEM segment increased overall and were 520,000 tires in 2012, 754,000 tires in 2013, and 547,000 tires in 2013, whereas their U.S. shipments of PVLT tires from nonsubject sources declined overall and were *** tires in 2012, *** tires in 2013, and *** tires in 2014).

[206] The domestic industry's U.S. shipments to OEMs increased from 30.0 million PVLT tires in 2012 to 30.4 million tires in 2013 and 30.8 million tires in 2014. CR/PR at Table II-3. Even a limited presence of subject imports in the OEM segment is meaningful because, as Respondents point out, some consumers are inclined to purchase their first generation of replacement tires based on the brand mounted on the car at the time they purchased the vehicle. *See, e.g.*, Hearing Tr. at 205, 239-240, 308; Petitioner's Posthearing Brief at Answers to Commissioner Schmidtlein's Question 1; ITG Voma's Posthearing Brief at Answers to Commissioner Questions at 36-37.

[207] Derived from CR/PR at Table II-3.

[208] CR/PR at Table II-3 (indicating an overall increase of 16.9 million tires imported from China during the POI compared to an overall increase of *** tires imported from nonsubject countries between 2012 and 2014).

[209] The domestic industry's shipments to the replacement market declined from 85.2 million PVLT tires in 2012 to 79.9 million tires in 2013 and then increased somewhat to 81.0 million tires in 2014. CR/PR at Table II-3.

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

C. Price Effects

Section 771(7)(C)(ii) of the Tariff Act provides that, in evaluating the price effects of the 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.[211]

As discussed above, purchasers reported considering a variety of factors when purchasing PVLT tires, but they reported that price is an important factor in their purchasing decisions.[212] Moreover, as also indicated above, there is moderate-to-high substitutability between PVLT tires made in the United States and PVLT tires imported from China.[213] Consequently, competition between subject imports and the domestic like product in the U.S. PVLT tires market primarily depends on price.

In these investigations, six U.S. producers and 23 importers provided usable quarterly net U.S. f.o.b. selling price data for six PVLT tire products for the period January 2012 through December 2014.[214] Even though these investigations involve a product manufactured in various sizes, dimensions, and features, the pricing data obtained from questionnaires accounted for approximately 4.5 percent of the domestic industry's commercial shipments of PVLT tires and 8.1 percent of U.S. commercial shipments of PVLT tires from China in 2014.[215]

According to these pricing data, subject imports from China pervasively undersold the domestic like product at sizeable and increasing margins throughout the POI.[216] Specifically, subject imports undersold the domestic like product in 72 of 72 possible quarterly comparisons, or 100 percent of the time, at margins reaching as high as *** percent and averaging *** percent.[217] Stated differently, subject imports undersold the domestic like product in quarterly comparisons involving *** PVLT tires.[218] Other record data corroborate that subject

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[211] 19 U.S.C. § 1677(7)(C)(ii).

[212] CR/PR at Table II-12, Table II-19, Table II-11.

[213] *See, e.g.*, CR/PR at Tables II-16 to II-18, Tables V-5 to V-10; CR at II-1; PR at II-1.

[214] The pricing products included the following: (1) PVLT tires, tire size 205/55R16, 89-94 load index, T speed rating; (2) PVLT tires, tire size P215/55R17, 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 P235/75R15, 104-110 load index, T speed rating; (5) PVLT tires, tire size LT245/75R16, 111-116 load index, R speed rating; and (6) PVLT tires, tire size LT265/75R16, 112-116 load index, R or T speed rating. CR at V-7 to V-8; PR at V-5.

[215] Domestic producer *** did not submit any pricing data, so no adjustment to the pricing data was needed to account for its exclusion from the domestic industry as a related party. CR at V-8; PR at V-6.

[216] CR/PR at Tables V-5 to V-10; CR at V-22; PR at V-15.

[217] CR/PR at Tables V-5 to V-10; CR at V-22; PR at V-15.

[218] Derived from CR/PR at Tables V-5 to V-10.

imports undersold the domestic like product. For example, purchasers reported that PVLT tires from China were lower priced than PVLT tires made in the United States.[219]

Based on this evidence, we conclude that there has been significant underselling of the domestic like product by subject imports from China. This underselling permitted subject imports to gain significant market share at the domestic industry's expense.[220]

We also considered movements in prices for the six pricing products during the POI. The quarterly pricing data show an overall decline in prices of the domestic like product and subject imports during the POI. For each of the six pricing products, the prices of subject imports from China declined by a greater percentage than the prices of the domestic like product; for some pricing products, the decline in prices of subject imports from China was double the corresponding decline in prices of the domestic like product.[221]

We considered possible reasons for these price declines.[222] Raw material costs as a share of the domestic industry's COGS declined from 56.8 percent in 2012 to 52.6 percent in 2014, due to declines in the cost of the main raw material input for PVLT tires – natural and

[219] CR at II-39; PR at II-25; CR/PR at Table II-16 (noting that 22 of 33 purchasers reported that prices of PVLT tires from the United States were inferior to (higher priced than) PVLT tires made in China); *see also, e.g.*, Petitioner's Prehearing Brief at 28-44; Petitioner's Posthearing Brief at Answers to Commissioner Johanson's Question 1 (underselling margins do not correspond to alleged differences in branding or market focus nor do alleged differences in branding explain widening underselling margins).

[220] CR/PR at Table IV-6, Tables V-5 to V-10, Table C-2. Twenty-one of 46 responding purchasers reported that they had increased their purchases of PVLT tires from China since 2012, and some of them reported doing so for price reasons. CR at II-37; PR at II-23 to II-24; CR/PR at Table II-14.

[221] In January 2012, the domestic industry's price for pricing product 1 was $59.43 per tire, compared to $50.43 per tire for subject imports from China; during the POI, prices of the domestic like product for pricing product 1 declined 8.4 percent, compared to 26.8 percent for subject imports from China. In January 2012, the domestic industry's price for pricing product 2 was $93.55 per tire, compared to $51.17 per tire for subject imports from China; during the POI, prices of the domestic like product for pricing product 2 declined 24.1 percent, compared to 29.2 percent for subject imports from China. In January 2012, the domestic industry's price for pricing product 3 was $67.79 per tire, compared to $59.80 per tire for subject imports from China; during the POI, prices of the domestic like product for pricing product 3 declined 18.2 percent, compared to 26.7 percent for subject imports from China. In January 2012, the domestic industry's price for pricing product 4 was $78.31 per tire, compared to $65.21 per tire for subject imports from China; during the POI, prices of the domestic like product for pricing product 4 declined 9.4 percent, compared to 19.9 percent for subject imports from China. In January 2012, the domestic industry's price for pricing product 5 was $*** per tire, compared to $97.49 per tire for subject imports from China; during the POI, prices of the domestic like product for pricing product 5 declined *** percent, compared to 25.7 percent for subject imports from China. In January 2012, the domestic industry's price for pricing product 6 was $*** per tire, compared to $94.72 per tire for subject imports from China; during the POI, prices of the domestic like product for pricing product 6 declined *** percent, compared to 11.0 percent for subject imports from China. CR/PR at Tables V-5 to V-11.

[222] As discussed above, however, apparent U.S. consumption of PVLT tires rose during the POI. CR/PR at Table IV-6, Table C-2. In light of this trend and the inelasticity of demand for PVLT tires, the record does not indicate that price declines were instituted in order to stimulate demand.

synthetic forms of rubber.[223] The cost of ribbed smoked sheets declined 58.0 percent, compared to 59.4 percent for technically specified rubber, and 22.2 percent for styrene butadiene rubber,[224] and declines in natural rubber and crude oil prices were cited as a contributing factor to declining prices of subject imports and the domestic like product.[225] During this period of declining costs for raw materials that accounted for the majority of its COGS, the domestic industry's total COGS declined *** percent between 2012 and 2013 and *** percent between 2013 and 2014, for an overall decline of *** percent for the POI.[226]

At the same time, the record establishes that underselling by imports from China put competitive pressure on domestic producers throughout the market. As discussed above, all purchasers sell branded tires, and most of them, including three of the four largest purchasers (***) also sell private-label tires.[227] Given that subject imports and the domestic like product (1) consisted of both branded and private-label PVLT tires,[228] (2) were sold in both the OEM and replacement segments of the market,[229] (3) were purchased by overlapping purchasers,[230] (4) were advertised and displayed for sale beside one another,[231] and (5) were moderately to highly substitutable,[232] we find that subject imports from China, which sold at substantially lower prices than domestic PVLT tires, put significant competitive pressure on domestic producers at all levels of the U.S. market. Indeed, the record shows that PVLT tires of the same size but different features compete with one another,[233] prices of private-label tires influence what purchasers are willing to pay for branded tires,[234] prices of tires sold in the replacement

[223] Ribbed smoked sheets are made from high quality natural rubber and used to produce tires, tubes, tread, and other products. Technically specified rubber is a general purpose natural rubber used in making tires and other products. Styrene-butadiene rubber is a synthetic rubber manufactured from petroleum and used extensively in producing tires. CR at V-1; PR at V-1; CR/PR at Figure V-1.

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

[225] CR at IV-6; PR at IV-5.

[226] CR/PR at Table C-2.

[227] CR at II-33; PR at II-21 to II-22.

[228] *See, e.g.*, CR/PR at Table III-7, Table IV-8, Appendix E.

[229] *See, e.g.*, CR/PR at Table II-3 (segments), Table II-5 (geographic overlap).

[230] *See, e.g.*, CR/PR at Table II-2; CR at II-3, II-5 at nn.8-9, II-33; PR at II-2, II-3 at nn.8-9, II-21 to II-22.

[231] *See, e.g.*, CR at II-33; PR at II-21 to II-22; Hearing Tr. at 81, 117, 142-143, 151; Petitioners' Comments on Draft Questionnaires; Petitioner's Prehearing Brief at 35-45; Petitioner's Posthearing Brief at Answers to Commissioner Kieff's Question 2, Commissioner Johanson's Question 1, Commissioner Schmidtlein's Question 2; Petitioner's Postconference Brief at Exhibit 3.

[232] *See, e.g.*, CR at I-22 to I-25, II-1, II-9 to II-13, II-32, II-39 to II-41; PR at I-18 to I-20, II-1, II-6 to II-8, II-20 to II-21, II-25 to II-26; CR/PR at Table II-16 to II-18, Tables V-5 to V-10.

[233] *See, e.g*., CR at V-8 n.12; PR at V-6 n.12; Hearing Tr. at 82; Petitioner's Posthearing Brief at Answer to Commissioner Kieff's Question 2.

[234] Purchasers reported that brand is not an important factor in their decision to purchase PVLT tires. *See, e.g.*, CR/PR at Table II-11 (not ranking brand as an important factor in purchasing decisions), Table II-12 (the overwhelming majority of purchasers reported that brand is at most "somewhat important" or "not important" to their purchasing decisions). Moreover, not all consumers are brand-conscious; for some consumers, price is the only issue. Importer *** reported that "the better a brand is known or perceived by consumers, the more likely consumers will pay a higher price. The brand

segment influence what purchasers are willing to pay for tires sold in the OEM segment,[235] and prices of lower-category tires influence what purchasers are willing to pay for higher-category tires, however defined.[236] This competitive pressure could have manifested itself either through a loss of market share by domestic producers, as we have found above, or a decline in domestic producers' prices, or both.

The evidence in this case demonstrates that raw material cost declines had a downward impact on U.S. prices during the POI.[237] It is more difficult, however, to determine whether low-priced imports pushed prices downward – and, if so, whether that effect was significant – especially in light of the demonstrated impact of lower raw material costs as well as domestic producers' increasing profitability over the POI. Although it may be that the lower prices of subject imports contributed to declining domestic producer prices, we do not have a sufficient evidentiary record in these investigations to conclude that subject imports depressed prices of the domestic like product to a significant degree.[238]

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factor diminishes if the price gap is unreasonably large." Most U.S. producers and importers and 16 of 37 responding purchasers reported that private-label tires are "somewhat competitive" with their branded counterparts. This competitiveness may vary by tier. Almost all firms agreed that private-label tires are always priced lower than the branded counterpart. Some firms reported that private label tires were "very competitive" and had the same characteristics and performance levels as branded tires but lower prices. *See, e.g.*, CR at II-34 to II-35; PR at II-22 to II-23; *see also, e.g.*, Hearing Tr. at 142-143; Petitioner's Posthearing Brief at Answer to Chairman Broadbent's Question 3, Answers to Commissioner Kieff's Question 2.

[235] For example, purchaser *** reported that there is stiff aftermarket competition among the retailers and the OEM dealers. CR at II-23; PR at II-15.

[236] *See, e.g.*, Hearing Tr. at 130-32, 299; Petitioner's Posthearing Brief at Answer to Commissioner Johanson's Question 1, Answers to Commissioner and Staff Question 1. Sixteen of 35 responding purchasers reported that they shifted their purchases of PVLT tires between categories during the POI, with six of them indicating that they shifted towards lower categories for price reasons. CR at II-14; PR at II-9.

[237] We nevertheless emphasize that declining rubber raw material costs do not explain the significant and growing margins of underselling of the domestic like product by the significant and increasing volume of subject imports from China discussed above.

[238] Commissioner Schmidtlein finds that declining raw material costs do not fully explain the declines in the domestic industry's prices for several of the pricing products or the significant disparity between price declines for the domestic like product and price declines for subject imports. CR/PR at Tables V-5 to V-10. For at least half of the pricing products, the U.S. producers' price declines exceeded their declines in production costs, sometimes by significant margins. *See* CR/PR at Tables V-5 to V-11, Table C-2. These price declines occurred as apparent U.S. consumption for PVLT tires consistently increased. Additionally, even assuming for the sake of argument that there are "tiers" and that there was no domestic competition in the lower "tiers," the record still supports a finding that subject imports are affecting prices across the market, as demonstrated below. Commissioner Schmidtlein therefore concludes that the significant and increasing volume of low-priced subject PVLT tire imports from China exerted downward pressure on prices of the domestic like product.

Notably, in response to a question at the hearing regarding whether the prices of tires in lower tiers affect the prices of tires in higher tiers and *vice versa*, one of the Respondents' witnesses, who founded one of the largest wholesale distributors and also founded one of the largest retail tire

We also considered whether PVLT tire imports from China prevented increases in the prices of the domestic like product that otherwise would have occurred. The domestic industry's prices and average unit net sales values declined between 2012 and 2014.[239] During this period, apparent U.S. consumption rose, but the cost of the raw materials that accounted for the majority of the domestic industry's COGS (natural and synthetic rubber) declined.[240] As discussed earlier, the domestic industry's total COGS declined *** percent between 2012 and 2013 and *** percent between 2013 and 2014, for an overall decline of *** percent for the POI.[241] The domestic industry's ratio of COGS to net sales also declined between January 2012 and December 2014.[242] Notwithstanding declining prices and average unit net sales values, absent evidence suggesting that the domestic industry faced a cost-price squeeze, we cannot conclude that subject imports from China prevented the domestic industry from implementing price increases that otherwise would have occurred to a significant degree.

Consequently, we find that subject imports from China undersold the domestic like product to a significant degree, allowing the significant volume of subject imports to increase significantly relative to apparent U.S. consumption and production and take significant market share from the domestic industry. Subject imports from China significantly increased their share of the U.S. market at the domestic industry's expense by competing against the domestic industry in the OEM and replacement segments with a variety of branded and private-label

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franchises in the United States, conceded that price effects occur across tiers. *See* Hearing Tr. at 299 (Mangola). Additionally, numerous industry participants reported in their questionnaire responses that subject imports were putting downward pressure on prices and noted multiple market effects of the subject imports. For example, ***. CR/PR at Table V-12. *** reported that its acquisition cost of PVLT tires from *** had declined during the last two years due to market pressure from subject imports from China, and the firm generally agreed with the lost revenue allegations submitted by ***. CR at V-25; PR at V-16. One importer and two purchasers explicitly reported that, after the expiration of the section 421 safeguard measure in 2012, pricing in the U.S. market began to decline rapidly. CR at II-24; PR at II-15. Domestic producer *** also reported that the expiration of the safeguard measure led to increased imports from China and lower prices for competing products. Importer *** reported that the U.S. market at both the retail and manufacturer levels is being impacted by the increase in low-cost tires from China. CR at II-23; PR at II-15; *see also* Hearing Tr. at 64 (citing statements by domestic producer Yokohama's President, and a major importer and distributor). Additionally, importer *** reported that low-end U.S. consumers who previously purchased used tires have been switching to new "entry-level" tires imported from China and Indonesia due to consumers' greater awareness of safety issues with used tires and reduced prices for new "entry-level" tires. As noted above, the low prices offered by subject imports in these "entry-level" portions of the market have an impact on the prices of tires in other portions of the market as well. Accordingly, based on the pricing data and the additional record evidence regarding the subject imports' price effects in the market, Commissioner Schmidtlein determines that the significant volume of low-priced PVLT tires from China, which increased significantly at the domestic industry's expense, depressed prices of the domestic like product to a significant degree.

[239] CR/PR at Tables V-5 to V-10, Table C-2.

[240] *See, e.g.*, CR/PR at Table C-2, Figure V-1; CR at V-1 to V-2; PR at V-2.

[241] CR/PR at Table C-2.

[242] The domestic industry's COGS-to-net-sales ratio was *** percent in 2012, *** percent in 2013, and *** percent in 2014. CR/PR at Table C-2.

PLVT tires and putting competitive pressure on domestic producers throughout the various market categories.

D. Impact[243]

Section 771(7)(C)(iii) of the Tariff Act provides that, in examining the impact of subject imports, the Commission "shall evaluate all relevant economic factors which have a bearing on the state of the industry."[244] These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, gross profits, net profits, operating profits, cash flow, return on investment, return on assets, ability to raise capital, ability to service debt, research and development, and factors affecting domestic prices.[245] No single

[243] The statute instructs the Commission to consider the "magnitude of the dumping margin" in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii)(V). In its final determination, Commerce calculated weighted-average antidumping duty margins by exporter as follows: 14.35 percent (Sailun Group); 29.97 percent (the GITI Companies); 87.99 percent (the PRC-wide entity); and 25.30 percent (a series of named exporters). 80 Fed. Reg. 34893, 34895 (June 18, 2015); Decision Memorandum for the Final Determination in the Antidumping Duty Investigation of *Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China* from Christian Marsh, Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations to Paul Piquado, Assistant Secretary for Enforcement and Compliance, International Trade Administration, U.S. Department of Commerce (Jun. 11, 2015), EDIS Doc. No. 558757. Additionally, in its final countervailing duty determination, Commerce determined that ten types of programs provided countervailable subsidies to one or more producers/exporters in China, consisting of the following: (1) government policy lending; (2) export seller's credits from state-owned banks; (3) export buyer's credits from state-owned banks; (4) export credit insurance subsidies; (5) export credit guarantees; (6) provision of inputs for less than adequate remuneration ("LTAR"); (7) tax benefit programs; (8) import tariff and VAT exemptions for imported equipment; (9) special fund for energy-saving technology reform; and (10) grants. Commerce assigned net countervailable subsidy rates as follows: GITI Tire (Fujian) Co., Ltd. and certain cross-owned companies (37.20 percent); Cooper Kunshan Tire Co., Ltd. and certain cross-owned companies (20.73 percent); Shandong Yongsheng Rubber Group Co., Ltd. (100.77 percent, as adverse facts available); and all others (30.87 percent). 80 Fed. Reg. 34888, 34889 (June 18, 2015); Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of *Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China* from Christian Marsh, Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations to Paul Piquado, Assistant Secretary for Enforcement and Compliance, International Trade Administration, U.S. Department of Commerce (Jun. 11, 2015), EDIS Doc. No. 558756.

[244] 19 U.S.C. § 1677(7)(C)(iii); *see also* SAA at 851 and 885 ("In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.").

[245] Subsequent to the filing of briefs in these investigations, on June 29, 2015, as part of the Trade Preferences Extension Act of 2015, the President signed into law three new statutory provisions involving the Commission's material injury determinations. Pub. L. 114-27. The revised provision concerning captive production is not pertinent in these investigations. Another provision adds a new 19 U.S.C. § 1677(7)(J) stating that the Commission "may not determine that there is no material injury or

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."[246]

We have examined the domestic industry's performance with respect to a number of factors during calendar years 2012 to 2014.[247] This period was marked by two events: the pendency of the section 421 safeguard measure for the first nine months of the POI and its expiration on September 26, 2012, and the pendency of these investigations subsequent to the June 3, 2014 filing of the petitions.[248] The domestic industry appeared well-positioned after the section 421 safeguard measure expired, but a surge of low-priced PVLT tire imports from China immediately followed.[249]

The domestic industry and each individual domestic producer were increasingly profitable during the POI.[250] This is not unexpected during a period of increasing apparent U.S. consumption and declining raw material costs for natural and synthetic rubber.[251]

Despite increasing apparent U.S. consumption and declines in raw material costs, the domestic industry's U.S. shipments,[252] net sales volumes,[253] net sales values,[254] production,[255]

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threat of material injury to an industry in the United States merely because that industry is profitable or because the performance of that industry has recently improved." The other provision specifies that the Commission is to consider in its analysis of impact the ability to service debt and return on assets as well as subdivisions of the profits factor (gross profits, operating profits, and net profits). We have considered these provisions in these investigations, including the new impact factors for which information was collected in the questionnaires. CR/PR at Table C-2; CR at VI-21 to VI-24; PR at VI-10.

[246] 19 U.S.C. § 1677(7)(C)(iii); *see also* SAA at 851, 885.

[247] Respondents suggest that the petitioning unions and workers do not have access to confidential data on the domestic industry's operations, unlike domestic producers' management, which is better positioned to consider the needs of the firm, the workers, and its shareholders. They ask the Commission to take into account the fact that no domestic producer publicly supported the petitions, as well as the limited coverage of employees and plants by the petitioning unions. We have considered the information and arguments presented by the domestic producers and petitioning unions. According to ***. All domestic producers submitted questionnaire data in these investigations, and we base our determinations on record data regarding their operations. *See, e.g.*, CR/PR at Table III-1, Table C-2; Hearing Tr. at 28-29, 39, 41-43, 45-47, 54-55.

[248] CR at I-1; PR at I-1.

[249] *See, e.g.*, CR/PR at Table C-2; Hearing Tr. at 101, 122-125, 145-147; Petitioner's Posthearing Brief at Answers to Vice Chairman Pinkert's Question 1.

[250] CR/PR at Table VI-3, Table C-2. The domestic industry's operating income was $*** in 2012, $*** in 2013, and $*** in 2014. Its operating income as a share of net sales increased from *** percent in 2012 to *** percent in 2013 and *** percent in 2014. Its gross profits increased from $*** in 2012 to $*** in 2013 and $*** in 2014, and its net income increased from $*** in 2012 to $*** in 2013 and $*** in 2014. CR/PR at Table C-2.

[251] Apparent U.S. consumption, by quantity, increased from 274.3 million tires in 2012 to 290.6 million tires in 2013 and 301.0 million tires in 2014. CR/PR at Table IV-6, Table C-2. As discussed above, the cost of raw materials such as natural and synthetic rubber declined over the POI. CR at V-1; PR at V-1; CR/PR at Figure V-1, Table C-2.

[252] The domestic industry's U.S. shipments were *** tires in 2012, *** tires in 2013, and *** tires in 2014. CR/PR at Table C-2.

and employment declined overall during the POI.[256] As noted above, the domestic industry also lost market share in a growing U.S. market to low-priced subject imports.[257]

Manufacturing PVLT tire products is capital intensive and requires continuous investment to improve technology.[258] The domestic industry made capital expenditures and incurred R&D expenditures throughout the POI,[259] but these sizeable expenditures did not increase the domestic industry's production capacity.[260] Some U.S. firms decided to expand capacity or upgrade existing equipment or plants during the POI, some shuttered their facilities or put plans on hold, and three global tire manufacturers that had no current production operations in the United States announced plans to invest in new PVLT manufacturing facilities in the United States.[261] Some of these expansion decisions, however, were initiated while the section 421 safeguard measure was in place, and the results of the investments came on-line during the POI.[262] The domestic industry's average production capacity remained below

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[253] The domestic industry's net sales were *** tires in 2012, *** tires in 2013, and *** tires in 2014. CR/PR at Table C-2.

[254] The value of the domestic industry's net sales was $*** in 2012, $*** in 2013, and $*** in 2014. CR/PR at Table C-2.

[255] The domestic industry produced *** tires in 2012, *** tires in 2013, and *** tires in 2014. Its end-of-period inventories declined overall and as a share of total shipments. End-of-period inventories were *** tires in 2012, *** tires in 2013, and *** tires in 2014. As a share of the domestic industry's total shipments, inventories were *** percent in 2012, *** percent in 2013, and *** percent in 2014. Its exports, which were similar in magnitude to its inventories, were *** tires in 2012, *** tires in 2013, and *** tires in 2014. CR/PR at Table C-2.

[256] On average, the domestic industry employed *** PRWs in 2012, *** PRWs in 2013, and *** PRWs in 2014. Hourly wages increased but productivity declined overall. Hourly wages were $*** in 2012, $*** in 2013, and $*** in 2014; unit labor costs increased overall from $*** per tire in 2012 to $*** per tire in 2013 and $*** per tire in 2014. The industry's productivity was *** PVLT tires/hour in 2012, *** tires/hour in 2013, and *** tires/hour in 2014. CR/PR at Table C-2.

[257] The domestic industry's market share fell from *** percent in 2012 to *** percent in 2013 and *** percent in 2014. CR/PR at Table C-2.

[258] *See, e.g.*, ITG Voma's Posthearing Brief at 7, Answers to Commissioners' Questions at 41-50; Petitioner's Prehearing Brief at 6-7; Hearing Tr. at 135-37, 165; Petitioner's Posthearing Brief at Answer to Chairman Broadbent's Question 2 to Question 3.

[259] The domestic industry reported capital expenditures of $*** in 2012, $*** in 2013, and $*** in 2014. The domestic industry reported R&D expenses of $*** in 2012, $*** in 2013, and $*** in 2014. Derived from CR/PR at Table VI-4, Table C-2.

[260] The domestic industry's average production capacity for PVLT tires was *** PVLT tires in 2012, *** tires in 2013, and *** tires in 2014. CR/PR at Table C-2; Hearing Tr. at 135-140.

[261] CR at III-4 to III-10; PR at III-3 to III-6; Hearing Tr. at 26-27, 36-37, 40-41, 44-45, 53-54, 119. Giti is constructing a $560 million plant in Chester County, South Carolina that will have the capability to produce 5 million annual PVLT tires for the U.S. replacement and OEM markets. Hankook is constructing an $800 million facility with a capacity of 12 million PVLT tires/year in Clarksville, Tennessee that it anticipates bringing online in 2016. Kumho anticipates beginning production of PVLT tires for the North American OEM market at its new Macon, Georgia plant in 2016, and it expects to add capacity to serve the replacement market in 2018. CR at III-4; PR at III-3.

[262] *See, e.g.*, CR at III-4 to III-5, III-8; PR at III-3. III-5; CR/PR at Table III-3; Hearing Tr. at 36, 40 (After investing $***, Bridgestone began production at its expanded plant in Aiken, South Carolina in

apparent U.S. consumption throughout the POI,[263] and it did not operate at full capacity utilization,[264] indicating that it was capable of supplying additional demand.

Respondents suggest that the domestic industry already operated at full practical capacity during the POI. Four of nine domestic producers reported that they were unable at some point during the POI to supply PVLT tires, and 27 of 47 responding purchasers reported that a supplier had refused, declined, or been unable to supply them with PVLT tires during the POI. This purchaser information regarding supply constraints, however, was not limited to domestic producer suppliers.[265] Contrary to Respondents' claims, the record demonstrates that the domestic industry had available capacity during the POI. The domestic industry's capacity utilization declined from *** percent in 2012 to *** percent in 2013 when subject imports surged into the U.S. market after the safeguard measure expired, so in 2013 the domestic industry did not operate at the higher level that it had achieved in 2012.[266] After the petitions in these investigations were filed in June 2014 and the monthly volume of subject imports from China declined between July and December 2014, the domestic industry was able to increase its capacity utilization for full-year 2014 to *** percent.[267] Subsequent to the hearing, the Commission asked the domestic producers (and producers in China) to review their reported capacity information to ensure its accuracy. The domestic industry confirmed that it had additional capacity during the POI, which it could have used to produce and sell more PVLT tires and obtain additional revenues.[268] Petitioner also reported that the filing of the petitions in

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2013. Continental invested $224 million to expand capacity at its Mt. Vernon, Illinois plant in 2011, and it opened a new plant in Sumter, South Carolina in January 2014 that reportedly cost $500 million. Michelin reportedly invested $200 million in 2011 to expand its Lexington, South Carolina facility, but slowed its plans in mid-2012 as the expiration of the section 421 safeguard relief approached. Cooper invested $20 million in its U.S. plant after the section 421 measure was imposed. Goodyear considered shelving its expansion plans in May 2014 (prior to the filing of the petitions in these investigations) if it could not regain the market share it had lost to subject imports from China after the expiration of the section 421 safeguard measure).

[263] Derived from CR/PR at Table C-2.

[264] The domestic industry's capacity utilization for PVLT tires was *** percent in 2012, *** percent in 2013, and *** percent in 2014. CR/PR at Table C-2.

[265] CR at II-7 to II-8; PR at II-5 to II-6.

[266] The section 421 safeguard measure expired in August 2012. The domestic industry's capacity utilization of *** percent for full-year 2012 exceeded its 86.0 percent capacity utilization in 2008, the final year of the period investigated in the section 421 investigation, but its capacity utilization of *** percent in 2012 was still considerably lower than the capacity utilization of 96.3 percent that it achieved in 2004, the first year of the period for which data were collected in the section 421 safeguard investigation. USITC Pub. 4085 at 16.

[267] CR/PR at Table C-2.

[268] *See, e.g.*, Hearing Tr. at 29-30, 36-38, 40-47, 53-55, 156-58; Petitioner's Posthearing Brief at 9, Answers to Vice Chairman Pinkert's Question 1, Answers to Commissioner Williamson's Question 2, Answers to Commissioner Schmidtlein's Question 2, Answer to Commissioner and Staff Questions 2 and 3, Answer to Chairman Broadbent's Question 2; CR at III-17 to III-18; PR at III-9 to III-10.

these investigations led to increased production in the United States, capacity expansion plans, and the launch of new product lines in the second half of 2014 and thereafter.[269]

Accordingly, the significant volume of subject imports from China, which were good substitutes for the domestic like product, undersold the domestic like product at significant margins. Subject imports from China significantly increased their share of the U.S. market at the domestic industry's expense by competing against the domestic industry in the OEM and replacement segments with a variety of branded and private-label PVLT tires and putting pricing pressure throughout the various market categories. Therefore, because of subject imports, the domestic industry had fewer shipments and consequently obtained lower revenues than it would have otherwise had. For these reasons, we determine that subject imports of PVLT tires from China had a significant adverse impact on the domestic industry during the POI.

We have considered whether factors other than subject imports from China had an impact on the domestic industry during the POI so as not to attribute to subject imports any injury caused by the other factors. As discussed above, apparent U.S. consumption increased during the POI, and the cost of natural and synthetic rubber raw materials declined. Moreover, as discussed above, the record does not support Respondents' claims that competition between the domestic industry and subject imports is limited because of differences in the categories on which they are focused.

We have also closely examined the role of nonsubject imports in these investigations. Respondents argue that nonsubject imports were a significant factor in the U.S. market during the POI and that any benefit of the orders will favor nonsubject imports instead of the domestic industry, which is what they maintain occurred both during the pendency of the section 421 safeguard measure and after Commerce imposed provisional duties as a result of its affirmative preliminary determinations in these investigations.[270] Respondents' argument misreads Federal Circuit precedent. As the Federal Circuit explained in *Mittal*, "the focus of {the Commission's} inquiry is on the cause of the injury in the past, not the prospect of effectiveness in the future."[271] Consequently, we focused our analysis in these investigations on whether subject imports caused material injury to the domestic industry during the POI, an inquiry we answered in the affirmative based on the record.

Canada and Korea were the two largest nonsubject sources of PVLT tires in the U.S. market, and other nonsubject imports originated from Thailand, Indonesia, Mexico, Japan, and other countries.[272] On an absolute basis, the volume of PVLT tires from nonsubject countries

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[269] *See, e.g.*, Hearing Tr. at 29-30, 37-39, 41-43, 45-47, 55, 108-104, 115-116, 321; Petitioner's Posthearing Brief at Answers to Vice Chairman Pinkert's Question 1. Petitioner reports that the domestic industry's U.S. shipments increased in the first quarter of 2015 as the volume of subject imports from China continued to decline. *See, e.g.*, Hearing Tr. at 19, 149-150, 159-161.

[270] ITG Voma's Prehearing Brief at 89-92; Chinese Respondents' Prehearing Brief at 5, 11, 14-15; Chinese Respondents' Posthearing Brief at 6-7, Appendix at 97-100; ITG Voma's Posthearing Brief at 74-78; Hearing Tr. at 248-249, 284-285, 309-310.

[271] 542 F.3d 867, 876 (Fed. Cir. 2008); *Swiff-Train*, Ct. No. 2014-1814 (Jul. 13, 2015).

[272] CR/PR at Table IV-3.

increased over the POI, but their share of the U.S. market declined during this period.[273] [274] Furthermore, available data indicate that PVLT tire imports from nonsubject countries, which consisted predominantly of branded PVLT tires, frequently were priced higher than subject imports from China.[275] Consequently, the adverse effects subject imports caused the domestic industry, particularly in terms of lost market share and reduced shipments, are not attributable to nonsubject imports. Therefore, we find that subject imports from China have had a significant adverse impact on the domestic industry. Accordingly, we determine the domestic industry is materially injured by reason of subject imports from China.

VI. Critical Circumstances

A. Legal Standards

In its final affirmative antidumping and countervailing duty determinations, Commerce made affirmative critical circumstances determinations with respect to certain exporters.[276] Because we have determined that the domestic industry is materially injured by reason of subject imports from China, we must further determine "whether the imports subject to the affirmative {Commerce critical circumstances} determination . . . are likely to undermine seriously the remedial effect of the antidumping {and/or countervailing duty} order{s} to be issued."[277] The SAA indicates that the Commission is to determine "whether, by massively increasing imports prior to the effective date of relief, the importers have seriously undermined the remedial effect of the order" and specifically "whether the surge in imports prior to the suspension of liquidation, rather than the failure to provide retroactive relief, is likely to seriously undermine the remedial effect of the order."[278] The legislative history for the critical circumstances provision indicates that the provision was designed "to deter exporters whose merchandise is subject to an investigation from circumventing the intent of the law by increasing their exports to the United States during the period between initiation of an investigation and a preliminary determination by {Commerce}."[279] An affirmative critical

[273] The volume of PVLT imports from nonsubject countries increased from 114.9 million PVLT tires in 2012 to 116.2 million tires in 2013 and 116.8 million tires in 2014, but their market share declined from 41.9 percent in 2012 to 40.0 percent in 2013 and 38.8 percent in 2014. CR/PR at Table C-2.

[274] Based on the evidence in these investigations, Vice Chairman Pinkert finds that price-competitive nonsubject imports were a significant factor in the U.S. market for PVLT tires during the POI. He further finds, however, that PVLT tires do not constitute a commodity product and therefore does not consider whether nonsubject imports would have replaced the subject imports without benefit to the domestic industry had the subject imports exited the market during the period.

[275] CR/PR at Appendix F (indicating that PVLT tires imported from Canada were priced higher than PVLT tire imports from China in five of five possible comparisons and that PVLT tire imports from Korea were priced higher than PVLT tire import from China in 47 of 55 possible comparisons).

[276] 80 Fed. Reg. 34893 (June 18, 2015); 80 Fed. Reg. 34888 (June 18, 2015).

[277] 19 U.S.C. §§ 1671d(b)(4)(A)(i), 1673d(b)(4)(A)(i).

[278] SAA at 877.

[279] *ICC Industries, Inc. v. United States*, 812 F.2d 694, 700 (Fed. Cir. 1987), quoting H.R. Rep. No. 317, 96th Cong., 1st Sess. 63 (1979), *aff'g* 632 F. Supp. 36 (Ct. Int'l Trade 1986).

circumstances determination by the Commission, in conjunction with an affirmative determination of material injury by reason of subject imports, would normally result in the retroactive imposition of duties for those imports subject to Commerce's affirmative critical circumstances determination for a period 90 days prior to the suspension of liquidation.[280]

The statute provides that, in making this determination, the Commission shall consider, among other factors it considers relevant, –

> (I) the timing and the volume of the imports,
> (II) a rapid increase in inventories of the imports, and
> (III) any other circumstances indicating that the remedial effect of the {order} will be seriously undermined.[281]

In considering the timing and volume of subject imports, the Commission's practice is to consider import quantities prior to the filing of the petition with those subsequent to the filing of the petition using monthly statistics on the record regarding those firms for which Commerce has made an affirmative critical circumstance determination.[282] Given that the statute calls for the Commission to make its critical circumstances determinations on the basis of imports subject to the particular Commerce affirmative determinations and in light of the differences here between the imports subject to each of Commerce's affirmative critical circumstances determinations,[283] we examine below the question of critical circumstances separately for each investigation.[284]

B. Parties' Arguments

Petitioner asks the Commission to make affirmative critical circumstances findings based on comparisons of imports and inventories for the six-month period between December 2013 and May 2014 to corresponding data for the June 2014 and November 2014 six-month period. Petitioner argues that imports of PVLT tires subject to Commerce's affirmative critical circumstances findings increased after the petitions were filed, leading to increased inventories. Petitioner maintains that these increases responded to the petitions and not seasonal demand, and points to domestic producers' statements about the stockpiling of imports from China in anticipation of possible antidumping and countervailing duty orders.[285]

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[280] *See* 19 U.S.C. §§ 1671b(e)(2), 1673b(e)(2).

[281] 19 U.S.C. §§ 1671d(b)(4)(A)(ii), 1673d(b)(4)(A)(ii).

[282] *See Lined Paper School Supplies from China, India, and Indonesia*, Invs. Nos. 701-TA-442 to 443, 731-TA-1095 to 1097 (Final), USITC Pub. 3884 at 46-48 (Sept. 2006); *Carbazole Violet Pigment from China and India*, Invs. Nos. 701-TA-437 & 731-TA-1060 to 1061 (Final), USITC Pub. 3744 at 26 (Dec. 2004); *Certain Frozen Fish Fillets from Vietnam*, Inv. No. 731-TA-1012 (Final), USITC Pub. 3617 at 20-22 (Aug. 2003).

[283] 19 U.S.C. §§ 1671d(4)(a), 1673d(4)(a).

[284] *See Carbon and Certain Steel Wire Rod from China*, Inv. Nos. 701-TA-512, 731-TA-1248 (Final), USITC Pub. 4509 at 25-26 (Jan. 2015); *Certain Crystalline Silicon Photovoltaic Cells and Modules from China*, Inv. Nos. 701-TA-481 and 731-TA-1190 (Final), USITC Pub. 4360 at 40-41 (Nov. 2012).

[285] Petitioner's Prehearing Brief at 9-14; Hearing Tr. at 162-163; Petitioner's Posthearing Brief at Exhibit 1, Answer to Commissioner Johanson's Question 2.

Based on a comparison of data for the same periods, Respondents argue that several factors show that this case does not meet the requirements for affirmative critical circumstances determinations.[286] First, they argue, the profitable domestic industry is not vulnerable to injury and only competes in a limited way with subject imports from China. They argue that the increase in subject imports from China was modest relative to the size of the U.S. market and the strong and growing daily and future demand for PVLT tires, and consequently did not lead to a significant increase in end-of-period inventories. Respondents argue that any post-petition increase was consistent with higher summer-month demand for replacement PVLT tires, importers' desire to stock up on snow tires in time for fall and winter months, and importers' strategic decision to avoid delays and gridlock in West Coast seaports related to the July 1, 2014 expiration of the International Longshore and Warehouse Union contract.[287] Moreover, they argue that Commerce's critical circumstances analysis was flawed.[288]

C. Analysis

1. Imports Subject to Affirmative Critical Circumstances Findings in Commerce's Final Affirmative Countervailing Duty Determination

In its final countervailing duty determination, Commerce determined that critical circumstances do not exist with respect to Cooper (Kunshan) Tire Co., Ltd. and its cross-owned affiliates, but it made affirmative critical circumstances determinations for imports from all other producers or exporters.[289] Based on a comparison of subject imports over the six-month periods before and after the June 3, 2014 petition filings, we do not find a massive increase in subject imports warranting an affirmative critical circumstances determination. Imports of PVLT tires subject to affirmative critical circumstances findings in Commerce's countervailing duty investigation increased from *** tires for the period December 2013 to May 2014 to *** tires for the June to November 2014 period, an increase of *** percent.[290] We do not find that these post-petition U.S. imports of PVLT tires from China would undermine the remedial effect of the countervailing duty order that Commerce will issue. As discussed above, apparent U.S. consumption increased throughout the 2012 to 2014 period.[291] Thus, the increase in subject

[286] ITG Voma Prehearing Brief at 97-101; TireCo's Prehearing Brief at 5-7; ITG Voma's Posthearing Brief at Attachment at 79-80; Hearing Tr. at 211; API's Posthearing Brief at 4-5.

[287] ITG Voma's Prehearing Brief at 97-110; TireCo's Prehearing Brief at 4-5, 7-11; API's Posthearing Brief at 5-6; ITG Voma's Posthearing Brief at Attachment at 79-85; Hercules' Prehearing Brief at 1-8; Hearing Tr. at 210-213.

[288] API's Posthearing Brief at 6-14; Hercules' Prehearing Brief at 7-8. Contrary to Respondents' suggestion, the Commission lacks the authority to review Commerce's critical circumstances analysis. Instead, the Commission accepts Commerce's analysis and conducts its own analysis of "whether the imports subject to the affirmative {Commerce critical circumstances} determination … are likely to undermine seriously the remedial effect of the antidumping order to be issued." 19 U.S.C. §§ 1671d(b)(4)(A)(i), 1673d(b)(4)(A)(i); 19 U.S.C. §§ 1671d(b)(4)(A)(ii), 1673d(b)(4)(A)(ii); 19 U.S.C. §§ 1671b(e)(2), 1673b(e)(2).

[289] 80 Fed. Reg. 34888 (June 18, 2015); CR at IV-9 to IV-10; PR at IV-8 to IV-9.

[290] CR/PR at Table IV-4.

[291] CR/PR at Table C-2.

imports occurred during a period of increasing demand. The growth of subject imports from China as a whole slowed somewhat towards the end of the POI, and monthly imports of those PVLT tires that are subject to affirmative critical circumstances determinations in Commerce's final countervailing duty determination also slowed between June and November 2014.[292]

U.S. importers' end-of-period inventories of subject merchandise from China in November 2014 (*** tires) were higher than in May 2014 (***) tires or in the corresponding month (November) of the prior year (*** tires).[293] Having considered the domestic industry's condition, the adverse price effects of subject imports during the POI, and the moderate-to-high degree of substitutability between subject imports from China and the domestic like product, in light of increasing apparent U.S. consumption during this period and evidence of seasonality in the U.S. PVLT market,[294] we do not find evidence of a massive increase in subject imports that would warrant retroactive application of suspension of liquidation – and imposition of duties – for a 90-day period. We do not find that the subject imports that entered the U.S. market after the petition filings would seriously undermine the remedial effect of the countervailing duty order that Commerce would issue. We determine that critical circumstances do not exist with respect to those imports from China of PVLT tires subject to affirmative critical circumstances determinations in Commerce's final countervailing duty determination.

2. Imports Subject to Affirmative Critical Circumstances Findings in Commerce's Final Affirmative Antidumping Duty Determination

In its final antidumping duty determination, Commerce determined that critical circumstances do not exist for the separate rate companies, the Giti companies and the Sailun Group, but it made affirmative critical circumstances determinations for the China-wide entity.[295] Based on a comparison of subject imports over the six-month periods before and after the June 3, 2014 filing of the petitions, we do not find a massive increase in subject imports warranting an affirmative critical circumstances determination. Imports of PVLT tires subject to affirmative critical circumstances findings in Commerce's antidumping duty investigation increased from *** tires for the period December 2013 to May 2014 to *** tires for the June to November 2014 period, an increase of *** percent.[296] We do not find that these post-petition U.S. imports of PVLT tires from China would undermine the remedial effect of the antidumping duty order that Commerce will issue. As discussed above, apparent U.S.

[292] CR/PR at Table IV-4 (showing that monthly imports declined irregularly from *** tires in June 2014 to *** tires in November 2014); CR/PR at Table C-2 (indicating that, as a share of apparent U.S. consumption, subject imports from China increased from 11.5 percent in 2012 to 17.5 percent in 2013 and 19.3 percent in 2014, for an overall growth of 7.8 percent, but lower growth of 1.8 percent between 2013 and 2014 (six months of which post-dated the filing of the petitions) than the 6.0 percent growth rate between 2012 and 2013).

[293] CR/PR at Table IV-5.

[294] Three domestic producers and most importers and purchasers reported that the U.S. PVLT market experiences some seasonality. CR at II-22 to II-24; PR at II-15.

[295] 80 Fed. Reg. 34893 (June 18, 2015).

[296] CR/PR at Table IV-4.

consumption increased throughout the 2012 to 2014 period.[297] Thus, the increase in subject imports occurred during a period of increasing demand. The growth of subject imports from China as a whole slowed somewhat towards the end of the POI, and monthly imports of those PVLT tires that are subject to affirmative critical circumstances determinations in Commerce's final antidumping duty determination also slowed between June and November 2014.[298]

U.S. importers' end-of-period inventories of subject merchandise from China in November 2014 (*** tires) were higher than in May 2014 (***) tires or in the corresponding month (November) of the prior year (*** tires).[299] Having considered the domestic industry's condition, the adverse price effects of subject imports during the POI, and the moderate-to-high degree of substitutability between subject imports from China and the domestic like product, in light of increasing apparent U.S. consumption during this period and evidence of seasonality in the U.S. PVLT market,[300] we do not find evidence of a massive increase in subject imports that would warrant retroactive application of suspension of liquidation – and imposition of duties – for a 90-day period. We do not find that the subject imports that entered the U.S. market after the petition filings would seriously undermine the remedial effect of the antidumping duty order that Commerce would issue. We determine that critical circumstances do not exist with respect to those imports from China of PVLT tires subject to affirmative critical circumstances determinations in Commerce's final antidumping duty determination.

VII. Conclusion

For the reasons stated above, we determine that an industry in the United States is materially injured by reason of subject imports of PVLT tires that Commerce has determined were sold in the United States at less than fair value and subsidized by the government of China.[301]

[297] CR/PR at Table C-2.

[298] CR/PR at Table IV-4 (showing that monthly imports declined irregularly from *** tires in June 2014 to *** tires in November 2014); CR/PR at Table C-2 (indicating that as a share of apparent U.S. consumption, subject imports from China increased from 11.5 percent in 2012 to 17.5 percent in 2013 and 19.3 percent in 2014, for an overall growth of 7.8 percent, but lower growth of 1.8 percent between 2013 and 2014 (six months of which post-dated the filing of the petitions) than the 6.0 percent growth rate between 2012 and 2013).

[299] CR/PR at Table IV-5.

[300] Three domestic producers and most importers and purchasers reported that the U.S. PVLT market experiences some seasonality. CR at II-22 to II-24; PR at II-15.

[301] Chairman Broadbent and Commissioners Johanson and Kieff determine that an industry in the United States is not materially injured or threatened with material injury by reason of imports of subject PVLT tires from China.

Dissenting Views of Chairman Meredith M. Broadbent and Commissioners David S. Johanson and F. Scott Kieff

Based on the record in the final phase of these investigations, we find that an industry in the United States is not materially injured or threatened with material injury by reason of certain passenger vehicle and light truck (PVLT) tires from China, found by the U.S. Department of Commerce (Commerce) to be sold in the United States at less than fair value and to be subsidized by the government of China.[1] Except as otherwise noted, we join with and adopt as our own sections I-V.A of the affirmative majority opinion.

Our separate finding that there is no material injury by reason of subject imports reflects: (1) the limited competition between subject imports and the domestic like product in both the OEM and replacement markets for PVLT tires as a result of branding; (2) the lack of significant price-depressing or suppressing effects; (3) the high and increasing profitability of the domestic industry throughout the period of investigation (POI); and (4) the inability of the domestic industry to increase shipments in line with increased demand due to its capacity constraints.

I. Additional Conditions of Competition

While we concur with the majority's discussion of substitutability factors in section IV.C.1-2, we write separately in finding that there is attenuated competition and a limited degree of substitutability between subject imports from China and U.S.-produced PVLT tires.

Subject imports do not compete substantially for sales to the original equipment manufacturer (OEM) market segment, which accounted for slightly more than one-fifth of total U.S. tire shipments from all sources.[2] In 2014, U.S. producers' shipments accounted for a dominant *** percent of all shipments to the OEM market, with subject imports accounting for only *** percent of shipments to the OEM market.[3] Both Petitioner and Respondents acknowledged that branding plays a substantial role in OEM's decisions regarding how they source tires for new vehicles. A witness for Petitioner stated that "there is a propensity within the automotive industry for…brand preference or origin preference," where "new car manufacturers tend to put more highly recognized names in their cars because it allows for

[1] Material retardation is not an issue in these investigations.

[2] CR/PR at Table II-3.

[3] CR/PR at Figure II-1, CR at II-6, PR at II-4. Petitioner argues that the volume of reported subject imports sold in the OEM market is likely understated, as the Commission did not receive importer questionnaire responses from two OEM producers who participated in the safeguard investigations. Petitioner Posthearing Brief, Response to Commissioner Schmidtlein Question, no. 1. Notwithstanding these arguments, we rely primarily on the responses of U.S. importers when analyzing the volume of subject imports sold into the OEM channel of distribution, and cannot assume that two firms participating in the safeguard investigations still engaged in the same importation practices during the current POI. Import data suggest that domestic OEM producers imported *** volumes of tires over the POI. EDIS Doc. No. 560167.

greater ability to provide profit."[4] Respondents stated that "different car brands have followed the strategy of partnering with well-known tire brands in the OEM tire market to enhance the quality perceptions of the car brand."[5] Therefore, in a market segment that is "served primarily by higher-tier and premium brands,"[6] and in which "custom-designed and custom-manufactured tires make a significant contribution to performance criteria that are critical to a vehicle manufacturer,"[7] U.S.-produced tires hold a dominant market share and subject imports have an insignificant presence. Ford, a leading U.S.-based OEM, describes an "intense" process of selecting tires for use on a new vehicle, and states that it "does not believe that any Chinese nameplate tire manufacturer is currently in a position to meet the technological and service demands imposed by U.S. vehicle manufacturers on OEM suppliers . . . ."[8] Ford further states that, although some of its global suppliers do have manufacturing operations in China, those operations are focused heavily on servicing the Chinese home market and "it is rare for a tire supplier to propose supplying Ford's North American operations from China."[9] We find that, in the OEM market segment, in which the highest premium is placed on excellence in design and manufacturing, responsive technical support, and brand recognition, higher-tier U.S. producers face almost no Chinese competition, as subject imports are unable to meet these standards.

Competition is also attenuated within the larger replacement tire market segment due to the importance of branding in purchasing decisions. Thirty-eight of 45 responding purchasers reported that brand was either very important (17) or somewhat important (21) to their purchasing decisions.[10] The "vast majority" of market participants reported that "brand influences the price consumers are willing to pay for PVLT tires" and most responses indicated that "brand names communicate the quality and performance of a tire."[11]

The majority of market participants also recognized that various brands could be separated into various categories based on quality and performance. When asked if the PVLT market is divided into categories, 2 of 7 U.S. producers, 27 of 35 importers, and 34 of 45 purchasers agreed with that proposition.[12] While a substantial majority of importers and

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[4] Hearing Tr. at 87-88 (Mr. Johnson).

[5] Cornerstone Research report at ¶ 37 (Exh. 3 of ITG Voma Posthearing Brief).

[6] ITG Voma Prehearing Brief at 22, 25, 28; CR/PR at Table II-2 (note identities of largest suppliers of OEM purchasers).

[7] Ford Posthearing Brief at 3-4. *See also* ITG Voma Prehearing Brief at 44-45; CR at II-8 n.12, PR at II-5.

[8] Ford Posthearing Brief at 4-5; CR at II-5 n.9, PR at II-3 n.9. Ford offered similar statements during the preliminary phase of these investigations. *See* ITG Voma Prehearing Brief at 45, 69; Chinese Respondents Posthearing Brief, Responses to Commissioners' Questions at 29-30.

[9] Ford Posthearing Brief at 5.

[10] CR at II-34, PR at II-22.

[11] CR at II-34-35, PR at II-22.

[12] CR at II-11, PR at II-7. While the staff report notes that "5 of 7" U.S. producers reported that the U.S. market is not divided into tiers, we note that two of the nine U.S. producers that returned questionnaires (*** and ***) did not answer the question, and one that answered "no" (***) stated that it did not have enough "market intelligence" to answer the question. Three of the four U.S. producers that answered "no" and also provided some explanation (***) admitted that other market participants (Continued...)

purchasers agreed that tiers were a feature of the U.S. market for PVLT tires, firms did not provide uniform responses concerning how many tiers there were or which brands or companies were included in which tiers.[13] Petitioner has highlighted the lack of clear agreement in questionnaire responses over the structural details of proposed tiers as evidence that tiers, and therefore brand, are of marginal importance within the PVLT tires market.[14] However, as evidence that tiers are recognized within the market, importers and purchasers identified many of the same firms and brands within the same ranked tiers.[15] In particular, there was widespread concurrence among the vast majority of responding firms that Bridgestone, Goodyear, and Michelin are considered to be Tier 1 brands and producers, a category associated with higher prices, better/premium quality, strong and sophisticated marketing and retail programs, brand recognition, mileage warranty, sales to OEMs, and high levels of technology.[16] Therefore, the segmentation of the replacement market into various brand tiers is particularly meaningful for the tire producers with the most brand equity, all of which are U.S. producers.[17]

The importance of brand recognition, particularly in the top tier of the market, is reinforced by evidence that the largest global tire manufacturers have invested substantially in establishing their brands. Goodyear's advertising budget over the POI exceeded $1.2 billion while Bridgestone spent $1 billion on global advertising in 2014 alone.[18] Such advertising is intended to generate brand loyalty by forming connections in the mind of the consumer between the brand and several desirable characteristics, such as quality, safety, reliability, and environmental friendliness.[19] In order to protect their investment in brand equity, these

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(…Continued)
may perceive tiers, but believed that any definition of the tiers was subjective. U.S. producers' questionnaire, question IV-15.

[13] CR at II-11-14, PR at II-7-9.

[14] Petitioner Prehearing Brief at 34–35; Petitioner Posthearing Brief at 3–6; Petitioner Posthearing Brief, Response to Question of Chairman Broadbent, no. 3, at 3–14.

[15] CR at II-11-13, PR at II-7-8.

[16] CR at II-12 and n.28, PR at II-8.

[17] Of the top 5 global producers, all have U.S. production facilities. Considering the top 14 global producers, 8 have U.S. production facilities and another 3 have U.S. facilities under construction. CR/PR at Table VII-10. The top 5 global producers' share of U.S. production over the POI was *** percent. CR/PR at Table III-1.

Several U.S. producers also imported subject merchandise from affiliated operations in China for sale in the U.S. market during the POI; however, the volume of PVLT tires imported from China by U.S. producers was minimal. The ratio of U.S. producers' subject imports to their affiliated domestic production was less than *** percent in each year. CR/PR at Table III-9. Therefore, while large global brands and the attributes they confer may also apply to U.S. imports of tires from China that are sold under those global brands, the volume of such tires is insignificant.

[18] Cornerstone Research report at ¶ 51. The same source also provided examples of other brands that invested heavily in support of their brand equity: Pirelli's 2014 advertising expenditures were $204 million, Toyo's were $60 million, and Cooper's were $57 million. *Id.*

[19] Cornerstone Research report at ¶¶ 40 & 54; China Respondents prehearing brief at 22-23 (citing J.D. Power and Associates survey results); ITG Voma Prehearing Brief at 49-51 (excerpting (Continued...)

highest tier companies also invest the most in research and development.[20] Brand Finance, a brand valuation consultancy, found Michelin, Goodyear, and Bridgestone to be among the 500 most valuable brands in the world.[21]

To further supplement these companies' large investments in advertising and brand recognition, the highest tier manufacturers ***.[22] Petitioner asserts that the existence of *** would not be necessary.[23] Petitioner also argues that the presence of a lower priced Chinese tire offered alongside a higher tier U.S.-produced tire provides a "sell-off" opportunity from the higher tier brand.[24] To the contrary, the *** a dealer will instead "have a tendency of selling up because you make a lot more money when you sell up."[25] ***. As Petitioner points out, the absolute magnitude of *** when compared to the price differences between tier one and lower tier tires,[26] but these ***.

Within the U.S. market for replacement tires, demand has increased for higher-value-added tires, including for larger sizes, a greater range products,[27] and for branded tires.[28] The largest domestic producers responded rapidly to this market trend and adjusted their production assets accordingly.[29] The domestic industry's increased production of higher-value PVLT tires was due to their increased focus on maximizing profitability on tires produced in the United States as opposed to simply maximizing the volume of production.[30] Petitioner agrees that there "has been a good bit of movement from the automotive industry into larger diameter rim sizes for tires, from 13s to 15s {inches} which was traditional, to 16s to 22s

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(…Continued)
questionnaire responses about brands). Examples of advertising expenditures in the U.S. market by these global brands includes Michelin's use of the Michelin Man logo, the connection Goodyear has with high-profile auto racing events (a commitment of up to $15 million per year) and Bridgestone's connection with the NFL Super Bowl and premier golfing events. Cornerstone Research report at ¶¶ 32–36.

[20] Cornerstone Research report at ¶ 56. *** in R&D expenses within their U.S. PVLT tire producing operations between 2012 and 2014. CR/PR at Table VI-4.

[21] ITG Voma Prehearing Brief at 46-47; Cornerstone Research report at ¶ 38.

[22] ITG Voma Posthearing Brief at 11-12; CR at II-12 n.27, PR at II-8 n.27.

[23] Petitioner Final Comments at 5-6.

[24] Petitioner Posthearing Brief, Response to Question of Chairman Broadbent, no. 3, at 6.

[25] Hearing Tr. at 299-300 (Mr. Mangola) (cited in Petitioner Posthearing Brief, Response to Question of Chairman Broadbent, no. 3, at 6).

[26] Petitioner Final Comments at 5.

[27] ITG Voma Prehearing Brief at 27-28; Chinese Respondents Posthearing Brief, Responses to Commissioners' Questions at 13 n.13 (citing table at the beginning of its Exhibit 3 containing excerpts from published sources).

[28] CR at II-27, PR at II-17 (showing that a plurality of responding market participants, including most importers and purchasers, considered demand for branded tires to be increasing). *See also* ITG Voma Posthearing Brief, Responses to Commissioners' Questions at 38.

[29] Chinese Respondents Prehearing Brief at 34; ITG Voma Prehearing Brief at 17-18 & 29-34; ITG Voma Posthearing Brief, Responses to Commissioners' questions at 41-46.

[30] Chinese Respondents Posthearing Brief, Responses to Commissioners Questions at 51-55.

{inches} at this point in time."[31] Petitioner also concedes that the substantial investments made by the domestic industry have been focused on developing the capacity to produce, for example, the "larger diameter performance tire for SUV's and crossovers."[32] At the same time that the domestic industry has progressively enhanced its technological capacity and increased its production of larger, more complicated, higher-value-added tires, it has consciously moved away from producing simpler, less expensive designs.[33] The domestic industry's substantial planned capacity expansions are also geared specifically toward production of high-value-added tires and not for lower-tier tires.[34] The domestic industry's increased focus on producing proportionally more higher-value-added tires and fewer lower-tier tires has resulted in an even greater degree of attenuated competition with subject imports than existed during the period of the Section 421 investigation, or even at the start of this POI.[35]

Petitioner argues that the Chinese industry has made similar investments that enable it to compete for the new, higher-value-added demand in the U.S. market.[36] Petitioner provides a table presenting the purported high-value offerings of 14 Chinese branded producers. Of those 14, six are brands that are not even listed in the tier breakdown contained in the Commission's staff report (Fullrun, Eldorado, Hangzhou Zhongce, Landsail, Sentaida, and Triangle Tyre); one is a brand only listed by purchasers in Tier 5 (Capitol); two are brands listed in both Tiers 3 and 4 (Linglong and Sailun); three are brands listed only in Tier 3 (Aeolus, Hercules, and Kenda); and two are brands that were listed as high as Tier 2 (Giti and Maxxis).[37] This list provided by petitioners of brands considered by most purchasers to be in the lowest tiers, if recognized at all, speaks to the degree of attenuated competition between subject imports from China and U.S. producers operating under global brand names. Given that firms consider well-known brands to convey positive attributes, it is not surprising that a prospective purchaser would expect a discount when considering substituting a relatively unknown Tier 4 or 5 Chinese brand in place of a Tier 2 or 3 well-recognized global brand. Petitioner also asserts that Chinese tires performed well in *Consumer Reports* rankings, demonstrating there is direct

[31] Petitioner Posthearing Brief, Response to Question of Commissioner Schmidtlein, no. 2, at 3 (quoting Hearing Tr. at 139-40 (Mr. Johnson)).

[32] Petitioner Posthearing Brief, Response to Question of Commissioner Schmidtlein, no. 2, at 4 (quoting CR at VI-19 n.28, PR at VI-9 n.28).

[33] To illustrate, the only recent closure of a U.S. production facility, that of Goodyear's Union City, Tennessee plant in 2011, was motivated by Goodyear's desire to reduce "high-cost manufacturing capacity" for "low-demand low value-added tires." Chinese Respondents Posthearing Brief, Responses to Commissioners' Questions at 89.

[34] ITG Voma Prehearing Brief at 30, 37-39, & 42; ITG Voma Posthearing Brief, Responses to Commissioners' Questions at 42-44.

[35] ITG Voma Prehearing Brief at 36-37 & 39-40; ITG Voma Posthearing Brief at 6-7 (indicating that between 2004 and 2014, the domestic industry's AUV has ***); Chinese Respondents Prehearing Brief, Table 2, at 27.

[36] Petitioner Posthearing Brief, Response to Question of Commissioner Schmidtlein, no. 2, at 6-11.

[37] *Compare* Petitioner Posthearing Brief, Response to Question of Commissioner Schmidtlein, no. 2, at 8-10, *with* CR at II-12-13, PR at II-8 (listing of brands and their associated tiers).

competition with U.S.-produced tires. In the compilation of rankings provided by petitioner, there are six categories of rankings listing a total of 142 tires; of these, 20 are from China.[38] On closer examination, the rankings reveal that the tires most highly ranked (those listed with a check mark are considered "recommended") are consistently those of leading global producers that have production facilities in the United States.[39] To a great extent, *** the increased volume of subject imports from China.[40] The *Consumer Reports* rankings, therefore, do not support petitioner's contention that a significant share of Chinese imports are competing directly in the higher tiers with U.S.-produced tires.

To summarize, we conclude that branding is a highly relevant condition of competition that is responsible for significantly attenuated competition between U.S.-produced tires and subject imports from China. First, we find that there is virtually no competition between U.S.-produced tires and subject imports from China in the OEM market segment, where there is a premium on the use of Tier 1 or Tier 2 tires backed by brands with reputations for innovative, flexible, and reliable design. Second, we find that within the replacement tire market segment, customers associate certain brands with positive attributes such as quality and performance, and therefore the purchasers selling to those customers place additional value on tires with stronger brands. As a result, the domestic industry is comprised of firms that have invested billions of dollars in establishing and maintaining brand equity and is now focused on the production of larger, premium branded tires, leaving the supply of lower tier tires to imports, including subject imports from China. Finally, we find that petitioner's assertions that there is a significant degree of direct competition between imported Chinese tires and U.S.-produced tires in high-value-added and high-performance designs are not supported by either promotional materials published by the Chinese producers themselves or by the quality rankings of independent sources.[41] The highly visible and valuable brands that are controlled by the domestic industry serve to greatly insulate the domestic industry from direct competition in the U.S. market by subject imports from China.

[38] Petitioner Posthearing Brief, Response to Question of Chairman Broadbent, no. 3, at 10–11 & Exh. 7.

[39] Of the 33 recommended tires, 27 were made by global producers with U.S. production; another 3 were produced by Hankook, which is expected to begin U.S. production in 2016. *See* Chinese Respondents Posthearing Brief, Exh. 2 (Capital Trade hearing presentation), at 38. Of the 33 recommended tires, only 3 were made in China, and those tires were made by Pirelli and Cooper, both leading global manufacturers with U.S. production. The combined share of reported exports from China to the U.S. market over the POI accounted for by those two brands was *** percent. CR/PR at Table VII-3. Pirelli accounted for *** percent and Cooper accounted for *** percent (with many of those being private label). *Id*.

[40] CR/PR at Table VII-3.

[41] Petitioner Posthearing Brief, Response to Question of Commissioner Schmidtlein, no. 2, at 8-10 and Exh. 3.

II. No Material Injury By Reason of Subject Imports

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."[42]

Subject import volume rose by 84.3 percent between 2012 and 2014, rising from 31.5 million PVLT tires in 2012 to 58.0 million in 2014.[43] Subject imports also gained market share over the POI, rising from 11.5 percent in 2012 to 19.3 percent in 2014.[44] Subject import volume increased relative to domestic production and consumption.

In view of the foregoing, we find the volume and increase in volume of subject imports to be significant in absolute terms and relative to consumption. However, for the reasons discussed elsewhere in this opinion, we do not find that the subject imports had significant price effects or a significant impact on the domestic industry.

B. Price Effects of the Subject Imports

Section 771(7)(C)(ii) of the Tariff Act provides that evaluating the price effects of the 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.[45]

We find that price is an important factor in purchasing decisions, as the majority of purchasers reported that price was "very important" in purchasing decisions.[46] However, at least as many purchasers listed quality, availability, product consistency, and reliability of supply as "very important" in their purchasing decisions.[47] As discussed above, brand recognition and brand availability also play a critical role in purchasing decisions and the marketing of PVLT tires. All 47 responding purchasers reported that they sell branded tires,[48] with the large majority of purchasers reporting that brand availability was "sometimes important" or "very important" in their purchasing decisions.[49] Purchasers consider brand to be an important factor in their purchasing decisions because downstream customers assign

[42] 19 U.S.C. § 1677(7)(C)(i).
[43] CR/PR at Table C-1.
[44] CR/PR at Table IV-6.
[45] 19 U.S.C. § 1677(7)(C)(ii).
[46] CR/PR at Table II-12.
[47] CR/PR at Table II-12.
[48] CR at II-33, PR at II-21-22.
[49] CR/PR at II-34, PR at II-21.

value to brands that they recognize and associate with higher quality and performance levels. While not true of every customer, many customers are willing to pay a higher price as a result of this brand equity.[50] As discussed above, most U.S. brands are generally considered by purchasers and downstream customers to be on the higher end of the replacement market than most Chinese branded and privately labeled merchandise. Therefore, most U.S.-produced PVLT tires are able to compete at higher prices than subject imports due to their greater brand equity in the U.S. market.[51] In addition, because U.S.-produced PVLT tires and subject imports largely compete in different tiers of the market, changes in subject import prices have limited impact on the prices of U.S.-produced PVLT tires.[52]

The effect of U.S. producers' brand equity is apparent within our pricing data, which indicates that U.S. prices were not adversely affected by subject imports despite subject imports being consistently and increasingly lower priced. The Commission sought quarterly pricing data for six types of PVLT tires which were defined by specific physical characteristics, but not differentiated by brand type or market tier.[53] Underselling was significant: subject imports were priced lower than the domestic like product in all 72 price comparisons during the POI, with an average underselling margin of *** percent.[54] In addition, subject import prices declined more rapidly than U.S. producers' prices, thereby widening the underselling margin over the POI.[55] However, substantial underselling margins throughout the POI are likely

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[50] CR at II-34-35, PR at II-22.

[51] Chinese Respondents Posthearing Brief at Exh. 2, page 35 (showing U.S. PVLT tires sold under brands made by U.S. producers to be consistently higher than PVLT tires selling under brands not made by U.S. producers).

[52] Petitioner argues that changes in price in lower tiers can transmit to changes in price in higher tiers, even if the products do not have the same level of brand recognition. Petitioner Posthearing Brief, Response to Commission and Staff Question no.1. However, the record indicates that to the extent price transmission occurs, it originates from the top tiers. Michelin, Goodyear, and Bridgestone were listed in the top tier by the vast majority of firms, and were also listed as the top three price leaders in the market by purchasers. CR at II-12 and V-7, PR at II-8 and V-5. Several purchasers reported that Tier 1 firms make pricing announcements which are then generally followed by Tier 2 suppliers changing their pricing as well. CR at V-7, PR at V-5.

[53] CR at V-7-8, PR at V-5. In addition to not distinguishing between different types of brands, the pricing product descriptions did not distinguish between branded tires and private label sales. However, the Commission requested U.S. producers and importers to report the proportions of their pricing data that were branded and privately labeled. Pricing data provided by U.S. producers were 73.3 percent branded and 26.7 percent privately label, while pricing data provided by importers for subject imports were 51.2 percent branded and 48.8 percent privately labeled. CR/PR at Table V-4. Firms had mixed responses with respect to whether privately labeled tires are competitive with branded tires, although firms generally agreed that private label tires are always priced lower than their branded counterparts. CR at II-35, PR at II-22. U.S. producer *** stated that "private-label tires are generally more competitive with their name-brand counterparts in the economy tier and less so in the premium tier."

[54] CR at V-22, PR at V-15.

[55] CR/PR at Table V-11. The decline in subject import prices over the POI was likely due to the removal of the restraint of the safeguard duties and falling raw material costs. Chinese Respondents Posthearing Brief, Responses to Commissioners' Questions at 91. Petitioner provided evidence that, (Continued...)

reflective of the brand premium associated with most U.S.-produced PVLT tires. In addition, the significance of underselling is mitigated by its lack of impact on the domestic industry's market share or on prices for the domestic like product, as explained below.

We do not find that subject imports depressed U.S. producers' prices to a significant degree. Prices for the domestic like product declined between January 2012 and December 2014 for all six pricing products, with prices declining from 5.9 percent to 24.1 percent.[56] However, the record indicates that the price of PVLT tires is affected by changes in the cost of underlying raw materials.[57] By any metric observed, raw material costs fell by considerably more than the price of PVLT tires during the POI. Between January 2012 and December 2014, the price of rubber, the primary raw material used in the production of tires, fell precipitously. The prices of two types of natural rubber used in the production of tires fell by 58.0 percent and 59.4 percent, while the price of synthetic rubber used in tire production fell by 22.2 percent.[58] Overall, the cost of the industry's raw materials fell from $41 per tire produced in 2012 to $35 per tire in 2014, a decline of $6 per tire or 14.6 percent; by comparison, the average unit value ("AUV") of commercial sales fell from $86 per tire in 2012 to $83 per tire in 2014, a decline of $3 per tire or 3.5 percent. The ratio of the domestic industry's underlying raw material costs to the value of commercial sales fell from *** percent in 2012 to *** percent in 2013, and fell further to *** percent in 2014, indicating that the industry received increasing revenues on commercial sales relative to underlying raw material costs over the POI.[59] Due to the magnitude of the decline in raw material costs, we do not find that the subject imports depressed U.S. prices to a significant degree.[60]

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within a period of falling raw material costs, merchandise that is unbranded will experience a more dramatic decline in prices than merchandise that is branded. This study suggested that consumers who buy branded merchandise are less likely to be responsive to lower prices than customers that seek the lowest priced, unbranded merchandise. Petitioner Posthearing Brief, Response to Question of Commissioner Williamson, no. 1, Exh. 1 at 24. This suggests that subject imports from China, which have substantially lower, if any, brand recognition compared to the domestic like product, would be more likely to experience greater price declines during a period of falling raw material costs.

[56] CR/PR at Table V-11. For four of the six pricing categories, the U.S. price decline was ***. *Id.*

[57] Most firms stated that the price of raw materials affects the price of PVLT tires, and several firms reported that they have passed the raw material cost savings on to their customers. CR at V-2-3, PR at V-1-2.

[58] CR at V-1-2, PR at V-1.

[59] CR/PR at Table VI-1. Petitioner argues that the decline in the U.S. industry's overall AUV of sales understates the decline in individual product prices. They state that there has been a significant shift in the industry's product mix to larger sizes over the period of investigation, which in turn has caused the AUV of sales to be higher than it would be otherwise due to the higher prices of larger tires. Petitioner Posthearing Brief, Response to Question of Commissioner Williamson, no. 1 at 1; Petitioner Posthearing Brief, Responses to Commissioner and Staff Question no. 4 at 1-2, Exh. 1. This argument is reasonable, and supports our findings that the domestic industry increasingly shifted toward higher value, more complex products that placed greater constraints on capacity utilization. Petitioner also asserts that higher price of larger tires reflects "the additional materials required as well as other physical differences" inherent in the larger sizes. Petitioner Posthearing Brief, Response to Question of (Continued...)

We also do not find that subject imports prevented price increases, that otherwise would have occurred, to a significant degree during the POI. The domestic industry's ratio of cost of goods sold (COGS) to net sales decreased steadily over the period, decreasing from 81.4 percent in 2012 to 79.8 percent in 2013, and falling further to 76.2 percent in 2014.[61] As unit COGS fell by 8.1 percent over the POI, the unit value of net sales fell by only 1.9 percent.[62] Although apparent U.S. consumption increased during the POI,[63] we do not find significant price suppression in light of the substantial decline in costs relative to prices and the lack of evidence of any cost-price squeeze.

Additionally, subject import underselling did not result in a significant loss of market share by the domestic industry. As discussed in more detail below, the domestic industry experienced a decline in its share of apparent U.S. consumption over the POI even as subject imports gained market share. However, this shift in market share was not the result of the domestic industry losing existing sales, but rather the industry's operation at near full capacity

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Commissioner Williamson, no. 1 at 1. We therefore find that, to the extent that there was a product mix shift toward larger tires, the industry's overall average value of raw material costs understates the decline in the raw material costs for each specific type of tire produced.

[60] Petitioner argues that U.S. producers' prices should have declined by less than the decline in raw material costs due to a phenomenon called "asymmetric pass-through," in which prices for certain products tend to increase quickly when costs increase, but will fall more slowly when costs decrease. Under this theory, prices will decline more slowly than costs due to price "stickiness," or the reluctance of suppliers to offer lower prices absent competitive pressure to do so. Petitioner Posthearing Brief, Response to Question of Commissioner Williamson, no. 1 at 1-2, Exhibits 1-3. We note that the studies provided by petitioner in support of this theory are focused primarily on retail prices, and one study expressly finds no evidence that this phenomenon exists between various upstream prices. Petitioner Posthearing Brief, Response to Question of Commissioner Williamson, no. 1 at Exhibits 1 (29 and n. 22), 2 and 3. In the U.S. PVLT tires market, U.S. producers and importers do not sell directly into the retail channel. CR/PR at Table II-3. However, assuming arguendo that the concept of asymmetric pass-through is applicable to the U.S. market for PVLT tires, we note that U.S. PVLT tires prices fell to a lesser extent than raw material costs during the POI. Therefore, the actual trends in U.S. prices do not contradict what petitioner asserts should have occurred in this market.

Moreover, petitioner's argument that prices in this market are "sticky" is at odds with its argument that there is a lack of correlation between raw material costs (which began falling in 2011 and 2012) and the domestic industry's price (which began declining unevenly for most pricing products in 2012 after increasing in 2011). Petitioner Posthearing Brief, Response to Question of Commissioner Williamson, no. 1 at 2-7. Between 2009 and 2012, raw material prices for rubber and crude oil (a primary input for synthetic rubber) rapidly increased to historically high levels, and then began to decline. Even as raw material prices were declining rapidly in 2012, they were still substantially higher than in prior peak periods. CR at V-1 n. 4, PR at V-1 n. 4; EDIS Doc. Numbers 1014743, 1014745, 1014746, and 1014747. Within the context of this volatile and high-cost environment, it is not surprising that U.S. prices were not immediately responsive to declining costs during the early part of the POI.

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

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

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

utilization throughout the POI and its resultant inability to expand production as demand increased.[64]

In view of the foregoing, we find that the subject imports did not have the effect of depressing prices or preventing price increases that would otherwise have occurred to a significant degree. Accordingly, we do not find significant price effects by reason of subject imports.

C. Impact of the Subject Imports[65]

Section 771(7)(C)(iii) of the Tariff Act provides that when examining the impact of subject imports, the Commission "shall evaluate all relevant economic factors which have a bearing on the state of the industry."[66] These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, gross profits, net profits, operating profits, cash flow, return on investment, return on assets, ability to raise capital, ability to service debt, 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."[67]

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[64] Only *** made specific allegations of lost sales and lost revenue. CR at V-23, PR at V-15. *** made one allegation of lost sales concerning ***. CR at V-24-25, PR at V-15. *** also made 15 allegations of lost revenue but was unable to provide complete information for these allegations. We do not consider these allegations of lost sales and revenues to be indicative of any adverse price effects experienced by the domestic industry. CR at V-25-26, PR at V-15-16.

[65] The statute instructs the Commission to consider the "magnitude of the dumping margin" in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii)(V). In its final determination, Commerce calculated weighted-average antidumping duty margins by exporter as follows: 14.35 percent (Sailun Group); 29.97 percent (the GITI Companies); 87.99 percent (2the PRC-wide entity); and 25.30 percent (a series of named exporters). 80 Fed. Reg. 34893, 34895 (June 18, 2015); Decision Memorandum for the Final Determination in the Antidumping Duty Investigation of Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China from Christian Marsh, Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations to Paul Piquado, Assistant Secretary for Enforcement and Compliance, International Trade Administration, U.S. Department of Commerce (Jun. 11, 2015), EDIS Doc. No. 558757.

[66] 19 U.S.C. § 1677(7)(C)(iii); *see also* SAA at 851 and 885 ("In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.").

[67] Subsequent to the fling of briefs in these investigations, on June 29, 2015, as part of the Trade Preferences Extension Act of 2015, the President signed into law three new statutory provisions involving the Commission's material injury determinations. Pub. L. 114-27. The revised provision concerning captive production is not pertinent in these investigations. Another provision adds a new 19 U.S.C. § 1677(7)(J) stating that the Commission "may not determine that there is no material injury or threat of material injury to an industry in the United States merely because that industry is profitable or because the performance of that industry has recently improved." The other provision specifies that the Commission is to consider in its analysis of impact the ability to service debt and return on assets as well (Continued...)

Many industry indicators were relatively stable over the POI. Capacity, production, and capacity utilization in 2014 were very close to 2012 levels,[68] although the firms that reported relatively large increases in sales volume between 2012 and 2014 were firms that also experienced capacity expansions.[69] The number of production related workers declined modestly but the number of hours worked rose, as did total wages paid and average hourly wages.[70] Productivity declined modestly,[71] although Petitioner indicated that the decline in productivity was related to the shift towards larger and more complex tires.[72] Inventory levels were significantly lower at the end of 2014 than at the end of 2012.[73]

While production, employment, and shipment data were relatively steady, the industry's financial performance improved significantly over the POI. Declining prices led to a modest decline in the total value of sales, but the cost of goods sold declined at a more significant pace.[74] Gross profit in 2014 was up 24.4 percent over 2012 levels, while operating profit was 36.3 percent higher and net profit was 36.1 percent higher.[75] Unit operating income was 37.5 percent higher, and the industry's ratio of operating income to net sales rose from 9.2 percent in 2012 to 12.9 percent in 2014.[76] *** reported gross or operating losses for any year of the POI.[77] The level of total capital expenditures was substantially greater than corresponding expense throughout the POI[78] and was 10.5 percent higher in 2014 than in 2012.[79]

The industry's significant improvement in financial performance occurred at a time when apparent domestic consumption was rising, yet domestic production remained relatively stable. The domestic industry lost market share, primarily to subject imports. The domestic industry's market share fell from 46.6 percent in 2012 to 41.9 percent in 2014, while the market share of subject imports rose from 11.5 percent to 19.3 percent.[80]

Still, we cannot conclude that the domestic industry is materially injured by reason of subject imports. As subject import volume rose over the POI, the domestic industry operated at

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as subdivisions of the profits factor (gross profits, operating profits, and net profits). We have considered these provisions in these investigations, including the new impact factors for which information was collected in the questionnaires. CR/PR at Table C-1; CR at VI-21-24, PR at VI-10.

[67] 19 U.S.C. § 1677(7)(C)(iii); *see also* SAA at 851, 885.

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

[69] CR at VI-11 and n.11, PR at VI-5 and n.11.

[70] CR/PR at Table C-1. Respondents have also indicated that the POI saw rising contributions to ***. Chinese Respondents Posthearing Brief at 15.

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

[72] Tr. at 121 (Mr. Stewart).

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

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

[75] CR/PR at Table C-1; calculated from CR/PR at Table VI-1.

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

[77] CR/PR at Table VI-3.

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

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

[80] CR/PR at Table IV-6 and Table C-1.

high rates of capacity utilization.[81] By 2014, *** were all operating above *** and *** were operating above ***.[82] Although producers were generally operating at capacity levels ***, they remained significant importers and purchasers of PVLT tires throughout the POI.[83] Domestic producers acknowledged importing or purchasing imported PVLT tires to *** demand.[84] Although virtually all domestic producers are part of multinational firms, the industry has indicated a preference for serving local markets with local production.[85] Continued reliance on imports indicates that the industry was not able to supply its customers through domestic production alone. Additionally, ***.[86]

Other factors indicate that the domestic industry was operating at high levels of capacity utilization, with little additional practical capacity to meet demands as the industry responded to demand for larger, more complex tires.[87] Petitioner indicated that the capital expenditures undertaken during the POI were in response to the demand for these products.[88] The domestic industry's planned capacity expansions for the near future, both by new and existing U.S. producers, are also indicative of the industry's need to address its undersupply of production capacity that existed throughout the POI.[89] Productivity was relatively flat over the POI,[90] but the lack of improvement was linked to the shift to production of more time-consuming products.[91] The domestic industry's end-of-year inventories declined in each year of the POI.[92]

Thus, we do not find that the domestic industry's loss of market share is an indication of material injury by reason of subject imports. The domestic industry was successfully adapting to rising demand for larger, more profitable products, and those products consumed more production time[93] and required new capital expenditures.[94] The industry was able to draw on

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

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

[83] CR/PR at Table III-9.

[84] CR at III-27, PR at III-14. *** *Id.* and ITG Voma Posthearing Brief at 13-15.

[85] Tr. at 87 (Mr. Stewart), 88 (Mr. Johnson); Ford Posthearing Brief at 5.

[86] CR/PR at Table III-3.

[87] Capacity data supplied by the producers was calculated on specific product mixes. CR/PR at Table III-5 notes and CR at III-17, PR at III-9. Altering the product mix towards larger tires likely reduced the domestic industry's practical capacity over the POI. *See, e.g.,* CR at III-17 n.24, PR at III-10 n.24.

[88] Petitioner Posthearing Brief at 8. Planned capacity expansions, CR at III-4, PR at III-3, for the near future also indicate a belief during the POI that the domestic industry was undersupplied with local production capacity.

[89] CR at III-4-10, PR at III-3-6.

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

[91] Tr. at 121 (Mr. Stewart).

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

[93] Tr. at 121 (Mr. Stewart).

[94] Petitioner Posthearing Brief at 8.

its inventories and imported PVLT tires to supplement its offerings or offset production constraints.[95]

We note that the improvement in the domestic industry's gross, operating, and net income occurred during a period of falling raw material costs. [96] We have already rejected Petitioner's argument as to why declines in raw material costs do not explain changes in U.S. prices for PVLT tires. In any case, we note that the domestic industry retained substantial benefits relating to the fall in raw material costs, despite any alleged pressure from subject import volume or pricing. The industry's ability to retain so much of the benefit of declining raw material costs again indicates both the degree of separation between subject imports and the domestic like product and the high market value of the brands and products on which the domestic industry concentrates.

In view of the foregoing, we find that subject imports have not had a significant adverse impact on the domestic industry.

III. No Threat of Material Injury by Reason of Subject Imports

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."[97] 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.[98] In making our

[95] We are mindful of arguments by Petitioner that the industry could have operated at significantly higher rates of capacity utilization and gained a significantly larger share of the market. *See, e.g.,* Petitioner Prehearing Brief at 76, Petitioner Posthearing Brief at 12. We do not find the record supports these arguments. Petitioner's testimony about production response at some facilities to the expiration or implementation of various trade remedies is valuable but necessarily limited. Producers indicate that operating at 100 percent or greater is "highly unlikely." CR at III-17, PR at III-10. While it's possible that the domestic industry could have increased production to some extent, as it apparently did in the first quarter of 2015, Petitioner Posthearing Brief, Response to Question of Vice Chairman Pinkert no. 1 at 1-2, we find that the likely increases would not have significantly changed market share or the industry's overall condition.

[96] CR at V-1-V-2 and Figure V-1, PR at V-1 and Figure V-1. The price of ribbed smoked sheets rose between 2009 and 2011 and declined between 2012 and 2014. CR/PR at V-1. Strong demand late in the last decade seems to have prompted significant additional rubber tree plantings, with the new supply coming onto the market in recent years. Petitioner Posthearing Brief at Exh. 1, "Glut of Chinese Goods Pinches Global Economy," WSJ 6/1/2015, at p.6.

[97] 19 U.S.C. § 1677(7)(F)(ii).

[98] 19 U.S.C. § 1677(7)(F)(ii).

determination, we consider all statutory threat factors that are relevant to these investigations.[99]

[99] 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).

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.

B. Analysis[100]

1. Likely Volume

As discussed above, we have found the volume of subject imports to be significant during the POI. The industry in China is large and growing.[101] Its home market is substantial, with rising demand in recent years.[102] Still, the industry is a substantial exporter, and the United States is a prime market for its exports, although non-U.S. markets account for the large majority of the industry's exports.[103] We find it likely that subject imports will continue to enter the U.S. market in significant and potentially rising volumes.[104] However, we also note that the significant volume and significant increase in the volume of subject imports did not adversely impact the domestic industry during the POI. We also find it likely that the conditions we found

[100] The statute instructs the Commission to consider the "nature of the subsidy" in a countervailing duty proceeding as part of its consideration of the threat of material injury. 19 U.S.C. § 1677(7)(F)(i)(I). In its final countervailing duty determination, Commerce determined that ten types of programs provided countervailable subsidies to one or more producers/exporters in China, consisting of the following: (1) government policy lending; (2) export seller's credits from state-owned banks; (3) export buyer's credits from state-owned banks; (4) export credit insurance subsidies; (5) export credit guarantees; (6) provision of inputs for less than adequate remuneration ("LTAR"); (7) tax benefit programs; (8) import tariff and VAT exemptions for imported equipment; (9) special fund for energy-saving technology reform; and (10) grants. Commerce assigned net countervailable subsidy rates as follows: GITI Tire (Fujian) Co., Ltd. and certain cross-owned companies (37.20 percent); Cooper Kunshan Tire Co., Ltd. and certain cross-owned companies (20.73 percent); Shandong Yongsheng Rubber Group Co., Ltd. (100.77 percent, as adverse facts available); and all others (30.87 percent). 80 Fed. Reg. 34888, 34889 (June 18, 2015); Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China from Christian Marsh, Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations to Paul Piquado, Assistant Secretary for Enforcement and Compliance, International Trade Administration, U.S. Department of Commerce (Jun. 11, 2015), EDIS Doc. No. 558756.

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

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

[103] CR/PR at Table VII-4. The industry in China had inventories that remained significant but stable relative to production throughout the POI. The Chinese industry had inventories equivalent to *** percent of production in 2012, *** percent of production in 2013, and *** percent of production in 2014. CR/PR at Table VII-4. U.S. importers' end-of-period inventories of subject imports from China were significant and fluctuated relative to U.S. shipments during the POI. The ratio of U.S. importers' end-of-period inventories of subject imports to U.S. shipments of subject imports was 17.7 percent in 2012, 14.6 percent in 2013, and 19.0 percent in 2014. CR/PR at Table VII-8. Product shifting is not an issue. While 20 Chinese producers reported producing nonsubject products, this production only accounted for *** to *** percent of Chinese producers' overall production during the POI. CR at VII-7, PR at VII-5.

[104] We note that GITI, a major producer of tires in China and *** exporter of PVLT tires from China to the United States in 2014, CR/PR at Table VII-3, has broken ground on a production facility in the United States. CR at III-4, PR at III-3. The opening of a production facility in the United States is likely to decrease imports from this producer, but perhaps not in the timeframe relevant to our determination.

in the current market will continue and therefore find it unlikely that a continuation of the volume trends seen during this POI will adversely impact the domestic industry in the imminent future. Attenuation of competition between the domestic like product and subject imports, based largely on branding, will continue to limit the effects of any increased volume of subject imports on the domestic industry.

2. Likely Price Effects

In our discussion above, we noted significant underselling by the subject imports. We also found that, notwithstanding the instances of underselling by subject imports during the POI, the subject imports did not cause significant price effects. Although underselling coincided with declines in prices for the domestic like product, those price declines resulted from substantial declines in raw material costs. The price declines seen over the POI did not lead to price suppression, as the domestic industry's COGS to net sales ratio declined over the POI as its profits rose. We find the lack of significant price effects by even rising volumes of subject imports to be related to the significant degree of attenuation of competition seen in the market. This condition is unlikely to change in the imminent future, limiting the possibility of any likely price effects by subject imports.

3. Likely Impact

As we discussed above, the domestic industry was able to maintain steady levels of output and employment during the POI. While the domestic industry lost market share during a time of rising demand, we have found that the decline in market share was not directly related to subject import volume increases, and the decline in market share coincided with significant improvement in the domestic industry's financial position. We further find that subject imports have had no significant actual or 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. The record indicates that over the POI the domestic industry successfully adapted to increased demand for larger, more complex tires, and took the necessary investments to produce these products, albeit at the cost of significant increases in production or productivity.

We do not find the domestic industry to be vulnerable. The record suggests that the domestic industry is well positioned to continue to benefit from strong demand for its products. Projected significant increases in raw material costs did not develop over the POI,[105] and are unlikely to occur in the imminent future.[106] Demand, particularly for larger, high-value tires, is expected to remain strong.[107] Expectations for continued health and development of the domestic industry can be seen in plans by multiple producers to enter the U.S. market or

[105] CR at V-1-V-2 and Figure V-1, PR at V-1 and Figure V-1.

[106] CR at V-2-3, n. 6, PR at V-2, n.6; *see also* ITG Voma Posthearing Brief at 9, 10, and Exh. 2 at pp. 61-64.

[107] ITG Voma Posthearing Brief at 4, 6-7, 10, and Answers at 27, n.60; Chinese Respondents Posthearing Brief at 5-6.

expand existing production.[108] Employment is also likely to rise in the near future.[109] These are the hallmarks of a healthy industry, able to attract significant new capital and to maintain and expand its existing infrastructure. The domestic industry's greatest strengths--its closeness to major OEM producers, its ability to produce larger and more complex products, and the power of its well-established brands—are likely to continue and extend in the imminent future.[110]

In view of the foregoing, we conclude that an industry in the United States is not threatened with material injury by reason of subject imports.

IV. Conclusion

For the reasons stated above, we determine that an industry in the United States is not materially injured or threatened with material injury by reason of PVLT tires from China that are sold in the United States at less than fair value or are subsidized by the government of China.

[108] CR at III-4, PR at III-3.

[109] CR at III-4, PR at III-3. Respondents estimate that the planned expansions will add as many as 6,700 jobs to the industry and capacity to produce 42 million additional tires. ITG Voma Prehearing Brief at 37-38.

[110] We note that these petitions were filed by the union representing workers accounting for a *** of domestic production. However, we note that ***. CR/PR at Table III-1.

PART I: INTRODUCTION

BACKGROUND

These investigations result from petitions 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, Pennsylvania, 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	Petitions filed with Commerce and the Commission; institution of Commission investigation (79 FR 32994, June 9, 2014)
July 21, 2014	Commerce's notices of initiation (79 FR 42285 and 79 FR 42292)
August 15, 2014	Commission's preliminary determination (79 FR 49537, August 21, 2014)
December 1, 2014	Commerce's preliminary affirmative CVD determination (79 FR 71093)
December 30, 2014	Commerce's amended preliminary affirmative CVD determination (79 FR 78398)
January 27, 2015	Commerce's preliminary AD determination (80 FR 4250)
February 18, 2015	Commission's scheduling notice (80 FR 9744, February 24, 2015)
March 26, 2015	Commerce's amended affirmative preliminary AD determination (80 FR 15987)
June 9, 2015	Commission's hearing
June 18, 2015	Commerce's final AD and CVD determinations (80 FR 34893 and 80 FR 34888)
July 14, 2015	Commission's vote
August 3, 2015	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 hearing is presented in appendix 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, 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").

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

Apparent U.S. consumption of PVLT tires, by quantity, totaled 301.0 million tires ($22.2 billion) in 2014. Currently, nine firms are known to produce PVLT tires in the United States. U.S. producers' U.S. shipments of PVLT tires totaled 126.2 million ($11.7 billion) in 2014 and accounted for 41.9 percent of apparent U.S. consumption by quantity and 53.0 percent by value. U.S. imports from China totaled 58.0 million tires ($2.6 billion) in 2014 and accounted for 19.3 percent of apparent U.S. consumption by quantity and 11.6 percent by value. U.S. imports from nonsubject sources totaled 116.9 million tires ($7.9 billion) in 2014 and accounted for 38.8 percent of apparent U.S. consumption by quantity and 35.4 percent by value.

SUMMARY DATA AND DATA SOURCES

A summary of data collected in these investigations is presented in appendix C, table C-1. A summary of these data excluding *** from U.S. producers' financial data is presented in appendix C-2. Except as noted, U.S. industry data are based on questionnaire responses of nine firms that accounted for essentially all U.S. production of PVLT tires during 2014. Data on U.S. imports are based on official Commerce statistics and questionnaire responses of 37 firms. Information on foreign producers is based on 48 questionnaire responses,[4] which reported exports to the United States equivalent to ***percent of subject imports from China in 2014.[5]

[4] Giti submitted one response on behalf of four related companies: Giti Radial Tire Anhui, Giti Hualin, Giti Fujian, and Giti Greatwall Yinchuan.

[5] Foreign producers reported exports to the United States totaling ***million PVLT tires in 2014, compared to U.S. imports of 58.0 million PVLT tires, according to official import statistics. Total production data compiled from foreign producer questionnaires accounted for ***percent of total Chinese production in 2014. This production estimate is based on a projected 2014 production figure of 399 million tires provided by the Chinese Rubber Industry Association ("CRIA"). Chinese respondents' prehearing brief, attachment three.

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.[6]

On the basis of information developed in that 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.[7]

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.[8]

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 and to provide such other requested assistance or relief as they deem appropriate, consistent with their statutory mandates.[9]

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

[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 made a negative determination.

[8] 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.

[9] *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-*

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.[10]

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.[11]

NATURE AND EXTENT OF SUBSIDIES AND SALES AT LTFV

Nature of the subsidies

On June 18, 2015, Commerce issued its notice of final affirmative determination of countervailable subsidies and critical circumstances for producers and exporters of PVLT tires from China.[12] Programs determined by Commerce to be countervailable and used by Giti and Cooper[13] consist of the following:[14]

28, Memorandum for the Secretary of Commerce, the Secretary of Labor, the United States Trade Representative, 74 FR 47433, September 16, 2009.

[10] 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.

[11] "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.

[12] *Notice of Final Affirmative CVD Determination and Final Affirmative Critical Circumstances Determination: Certain Passenger Vehicle and Light Truck Tires From the People's Republic of China,* 80 FR 34888, June 18, 2015.

[13] Shandong Yongsheng Rubber Group Co., Ltd. (Yongsheng), a mandatory respondent, withdrew from the investigation, and was assigned it a subsidy rate relying on all adverse facts available. DOC, ITA *Issues and Decisions* Memorandum for the Final Determination in the Countervailing Duty Investigation of *Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China,* June 11, 2015, p. 2.

[14] Ibid., pp. 20-38.

1. Government Policy Lending,
2. Export Seller's Credits from State-Owned Banks,
3. Export Buyer's Credits from State-Owned Banks,
4. Export Credit Insurance Subsidies,
5. Export Credit Guarantees,
6. Provision of Inputs for Less Than Adequate Renumeration (LTAR),[15]
7. Tax Benefit Programs,
8. Import Tariff and VAT Exemptions for Imported Equipment,
9. Special Fund for Energy-Saving Technology Reform, and
10. Grants.

Table I-1 presents Commerce's findings with respect to countervailable subsidy margins.

Table I-1
PVLT tires: Commerce's final subsidy margins with respect to imports from China

Entity	Final countervailable subsidy margin *(percent)*	Cash deposit rate *(percent)*
GITI Tire (Fujian) Co., Ltd. and certain cross-owned companies	37.20	36.79
Cooper Kunshan Tire Co., Ltd. and certain cross-owned companies	20.73	20.73
Shandong Yongsheng Rubber Group Co., Ltd.	100.77	100.37
All Others	30.87	30.61

Source: 80 FR 34889, June 18, 2015**.**

[15] Inputs for LTAR consist of carbon black, nylon cord, synthetic rubber, butadiene, natural rubber, electricity, and land-use. Ibid., pp. 25-30.

Sales at LTFV

On June 18, 2015, Commerce issued its notice of final affirmative determination of sales at LTFV and critical circumstances with respect to imports from China.[16] Table I-2 presents Commerce's LTFV margins with respect to imports of PVLT tires from China.

Table I-2
PVLT tires: Commerce's final weighted-average LTFV margins with respect to imports from China

Exporter	Producer	Final LTFV margin (*percent*)
Giti Tire Global Trading Pte. Ltd., Giti Tire (USA) Ltd., Giti Radial Tire (Anhui) Company Ltd., Giti Tire (Fujian) Company Ltd., Giti Tire (Hualin) Company Ltd., (Collectively, the Giti Companies).	Giti Radial Tire (Anhui) Company Ltd., Giti Tire (Fujian) Company Ltd., Giti Tire (Hualin) Company Ltd.	29.97
Sailun Group Co., Ltd. (aka Sailun Jinyu Group Co., Ltd.), Sailun Tire International Corp., Shandong Jinyu Industrial Co., Ltd., Jinyu International Holding Co., Limited, Seatex International Inc., Dynamic Tire Corp., Husky Tire Corp., Seatex PTE. Ltd., (Collectively, Sailun Group).	Sailun Group Co., Ltd. (aka Sailun Jinyu Group Co., Ltd.), Shandong Jinyu Industrial Co., Ltd.	14.35
Cooper Tire & Rubber Company	Cooper Chengshan (Shandong) Tire Co., Ltd., Cooper (Kunshan) Tire Co., Ltd.	25.30
Cooper Chengshan (Shandong) Tire Co., Ltd.	Cooper Chengshan (Shandong) Tire Co., Ltd.	25.30
Cooper (Kunshan) Tire Co., Ltd.	Cooper (Kunshan) Tire Co., Ltd.	25.30
Best Choice International Trade Co., Limited	Qingdao Sentury Tire Co., Ltd., Shandong Haohua Tire Co., Ltd., Beijing Capital Tire Co., Ltd.	25.30
Bridgestone (Wuxi) Tire Co., Ltd.	Bridgestone (Wuxi) Tire Co., Ltd.	25.30

Table continued on next page.

[16] *Notice of Final Affirmative Determination of Sales at Less Than Fair Value and Final Affirmative Critical Circumstances Determination: Certain Passenger Vehicle and Light Truck Tires From the People's Republic of China,* 80 FR 34893, June 18, 2015.

Table I-2--Continued
PVLT tires: Commerce's final weighted-average LTFV margins with respect to imports from China

Exporter	Producer	Final LTFV margin (*percent*)
Bridgestone Corporation	Bridgestone (Wuxi) Tire Co., Ltd.	25.30
Cheng Shin Tire & Rubber (China) Co., Ltd.	Cheng Shin Tire & Rubber (China) Co., Ltd., Cheng Shin Tire & Rubber (Chongqing) Co., Ltd.	25.30
Crown International Corporation	Shandong Guofeng Rubber Plastics Co., Ltd., Shandong Haohua Tire Co., Ltd., Shandong Jinyu Industrial Co., Ltd., Doublestar-Dongfeng Tyre Co., Ltd., Shengtai Group Co., Ltd., Qingdao Doublestar Tire Industrial Co., Ltd., Shandong Yongtai Chemical Co., Ltd.	25.30
Goodyear Dalian Tire Company Limited	Goodyear Dalian Tire Company Limited	25.30
Guangzhou Pearl River Rubber Tyre Ltd.	Guangzhou Pearl River Rubber Tyre Ltd.	25.30
Hankook Tire China Co., Ltd.	Hankook Tire China Co., Ltd.	25.30
Hebei Tianrui Rubber Co., Ltd.	Hebei Tianrui Rubber Co., Ltd.	25.30
Highpoint Trading, Ltd.	Federal Tire (Jiangxi) Ltd.	25.30
Hong Kong Tiancheng Investment & Trading Co., Limited	Shandong Linglong Tyre Co., Ltd.	25.30
Hong Kong Tri-Ace Tire Co., Limited	Shandong Yongtai Chemical Co., Ltd., Doublestar-Dongfeng Tyre Co., Ltd.	25.30
Hwa Fong Rubber (Hong Kong) Ltd.	Hwa Fong Rubber (Suzhou) Co., Ltd.	25.30
Jiangsu Hankook Tire Co., Ltd.	Jiangsu Hankook Tire Co., Ltd.	25.30
Kenda Rubber (China) Co., Ltd.	Kenda Rubber (China) Co., Ltd.	25.30
Kumho Tire Co., Inc.	Kumho Tire (Tianjin) Co., Inc., Nanjing Kumho Tire Co., Ltd., Kumho Tire (Changchun) Co., Inc.	25.30
Mayrun Tyre (Hong Kong) Limited	South China Tire & Rubber Co., Ltd., Shandong Haohua Tire Co., Ltd.	25.30
Nankang (Zhangjiagang Free Trade Zone) Rubber Industrial Co., Ltd.	Nankang (Zhangjiagang Free Trade Zone) Rubber Industrial Co., Ltd.	25.30
Pirelli Tyre Co., Ltd.	Pirelli Tyre Co., Ltd.	25.30
Qingdao Crown Chemical Co., Ltd.	Shandong Guofeng Rubber Plastics Co., Ltd., Shandong Haohua Tire Co., Ltd., Shandong Jinyu Industrial Co., Ltd., Doublestar-Dongfeng Tyre Co., Ltd.,	25.30
Qingdao Free Trade Zone Full-World International Trading Co., Ltd.	Shandong Zhentai Group Co., Ltd., Longkou Xinglong Tyre Co., Ltd., Hebei Tianrui Rubber Co., Ltd.	25.30

Table continued on next page.

Table I-2--Continued
PVLT tires: Commerce's final weighted-average LTFV margins with respect to imports from China

Exporter	Producer	Final LTFV margin (*percent*)
Qingdao Fullrun Tyre Corp., Ltd.	Fullrun Tyre Tech Corp., Ltd., Shengtai Group Co., Ltd., Shandong Zhongyi Rubber Co., Ltd., Shandong Guofeng Rubber Plastics Co, Ltd., Deruibao Tire Co., Ltd., Shandong New Continent Tire Co., Ltd., Shandong Fengyuan Tyre Manufacturing Co., Ltd., Sichuan Tyre & Rubber Co., Ltd., Qingdao Futaian Tyre Teck. Co.,Ltd., Good Friend Tyre Co., Ltd., Shandong Hengyu Science & Technonology Co., Ltd., Shandong Longyue Rubber Co., Ltd., Shouguang Firemax Tyre Co., Ltd., Beijing Capital Tire Co., Ltd., Shandong Wanda Boto Tyre Co., Ltd., Zhaoqing Junhong Co., Ltd., Shandong Huasheng Rubber Co., Ltd., Shandong Haohua Tire Co., Ltd., Shandong Province Sanli Tire Manufactured Co., Ltd.	25.30
Qingdao Fullrun Tyre Tech Corp., Ltd.	Qingdao Fullrun Tyre Tech Corp., Ltd.	25.30
Qingdao Honghua Tyre Factory	Qingdao Honghua Tyre Factory	25.30
Qingdao Nama Industrial Co., Ltd.	Shandong Guofeng Rubber Plastics Co., Ltd., Shandong Hengyu Science & Technology Co., Ltd., Shandong Longyue Rubber Co., Ltd., Shandong Haohua Tire Co., Ltd., Shouguang Firemax Tyre Co., Ltd., Shandong Zhongyi Rubber Co., Ltd., Shandong Yonking Rubber Co., Ltd., Shandong Hongsheng Rubber Technology Co., Ltd.	25.30
Qingdao Nexen Tire Corporation.	Qingdao Nexen Tire Corporation	25.30
Qingdao Odyking Tyre Co., Ltd.	Doublestar-Dongfeng Tyre Co., Ltd., Shandong Fengyuan Tire Manufacturing Co., Ltd., Shouguang Firemax Tyre Co., Ltd.	25.30
Qingdao Qianzhen Tyre Co., Ltd.	Qingdao Qianzhen Tyre Co., Ltd.	25.30
Qingdao Qihang Tyre Co., Ltd.	Qingdao Qihang Tyre Co., Ltd.	25.30
Qingdao Qizhou Rubber Co., Ltd.	Qingdao Qizhou Rubber Co., Ltd.	25.30
Qingdao Sentury Tire Co., Ltd.	Qingdao Sentury Tire Co., Ltd.	25.30
Shandong Anchi Tyres Co., Ltd.	Shandong Anchi Tyres Co., Ltd.	25.30
Shandong Changfeng Tyres Co., Ltd.	Shandong Changfeng Tyres Co., Ltd.	25.30
Shandong Duratti Rubber Corporation Co., Ltd.	Shandong Duratti Rubber Corporation Co., Ltd.	25.30
Shandong Guofeng Rubber Plastics Co., Ltd.	Shandong Guofeng Rubber Plastics Co., Ltd.	25.30
Shandong Haohua Tire Co., Ltd.	Shandong Haohua Tire Co., Ltd.	25.30
Shandong Haolong Rubber Tire Co., Ltd.	Shandong Haolong Rubber Tire Co., Ltd.	25.30
Shandong Hawk International Rubber Industry Co., Ltd.	Shandong Hawk International Rubber Industry Co., Ltd.	25.30

Table continued on next page.

Table I-2--Continued
PVLT tires: Commerce's final weighted-average LTFV margins with respect to imports from China

Exporter	Producer	Final LTFV margin (*percent*)
Shandong Hengyu Science & Technology Co., Ltd.	Shandong Hengyu Science & Technology Co., Ltd.	25.30
Shandong Huitong Tyre Co., Ltd.	Shandong Huitong Tyre Co., Ltd. Laiwu Sunshine Tyre Co., Ltd.	25.30
Shandong Linglong Tyre Co., Ltd.	Shandong Linglong Tyre Co., Ltd.	25.30
Shandong Longyue Rubber Co., Ltd.	Shandong Longyue Rubber Co., Ltd.	25.30
Shandong New Continent Tire Co., Ltd.	Shandong New Continent Tire Co., Ltd.	25.30
Shandong Province Sanli Tire Manufactured Co., Ltd.	Shandong Province Sanli Tire Manufactured Co., Ltd.	25.30
Shandong Shuangwang Rubber Co., Ltd.	Shandong Shuangwang Rubber Co., Ltd.	25.30
Shandong Wanda Boto Tyre Co., Ltd.	Shandong Wanda Boto Tyre Co., Ltd.	25.30
Shandong Yongtai Chemical Co., Ltd.	Shandong Yongtai Chemical Co., Ltd.	25.30
Shandong Zhongyi Rubber Co., Ltd.	Shandong Zhongyi Rubber Co., Ltd.	25.30
Shengtai Group Co., Ltd.	Shengtai Group Co., Ltd., Shandong Shengshitailai Rubber Technology Co., Ltd.	25.30
Shifeng Juxing Tire Co., Ltd.	Shifeng Juxing Tire Co., Ltd.	25.30
Shouguang Firemax Tyre Co., Ltd.	Shouguang Firemax Tyre Co., Ltd.	25.30
Southeast Mariner International Co., Ltd.	Dongying Zhongyi Rubber Co., Ltd., Shandong Haohua Tire Co., Ltd.	25.30
Techking Tires Limited	Shandong Longyue Rubber Co., Ltd.	25.30
Toyo Tire (Zhangjiagang) Co., Ltd.	Toyo Tire (Zhangjiagang) Co., Ltd.	25.30
Triangle Tyre Co., Ltd.	Triangle Tyre Co., Ltd.	25.30
Tyrechamp Group Co., Limited	Shandong Haohua Tire Co., Ltd., Sichuan Tyre & Rubber Co., Ltd., Shandong Anchi Tyres Co., Ltd., Beijing Capital Tire Co. Ltd., Shandong Wanda Boto Tyre Co., Ltd., Shandong Wosen Rubber Co., Ltd., Shandong Zhentai Group Co., Ltd., Shandong Yonking Rubber Co., Ltd., Qingdao Doublestar Tire Industrial Co., Ltd., South China Tire & Rubber Co. Ltd., Anhui Heding Tire Technology Co., Ltd.	25.30
Weihai Ping'an Tyre Co., Ltd.	Weihai Ping'an Tyre Co., Ltd.	25.30
Weihai Zhongwei Rubber Co., Ltd.	Weihai Zhongwei Rubber Co., Ltd.	25.30
Wendeng Sanfeng Tyre Co., Ltd.	Wendeng Sanfeng Tyre Co., Ltd.	25.30
Winrun Tyre Co., Ltd.	Shaanxi Yanchang Petroleum Group Rubber Co. Ltd.	25.30
Zenith Holdings (HK) Limited	Shandong Linglong Tyre Co., Ltd.	25.30
Zhaoqing Junhong Co., Ltd.	Zhaoqing Junhong Co., Ltd.	25.30
PRC-Wide Entity	PRC-Wide Entity	87.99

Source: 80 FR 34895-96, June 18, 2015.

THE SUBJECT MERCHANDISE

Commerce's scope

Commerce has defined the scope of this investigation as follows:[17]

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 a 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 investigations 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, unless the tire falls within one of the specific exclusions set out below.

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 and attached to a wheel or rim, only the tire is covered by the scope.

[17] *Notice of Final Affirmative Determination of Sales at Less Than Fair Value and Final Affirmative Critical Circumstances Determination: Certain Passenger Vehicle and Light Truck Tires From the People's Republic of China,* 80 FR 34893, June 18, 2015.

Specifically excluded from the scope of this investigation are the following types of tires:

(1) Racing car tires; such tires do not bear the symbol "DOT" on the sidewall and may be marked with "ZR" in size designation;

(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;

(4) non-pneumatic tires, such as solid rubber tires;

(5) tires designed and marketed exclusively as temporary use spare tires for passenger vehicles which, in addition, exhibit each of the following physical characteristics:

(a) the size designation and load index combination molded on the tire's sidewall are listed in Table PCT-1B ("T" Type Spare Tires for Temporary Use on Passenger Vehicles) of the Tire and Rim Association Year Book,

(b) the designation "T" is molded into the tire's sidewall as part of the size designation, and,

(c) the tire's speed rating is molded on the sidewall, indicating the rated speed in MPH or a letter rating as listed by Tire and Rim Association Year Book, and the rated speed is 81 MPH or a "M" rating;

(6) tires designed and marketed exclusively for specialty tire (ST) use which, in addition, exhibit each of the following conditions:[18]

(a) the size designation molded on the tire's sidewall is listed in the ST sections of the Tire and Rim Association Year Book,

(b) the designation ''ST'' is molded into the tire's sidewall as part of the size designation,

(c) the tire incorporates a warning, prominently molded on the sidewall, that the tire is ''For Trailer Service Only'' or ''For Trailer Use Only'',

(d) the load index molded on the tire's sidewall meets or exceeds those load indexes listed in the Tire and Rim Association Year Book for the relevant ST tire size, and

(e) either

[18] The Department of Commerce is currently suspending requirements (6)(d) and (e); therefore, tires entered, or withdrawn from warehouse for consumption that meet exclusion requirements (6)(a)–(c) are excluded from the scope of this investigation.

(i) the tire's speed rating is molded on the sidewall, indicating the rated speed in MPH or a letter rating as listed by Tire and Rim Association Year Book, and the rated speed does not exceed 81 MPH or an ''M'' rating; or

(ii) the tire's speed rating molded on the sidewall is 87 MPH or an "N" rating, and in either case the tire's maximum pressure and maximum load limit are molded on the sidewall and either

(1) both exceed the maximum pressure and maximum load limit for any tire of the same size designation in either the passenger car or light truck section of the Tire and Rim Association Year Book; or

(2) if the maximum cold inflation pressure molded on the tire is less than any cold inflation pressure listed for that size designation in either the passenger car or light truck section of the Tire and Rim Association Year Book, the maximum load limit molded on the tire is higher than the maximum load limit listed at that cold inflation pressure for that size designation in either the passenger car or light truck section of the Tire and Rim Association Year Book;

(7) tires designed and marketed exclusively for off-road use and which, in addition, exhibit each of the following physical characteristics:

(a) the size designation and load index combination molded on the tire's sidewall are listed in the off-the-road, agricultural, industrial or ATV section of the Tire and Rim Association Year Book,

(b) in addition to any size designation markings, the tire incorporates a warning, prominently molded on the sidewall, that the tire is "Not For Highway Service" or "Not for Highway Use",

(c) the tire's speed rating is molded on the sidewall, indicating the rated speed in MPH or a letter rating as listed by the Tire and Rim Association Year Book, and the rated speed does not exceed 55 MPH or a "G" rating, and

(d) the tire features a recognizable off-road tread design.

The products covered by the investigations are currently classified under the following Harmonized Tariff Schedule of the United States (HTSUS) subheadings: 4011.10.10.10, 4011.10.10.20, 4011.10.10.30, 4011.10.10.40, 4011.10.10.50, 4011.10.10.60, 4011.10.10.70, 4011.10.50.00, 4011.20.10.05, and 4011.20.50.10. Tires meeting the scope description may also enter under the following HTSUS subheadings: 4011.99.45.10, 4011.99.45.50, 4011.99.85.10, 4011.99.85.50, 8708.70.45.45, 8708.70.45.60, 8708.70.60.30, 8708.70.60.45, and 8708.70.60.60. While HTSUS subheadings are provided for convenience and for customs purposes, the written description of the subject merchandise is dispositive.

Tariff treatment

Based upon the scope set forth by Commerce, 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, 4011.10.1070, 4011.10.5000, 4011.20.1005, and 4011.20.5010.[19] Subject merchandise may also be imported under HTS subheadings 4011.99.4510, 4011.99.4550, 4011.99.8510, 4011.99.8550, 8708.70.4545, 8708.70.4560, 8708.70.6030, 8708.70.6045, and 8708.70.6060.[20] While HTSUS subheadings are provided for convenience and for customs purposes, the written description of the subject merchandise is dispositive.

THE PRODUCT

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.[21] 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.[22] Today's PVLT tires typically range from 13 to 26 inches in rim diameter, and are principally of tubeless steel belted radial ply design.[23] Both the domestic and global tire industries are predominately multinational in structure.

Tire compositions consist of approximately 40 percent rubber (natural and synthetic) by weight, 28 percent carbon black reinforcement, 17 percent reinforcing fabric body ply and

[19] The general rate of duty for the subheadings encompassing the covered statistical reporting numbers is either 3.4 or 4 percent *ad valorem*.

[20] Data collected under HTS subheadings 4011.99.45 and 4011.99.85 are not relied upon in this report because they cover all-terrain and trailer tires which are expressly excluded from the scope. Data collected under HTS subheadings 8708.70.45 and 8708.70.60 are also excluded from this report because these provisions cover road wheels, rims, and hubcaps; although a portion of the shipments imported under them might include subject tires, no separate information is collected for any such tires. The general rate of duty for these subheadings is 2.5 or 3.4 percent *ad valorem.*

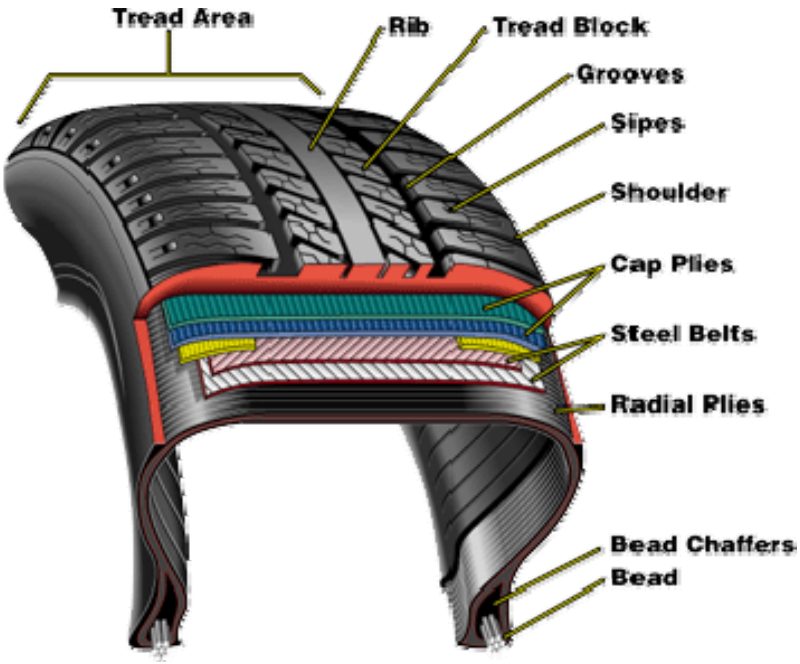
[21] Federal Motor Vehicle Safety Standard No. 139 (49 CFR 571.139).

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

[23] Tire and Rim Association Year Book, 2015.

other additives, and 15 percent steel (belts and bead wire).[24] [25] The construction design features of a tubeless steel belted radial PVLT tire, today's predominant tire design, are shown in figure I-1.

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.[26] Radial tires provide superior strength, handling, ride quality, wear resistance and improved mileage, fuel economy, and resistance to heat buildup. The tire casing is the load bearing component of the radial tire consisting of a rubber innerliner impervious to air migration and 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) that the wheel puts on the tire during mounting as well as the dynamic forces of driving and braking.

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

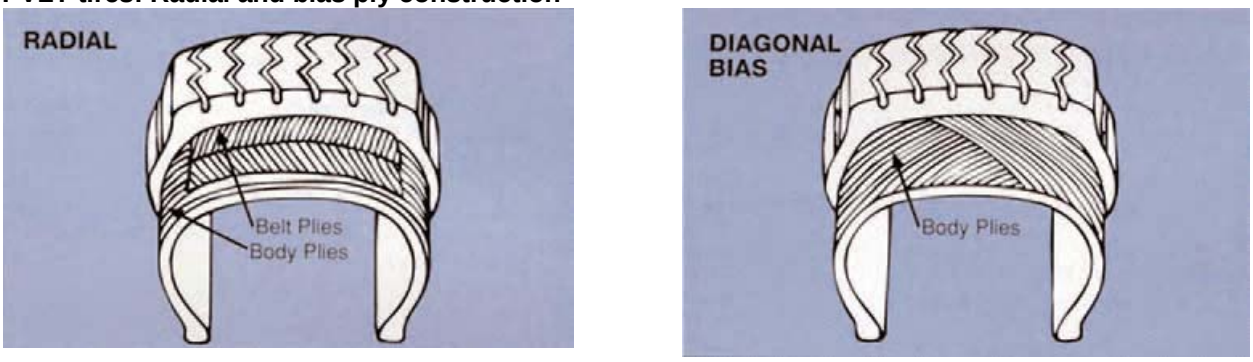
[25] The addition of silica to the tire formulation decreases rolling resistance and wear, and adds to wet traction. Hearing transcript, pp. 140, 255 (Johnson; Lima).

[26] U.S. Tire Industry Facts, Rubber Manufacturers Association, 2006.

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 plies, 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 ply tire's plies 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.[27] 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.[28]

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.[29] 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.

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[27] National Highway Traffic Safety Administration (NHTSA), "The Pneumatic Tire," 2005.

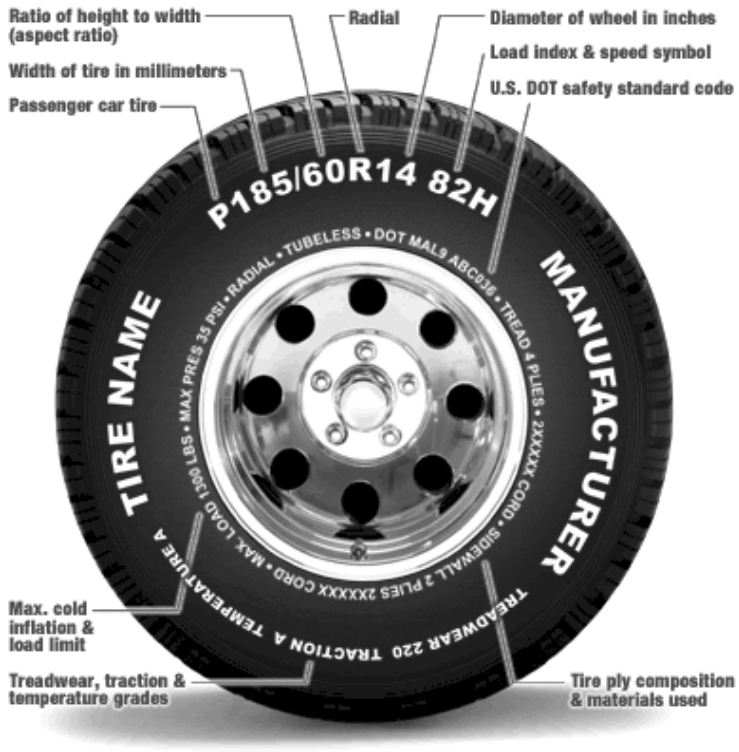
[28] Love, Steve and David Giffels, "Wheels of Fortune, The Radial Invasion," 1999, pp. 143-154.

[29] 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.

A passenger car tire is defined as intended for 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 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.[30] [31] 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 4,190 pounds at 65 pounds per square inch (psi) air pressure.[32]

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.[33]

Figure I-3
PVLT tires: PVLT tire designations



Source: http://www.delnat.com/tire_basics.asp, retrieved June 21, 2014.[34]

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

[31] 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.

[32] Tire and Rim Association Year Book, 2015.

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

[34] Del-Nat, Memphis, TN, was purchased by TBC Corp. in early-2015, http://www.tbcbrands.com/, retrieved May 11, 2015.

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, 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, and the year and date produced.

Other 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.[35] [36] 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 75 (853 pounds per tire @ 35 psi) to an average high of around 112 (2,469 pounds per tire).[37] 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.

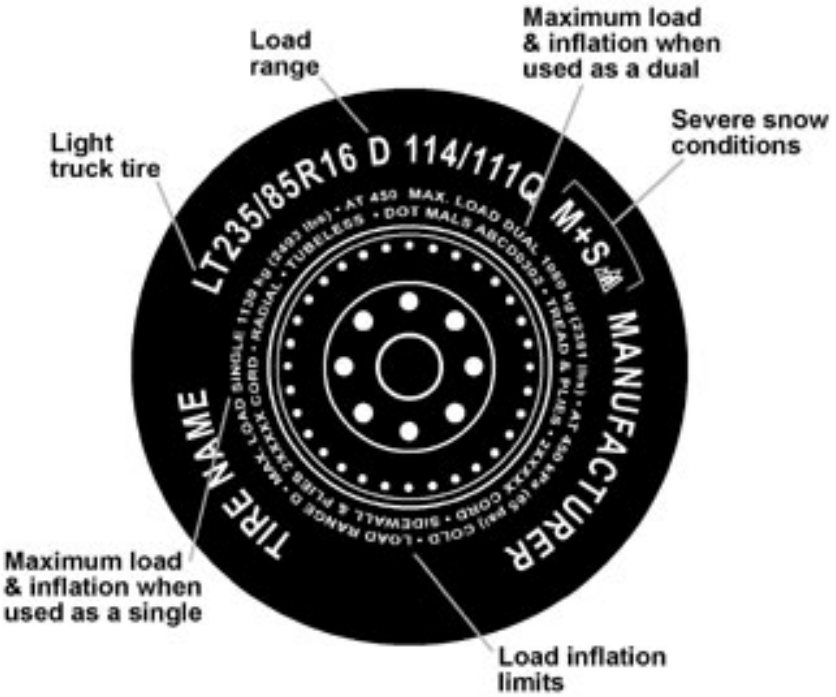
Tires designed for multiple use on PVLT vehicles carry the "P" designation, known as "P-metric," or the "P" may be omitted altogether on "metric" tires having basically the same sidewall designations. In addition to the above PVLT designations shown in Figure I-3, tires specifically marked "LT" for light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

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

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

[37] Tire and Rim Association Year Book, 2015; "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 symbol "LT" designates the tire is for use on light trucks; The "Load Range" symbol is a gauge of the tire's load-carrying capabilities at a given pressure and speed. For example, the above tire as shown has a "load range" of D that is equivalent to a "ply rating" of 8, or a "load index" maximum of 114 (2,600 pounds @ 65 psi) at speed Q (99 mph). Load range designations for light trucks typically run from C (ply rating of 6) to E (ply rating of 10), and load indices from 100 (1,765 pounds) up to around 128 (3,970 pounds). "Maximum Load & Inflation, Dual," indicates the maximum weight bearing capacity of a light truck tire at the stated pressure when the tire is used as a dual, that is, when four tires are installed on each rear axle (a total of six or more tires on the vehicle). The above tire as shown has a dual load index rating of 111 (2,405 pounds).[38]

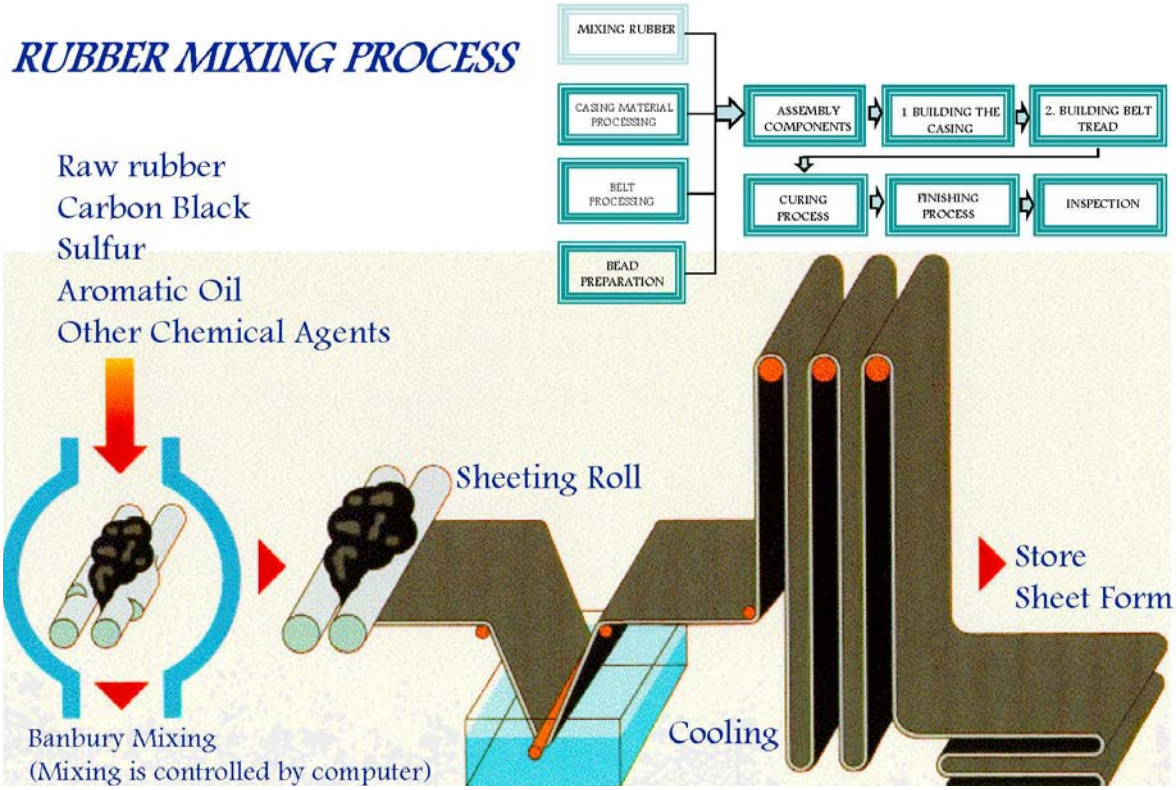
Manufacturing processes

Although the fundamentals of PVLT tire production in U.S. plants have not changed appreciably since the introduction of the tubeless steel belted radial tire 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 textile and steel reinforcement plies and belts and rubberized steel bundles that form the tire's rim bead.

[38] Tire and Rim Association Year Book, 2015; Bridgestone Medium & Light Truck Tire Data Book.

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 mixin, (2) tire component processing, (3) tire component assembly (tire building), (4) tire curing (molding and vulcanization), and (5) finishing and Inspection.[39]

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.

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

[39] "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).

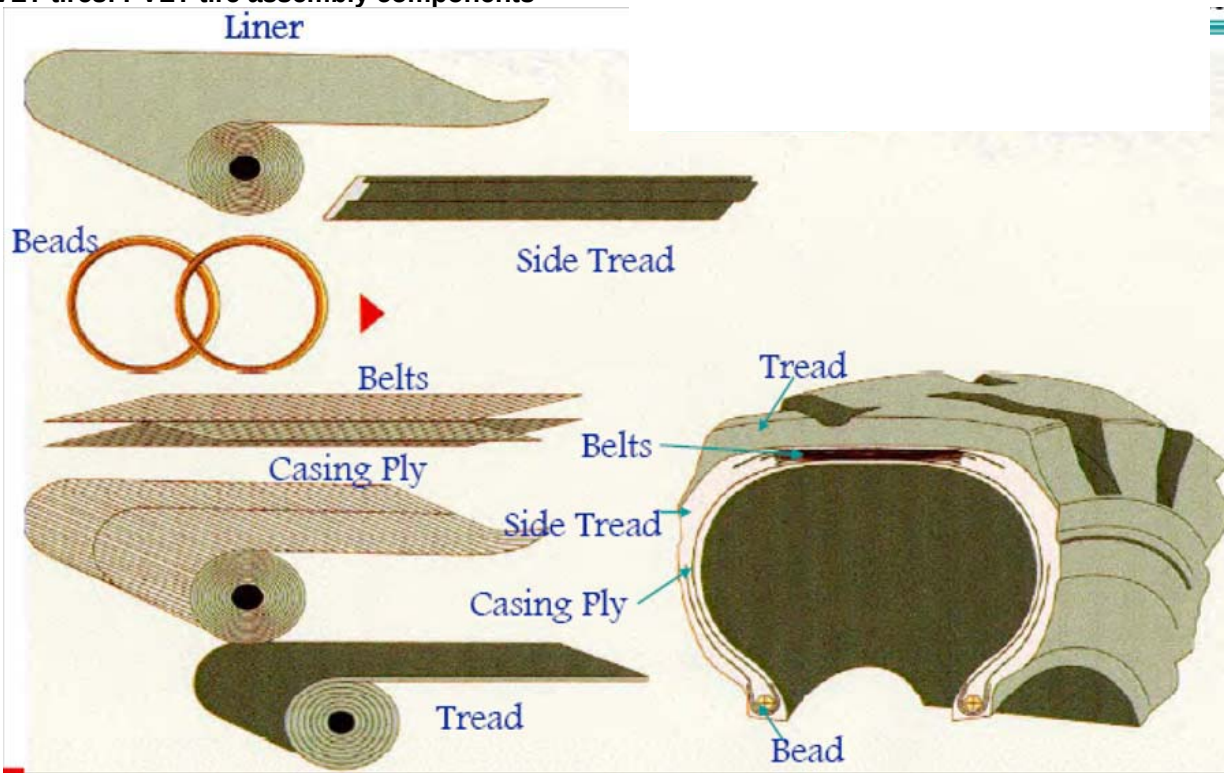
discharge of a given rubber compound batch from the mixer, the mass is cooled, and sulfur curing agents are added. Subsequent Banbury mixing is usually required to complete this step.

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).[40]

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

Figure I-6
PVLT tires: PVLT tire assembly components

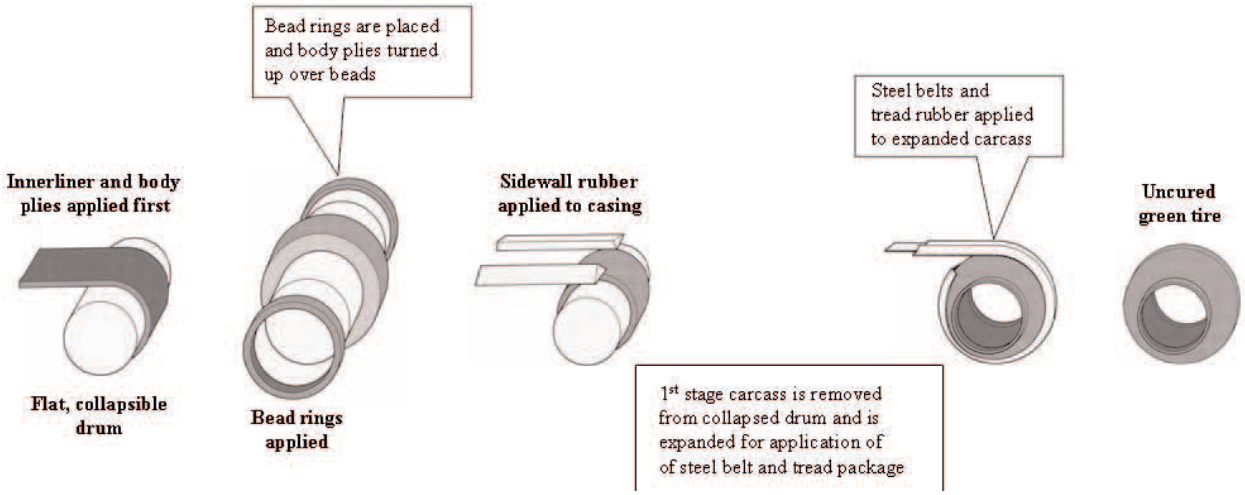


Source: Bridgestone Firestone North America; staff field trip, BFNA, July 19, 2007.

[40] 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, inflatable 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.[41]

Figure I-7
PVLT tires: PVLT tire assembly process



Source: National Highway Traffic Safety Administration (NHTSA), "The Pneumatic Tire," 2005.
Commission staff plant trip, Michelin BFGoodrich, Tuscaloosa, AL, April 21, 2015.

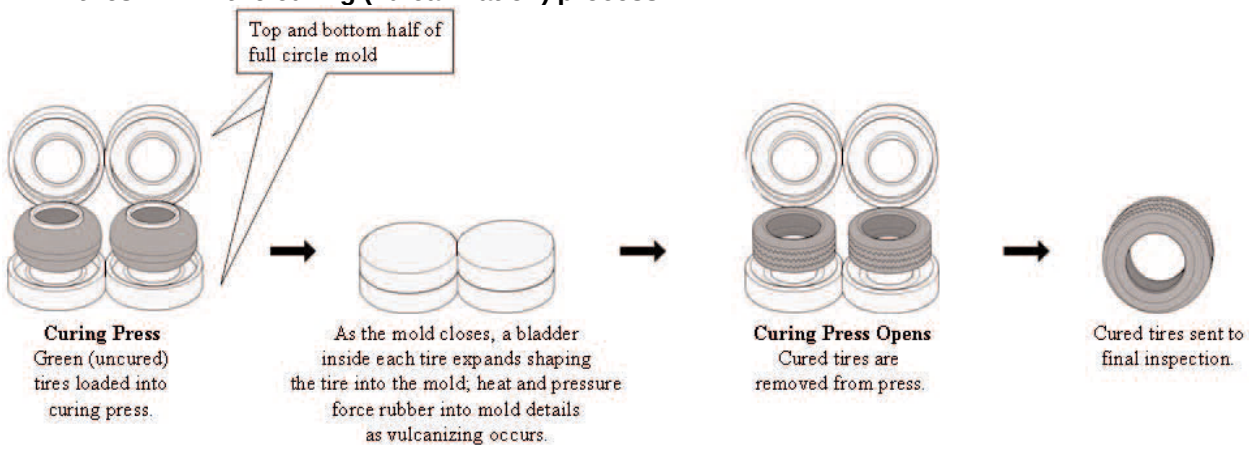
As illustrated in the diagram of Figure I-7, radial ply construction involves placing parallel steel or fabric piles around the drum circumference that run "radially" from bead to bead at right angles to the direction of tire travel. In bias ply tire building, the tire cord reinforcement plies are placed 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

[41] 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.

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.[42]

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



Source: National Highway Traffic Safety Administration (NHTSA), "The Pneumatic Tire," 2005.
Commission staff plant trip, Michelin BFGoodrich, Tuscaloosa, AL, April 21, 2015.

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.[43]

DOMESTIC LIKE PRODUCT ISSUES

In the preliminary phase of these investigations, the Commission defined a single domestic like product coextensive with the scope, consisting of PVLT tires.[44] The petitioner

[42] Commission staff plant trip, Michelin BFGoodrich, Tuscaloosa, AL, April 21, 2015.
[43] Staff field trip, BFNA, July 19, 2007.
[44] "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." *Certain Passenger Vehicle and Light Truck Tires From China, Inv. Nos. 701-TA-522 and 731-TA-1258 (Preliminary),* USITC Pub. 4482 (August 2014), p.12.

advocates this definition based on the Commission's six factors for defining the domestic like product. [45] Respondents do not challenge the like product definition.[46]

DOMESTIC INDUSTRY

In the preliminary phase of these investigations, the Commission determined that the domestic industry consisted of all U.S. producers of PVLT tires.[47] The petitioner has not argued for exclusion of any firm from the domestic industry.[48] Chinese respondents support the Commission's definition and argue that *** should not be excluded from the domestic industry because their imports of PVLT tire from China have fallen below their U.S. production in terms of quantity and value in 2014.[49]

[45] Petitioner's prehearing brief, p. 7.

[46] Chinese respondents' prehearing brief, p. 16.

[47] Chairman Broadbent and Commissioners Johanson and Kieff defined 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 ***. *Inv. Nos. 701-TA-522 and 731-TA-1258 (Preliminary): Certain Passenger Vehicle and Light Truck Tires From China-- Consolidated Staff Report and Views,* August 22, 2014, pp. 21-22.

[48] Petitioner's prehearing brief, pp. 6-9.

[49] Chinese respondents' prehearing brief, pp. 17-18; ITG Voma's prehearing brief, pp. 7-8.

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. Approximately 79 percent of U.S. shipments of PVLT tires, by quantity, from all sources were sold to the replacement market, with the remainder going to the OEM market in 2014. The demand for PVLT tires in the OEM market is derived from 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. PVLT tires are shipped and marketed by both U.S. producers and importers throughout the United States. All PVLT tires sold in the U.S. market must meet the National Highway Traffic Safety Administration ("NHTSA") standards and be marked in accordance with NHTSA and United States Department of Transportation ("DOT") requirements.[1] Apparent U.S. consumption of PVLT tires increased by 9.7 percent, based on quantity, during 2012–14.

U.S. PURCHASERS

The Commission received 49 usable questionnaire responses from firms that bought PVLT tires during 2012-14.[2] Thirty-six responding purchasers are distributors,[3] ten are retailers, five are end users in the replacement market, three are U.S. producers, two are wholesalers, and two are OEM manufacturers. Forty-three firms provided useable purchase data and these firms collectively reported PVLT tire purchases totaling $12.7 billion (138.4 million tires) equivalent to 46.0 percent of apparent U.S. consumption, by quantity, in 2014.[4] [5]

Purchasers primarily purchased PVLT tires for the replacement market. PVLT tires used in the replacement market accounted for 82.0 percent of U.S. purchasers' reported 2014 purchases, by quantity, with the remaining 18.0 percent going to the OEM market. Thirty-nine firms reported purchases of PVLT tires for use in the replacement market and four purchasers reported purchases of PVLT tires for OEM use.[6] As seen in table II-1, for the replacement

[1] 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.

[2] Of the 44 responding purchasers, 42 purchased the domestically produced PVLT tires, 37 purchased imports of PVLT tires from China, and 32 purchased imports of PVLT tires from other sources.

[3] Four of these 36 distributors (***) reported that their purchases of PVLT tires were used in the OEM market.

[4] *** did not provide useable purchase data.

[5] *** provided purchase data of tires used ***. However, according to its website, "***." These tires are specifically excluded from the scope of these investigations and therefore, its purchases have not been included in the purchase data.

[6] The four OEM purchasers included: ***. *** reported that approximately three-quarters of its purchases were used in OEM, and the remaining quarter of its purchases were used in the replacement

(*continued*...)

market, approximately one-half of purchasers' PVLT tire purchases were manufactured in the United States, one-quarter were imported from China and the remaining one-quarter were from all other sources. Approximately *** percent of purchasers' PVLT tires for OEMs were domestically produced, *** percent were imported from China, and the remaining *** percent were from all other sources.

Table II-1
PVLT tires: Share of U.S. purchases by market use, and country source, 2012-14

Item	Calendar year		
	2012	2013	2014
	Share of quantity (percent)		
U.S. purchases for the replacement market			
United States	37.9	50.9	49.1
China	11.8	23.3	25.0
All other sources	50.3	25.7	25.9
Total	100.0	100.0	100.0
U.S. purchases for OEMs			
United States	***	***	***
China	***	***	***
All other sources	***	***	***
Total	100.0	100.0	100.0

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

As shown in table II-2, the largest purchasers of PVLT tires are ***. *** purchased PVLT tires produced in the United States, China, and nonsubject countries during 2012-14; *** purchased PVLT tires produced in the United States and China; and *** purchased PVLT tires produced in the United States and nonsubject countries.

Table II-2
PVLT tires: Largest purchasers of PVLT tires

* * * * * * *

(…*continued*)
market. The remaining three purchasers reported that 100 percent of their purchases were used by OEMs.

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, almost all U.S. imports of PVLT tires from China went to the replacement market (98–99 percent), while U.S. producers' shipments to the replacement market ranged between 72–74 percent (table II-3). Shipments to OEMs from U.S. producers *** were typically about a quarter of their total shipments, with the share of importers' shipments from China to OEMs ranging from 1 to 2 percent.[8] [9]

[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

[8] Seven of 37 responding importers reported shipping small volumes of Chinese imports to OEMs during 2012-14. These importers included: ***. Nine of 37 responding importers reported shipments of imports from all other sources to OEMs during 2012-14. These importers included: ***.

[9] Some OEMs may purchase almost exclusively from domestic sources. OEM purchasers *** reported that they did not source tires from China during 2012-14; and OEM purchaser *** reported that less than five percent of its purchases were imported from China during 2012-14. *** stated that performance characteristics are valued more highly in the OEM segment and that Chinese manufacturers are currently unable to meet those performance requirements. Submission from ***, June 27, 2014.

Table II-3
PVLT tires: U.S. producers' and importers' channels of distribution, 2012-14

Item	Calendar year		
	2012	2013	2014
	Quantity (1,000 tires)		
U.S. producers' U.S. shipments to:			
OEMs	30,045	30,424	30,839
Replacement market	85,226	79,946	80,965
Total	115,271	110,370	111,804
U.S. importers' U.S. shipments of imports from China to:			
OEMs	520	754	547
Replacement market	23,295	37,491	40,240
Total	23,815	38,245	40,787
U.S. importers' U.S. shipments of imports from all other sources to:			
OEMs	***	***	***
Replacement market	***	***	***
Total	***	***	***
	Share of quantity (percent)		
U.S. producers' U.S. shipments to:			
OEMs	26.1	27.6	27.6
Replacement market	73.9	72.4	72.4
U.S. importers' U.S. shipments of imports from China to:			
OEMs	2.2	2.0	1.4
Replacement market	97.8	98.0	98.6
U.S. importers' U.S. shipments of imports from all other sources to:			
OEMs	***	***	***
Replacement market	***	***	***

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

Share of PVLT tires in the U.S. OEM market

Approximately 21.3 percent of U.S. shipments of PVLT tires, by quantity, from all sources were sold to OEMs in 2014. As shown in figure II-1, U.S.-produced PVLT tires accounted for *** percent of total U.S. shipments to OEMs in 2014, PVLT tires imported from China accounted for *** percent, and PVLT tires imported from all other sources accounted for *** percent. U.S. producers' shipments to OEMs increased by 2.6 percent during 2012-14 from 30.0 million tires in 2012 to 30.8 million tires in 2014. U.S. importers' shipments of imports of PVLT tires from China to OEMs increased by 5.2 percent from 520,000 tires in 2012 to 547,000 tires in 2014. U.S. importers' shipments of imports of PVLT tires from nonsubject sources to OEMs fell by *** percent from *** tires in 2012 to *** tires in 2014. Data collected from questionnaire responses reflect a 1.8 percent decrease in U.S. shipments of PVLT tires sold to OEMs during 2012-14. However, according to an industry publication, OEM passenger tire

shipments increased by 13.6 percent and OEM light truck shipments increased by 14.3 percent during 2012-14.[10]

Figure II-1
PVLT tires: U.S. shipments to OEMs, by source, 2012-14

* * * * * * *

Share of PVLT tires in the U.S. replacement market

The majority of PVLT tires are sold to the replacement market. The replacement market increased by 9.1 percent, by quantity, during 2012-14, with U.S. importers' shipments of Chinese PVLT tires accounting for the largest share of the growth.[11] As seen in figure II-2, U.S. producers' shipments to the replacement market fell by 5.0 percent from 85.2 million in 2012 to 81.0 million in 2014 and accounted for *** percent of the U.S. shipments to the replacement market in 2014. PVLT tires imported from China accounted for *** percent of the total U.S. shipments to the replacement market in 2014. U.S. importers' shipments of imports of PVLT tires from China to OEMs increased by 72.7 percent from 23.3 million tires in 2012 to 40.2 million tires in 2014. U.S. importers' shipments of PVLT tires from nonsubject sources accounted for *** percent of U.S. shipments to the replacement market in 2014; their shipments increased by ***percent from *** tires in 2012 to *** tires in 2014.

Figure II-2
PVLT tires: U.S. shipments to replacement market, by source, 2012-14

* * * * * * *

Interchangeability of OEM tires and replacement market tires

The majority of firms (7 of 8 responding U.S. producers, 25 of 34 responding importers, and 26 of 46 responding purchasers) indicated that PVLT tires sold in the OEM market and those sold in the replacement market were "sometimes" interchangeable. Most firms stated the OEM tires are subject to precise performance and technical specifications.[12] In addition,

[10] http://www.moderntiredealer.com/news/story/2014/02/rma-tire-shipments-close-in-on-300-million.aspx press release for the RMA Factbook; "Fact Issue 2015," Modern Tire Dealer, January 2015. http://www.moderntiredealer.com/files/stats/mtd-facts-issue-2015.pdf.

[11] According to industry publications, shipments of passenger vehicle tires to the U.S. replacement market increased 7.6 percent during 2012-14. http://www.moderntiredealer.com/news/story/2014/02/rma-tire-shipments-close-in-on-300-million.aspx press release for the RMA Factbook; "Fact Issue 2015," Modern Tire Dealer, January 2015. http://www.moderntiredealer.com/files/stats/mtd-facts-issue-2015.pdf.

[12] Purchaser Ford stated that tires made to OEM standards are customized to a specific vehicle model in order to optimize noise performance and handling characteristics which are very important factors for a vehicle manufacturer and their customers' satisfaction. Submission from Hogan Lovells on behalf of Ford Company, June 16, 2015, p. 4.

firms reported that an OEM tire will always meet the necessary requirements to be an aftermarket tire, but not all aftermarket tires will meet the necessary requirements to be an OEM tire. Importer *** reported that sales of tires in the OEM market are arranged directly between the automobile manufacturers and the tire manufacturers. Purchaser *** stated that OEM tires are designed for use on a specific vehicle and may sacrifice mileage capabilities for ride comfort. Purchaser *** also stated that overall most OEM tires do not come with a mileage warranty whereas most replacement tires do. [13] Purchaser Ford reported that OEM vehicle manufacturers provide a warranty for the entire vehicle to the customer, which covers all of the parts, including tires, which were originally installed on the vehicle. It stated that tire manufacturers sell tires to OEMs without an express warranty but that quality and defect issues are arranged between the tire supplier and OEM on a private, commercial basis. Ford noted that conventional consumer product warranties are not applicable to OEM supplied parts, including tires.[14]

MARKET DISTINCTIONS

Respondents alleged that the U.S. replacement tires market is segmented into at least four tiers, based on price, brand and quality.[15] Respondents argued that U.S.-produced tires primarily compete in tiers 1-2 and PVLT tires imported from China compete nearly exclusively in tiers 3-4, with most Chinese tires falling in tier 4.[16] Respondents further contend 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. They argued that both branded tires and private label tires manufactured in China and exported to the United States do not include well-known national brands associated with tires in Tiers 1-3. They argue that U.S. producers do not compete at the very bottom of the market and U.S. producers' offerings in the value segment (tier 3) have become less important.[17] Respondents argued that Bridgestone, Continental, Goodyear, and Michelin all have multiple brands which are sold at different price points and targeted at different end users which illustrate the limited price transmission, product differentiation, and attenuated competition.[18]

However, the petitioner argued that "the entire concept of different brand "tiers" reflects a good/better/best marketing strategy on the part of tire dealers, not a strict

[13] However, both petitioner and respondents stated that they believed all OEM tires have warranties. Hearing transcript, pp. 158, 228, and 250 (Johnson, Mangola, and Lima).

[14] Submission from Hogan Lovells on behalf of Ford Company, June 16, 2015, p. 7

[15] ITG Voma's prehearing brief, p. 13.

[16] ITG Voma's prehearing brief, pp. 3-4.

[17] ITG Voma's posthearing brief, pp. 45-46. Respondents alleged that the domestic industry has shifted its production to predominantly high-value and premium tires in the United States. ITG Voma's posthearing brief, pp. 41-42. Furthermore, they contend that PVLT tires imported from China serve the economy and value segments of the market; for example, tires in Tiers 4-5 are purchased by consumers who own older vehicles and are particularly price sensitive. Chinese respondent's posthearing brief, pp. 42, 61-62.

[18] Chinese respondent's posthearing brief, pp. 37-38, 84.

categorization of different brands based on objective criteria."[19] [20] Petitioner argued that the domestic industry and imports from China compete head-to-head across the market and stated that imports of PVLT tires from China have "gained market share entirely at the expense of U.S. producers."[21] Petitioner alleged that price transmission effects occur between the tiers. It argues that if the price gap between top tier tires and competing lower tiers tires grows too large, few customers will be "sold up" from a lower brand.[22] It stated that Chinese producers and tire dealers promote Chinese brands by listing the features that these lower tier tires have in common with higher tier brands and promote the value they provide compared to tier one and tier two brands.[23]

U.S. producers, importers, and purchasers were asked if the U.S. PVLT tires market was divided into categories (e.g., Best/Better/Good; Tier 1/Tier 2/Tier 3; Flagship/Secondary/Mass-market). The majority of responding U.S. producers (5 of 7), and some importers (8 of 35) and purchasers (11 of 45) reported that the PVLT tires market is not divided into categories. These firms reported that retailers and dealers may categorize products; however, these categorizations are subjective with no set industry definitions.[24]

However, two U.S. producers and most importers (27 of 35) and purchasers (34 of 45) reported that the U.S. PVLT tires market is divided into categories.[25] Two U.S. producers, 28 importers, and 32 purchasers identified the number of categories that divides the U.S. PVLT tires market, described the main distinguishing characteristics of each category and identified the producers and brands that belong in each category. The number of distinct categories in the PVLT tires market reported by firms ranged from three to five. Two U.S. producers, 7 of 25 responding importers, and 11 of 32 purchasers identified three distinct categories; 17 importers and 13 purchasers identified four distinct categories; and 4 importers and 7 purchasers identified five distinct categories.

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[19] Petitioner's posthearing brief, exhibit 3, pp. 3-4.

[20] In the preliminary phase of these investigations, 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." Petitioner's postconference brief, p. 14.

[21] Petitioner's postconference brief, p. 27; petitioner's posthearing brief, questions from Broadbent, exhibit 3, pp. 3-4.

[22] Petitioner's posthearing brief, Commission and Staff Question, exhibit 1, pp. 1-2.

[23] Ibid.

[24] U.S. producer *** stated that "While many industry sources refer to market 'tiering', there is no clear agreed upon definition on how the categories are divided. Primary considerations are typically product price level and product performance." U.S. producer *** stated that "Companies within the U.S. tire market may produce a variety of tires to meet market needs for various vehicle types and end uses. The same company may possess the technology, manufacturing capability and marketing skills to design, produce and sell tires that are considered ultra-high performance or high performance for one market while also producing opening price point (OPP) tires for other markets. Today's U.S. tire companies can and do produce tires up and down the continuum. This applies to both house brand and private label tires."

[25] Firms' responses to the number of distinct categories, main distinguishing characteristics of each tier, and their estimate of market share are presented in appendix D.

Most firms identified brand, quality, and price as the primary bases for differentiation. Most responding firms agree on the specific producers and brands in category 1, but there is less agreement as to what is included in categories 2-5.[26] For category 1, firms listed the following main distinguishing characteristics: higher price, better/premium quality, strong and sophisticated marketing and retail programs,[27] brand recognition, mileage warranty, major OE manufacturers, and high level of technology. Bridgestone, Continental, Goodyear, Michelin, and Pirelli were the most frequently identified producers/brands for category 1.[28] [29]

For category 2, firms most frequently identified moderate brand recognition as the main distinguishing characteristic. In addition, firms identified high quality, mid-level prices, moderate advertising support, strong warranties, and full product ranges. The most frequently identified producers/brands in category 2 were BF Goodrich, Continental, Cooper, Dunlop, Firestone, General Tire, Hankook, Kumho, Pirelli, Sumitomo, Toyo, and Yokohama.[30]

The most frequently identified characteristic of PVLT tires that belonged in category 3 was lower price/price driven. Additionally, firms identified no OE fitments, little-to-no brand recognition, limited distribution support, imported brand, and low-to-moderate mileage warranties. The most frequently identified producers/brands in category 3 were Cooper, Cordovan, Falken, Fuzion, General, GT Radial, Hankook, Kelly, Kumho, Mastercraft, Nexen, Sumitomo, and Uniroyal.[31]

For category 4, firms most frequently identified lower price as the main distinguishing characteristic. In addition, firms identified private labels, little-to-no marketing, "entry-level" tire, container direct distribution, and no OE fitments on any vehicles. Firms identified numerous producers/brands in category 4 including Atturo, Dynatrac, Falken, Goodride, GT Radial, Hi-Fly, Kelly, Linglong, Nexen, Primewell, Sailun, Sigma, Starfire, and Westlake. Four importers and seven purchasers identified characteristics of PVLT tires that belong in category 5 which included lower price and no brand recognition. Firms identified Auto Guard, Capitol, Delente, Goodride, Iron Man, Lavignator, Prometer, and Regul as producers/brands of category 5 tires.

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[26] Some firms reported that some producers (particularly Bridgestone, Goodyear, and Michelin) fall in all three categories. *** and five purchasers (***) listed the same producers for each category that they identified.

[27] Several U.S. domestic producers and major distributors provide incentives to dealers who sell certain brands of PVLT tires. Respondents argued that these "dealer" or "incentive" programs exemplify the tier structure's efficacy in the replacement market. ***. ***. ***.

[28] For category 1, the vast majority of firms identified the same names for both the producers and brands.

[29] Firms also identified BF Goodrich, Cooper, Dunlop, Firestone, Fuzion, General, Kelly, Sumitomo, Toyo, Uniroyal, and Yokohama as producers/brands that belonged in category 1.

[30] In addition, firms identified Falken, Giti, Goodyear, Kelly, Mastercraft, Maxxis, Nexen, Nito, and Uniroyal as producers/brands that belonged in category 2.

[31] In addition, firms identified Aelous, API, Bridgestone, Delinte, Delta, Dunlop, Firestone, Giti, Goodride, Goodyear, Hercules, Kendra, Linglong, Maxxis, Mulit-Mile, Nitto, Nokian, Primewell, Prometer, Riken, Sailun, TBC, Toyo, Yokohama, and Yongsheng as producers/brands that belonged in category 3.

Firms' perspective on the size of each category in the U.S. market varied widely. Two U.S. producers, 20 importers, and 18 purchasers estimated the share of the total U.S. market for PVLT tires by category. As shown in table II-4, firms reported a wide range of estimated market shares for each category.[32]

Table II-4

PVLT tires: Firms' estimates of the share of total U.S. PVLT tires market by category

Item[1]	U.S. producers		Importers		Purchasers	
	Reported ranges	Average	Reported ranges	Average	Reported ranges	Average
Category 1	21	21	21-65	37	15-57	31
Category 2	24-50	37	15-50	32	15-45	29
Category 3	29-56	42.5	5-56	20	5-40	23
Category 4	--	--	5-30	16	7-35	19
Category 5	--	--	15	15	10-23	16

[1] Two U.S. producers, 20 responding importers, and 18 responding purchasers reported market share estimates for categories 1-3. No U.S. producer, 14 of 20 responding importers, and 14 of 18 responding purchasers reported market share estimates for category 4. No U.S. producer, one of 20 responding importers, and three of 18 responding purchasers reported market share estimates for category 5.

Note.--As discussed in the text, responding firms did not agree on which producers and brands are in categories 2-5.

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

Sixteen of 35 responding purchasers reported that their purchases of PVLT tires have shifted between categories since January 1, 2012. Six purchasers stated that their purchases have shifted towards the bottom categories due to a greater demand for lower priced tires. However, four purchasers stated that their purchases have shifted towards "tier 1" and "tier 2" products. One purchaser (***) stated that it has shifted its purchases between manufacturers because of the marketing programs, but not between categories.

GEOGRAPHIC DISTRIBUTION

U.S. producers and importers alike reported selling PVLT tires throughout the contiguous United States (table II-5). The majority of U.S. producers and importers reported sales in all continental regions.

[32] According to Chinese respondents, 70 percent of the U.S. market is in Tiers 1-2, 10-12 percent fall in Tier 3, and 18-20 percent is in Tier 4. Chinese respondents argues that when tires exported by *** in 2014 consisted of branded and private label tires that fall in Tier 4. Hearing transcript, p. 304 (Mangola). Chinese respondent's posthearing brief, pp. 57-58.

Table II-5

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	9	32
Midwest	9	33
Southeast	9	34
Central Southwest	9	32
Mountain	9	31
Pacific Coast	9	33
Other[1]	7	20
All regions (except other)	9	31

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

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 slightly from 91.2 percent in 2012 to 91.1 percent in 2014 (see *Part III* for additional information on domestic capacity). Some tire producers are reportedly considering expanding existing facilities or building new production capacity.[33] The 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.

[33] 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. Conference transcript, 60–62.

Alternative markets

U.S. producers' export shipments, as a percentage of total shipments, increased from 14.0 percent in 2012 to 15.5 percent in 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

Inventories, relative to U.S. producers' total shipments, decreased slightly from 13.0 percent in 2012 to 11.4 percent in 2014. 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, subject to certain constraints. ***, stated that it had limited capability to produce other products because of size constraints on its tire-building equipment. *** 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.

Supply constraints

Four of nine U.S. producers reported that their firms were unable to supply PVLT tires at some point since 2012. Two of four U.S. producers reported that these supply constraints occurred during 2012. *** reported that in 2012 it "experienced shortages due to the rapid recovery of the OE market. Those shortages have been subsequently eliminated in 2013 and 2014 as a result of tire production capacity expansion." *** reported that at times, its supply of high value-added tires has been constrained. *** reported that for a few select tire sizes, periodically it experiences backorders and has to prioritize shipments to customers. *** reported a brief supply constraint *** in 2012.

More than half (27 of 47) of responding purchasers reported that their supplier has refused, declined, or been unable to supply them with PVLT tires at some point since 2012. Four purchasers reported that U.S. suppliers experienced supply constraints during 2012-14. Purchaser *** stated that Goodyear had "limited production and delivery capabilities" during 2012-14. Purchaser *** stated that Michelin declined its company as a customer. Purchaser *** stated that a domestic supplier was unable to increase production to meet its needs for a specific tier of tire. Purchaser *** reported that Cooper and Toyo refused to see to its company because they sell to others in the same area.

However, many purchasers indicated that either all tire manufacturers, regardless of country, were subject to supply constraints or did not identify the source of the supply constraint. For example, purchaser *** stated "Wide fluctuations are inherent in the tire industry. Forecasting demand is difficult. Failing to provide on-time shipment or failing to

provide proper order fulfillment plagues the industry overall and is especially felt by regional retailers. The threat of tariffs in the marketplace has curtailed some suppliers as they were unable to price their products properly, whether imported or domestically supplied. Slow-downs in the ports have also contributed to supply constraints." Purchaser *** stated that the large number of tires sizes and SKUs has resulted in temporary supply shortages at all manufacturers and suppliers.

Subject imports from China[34]

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 producers' capacity to produce PVLT tires increased by *** percent between 2012 and 2014 and is anticipated to increase in both 2015 and 2016. Chinese capacity utilization increased from *** percent in 2012 to *** percent in 2014. These data suggest that Chinese producers have available capacity to respond to changes in demand.

Alternative markets

Chinese producers have the ability to divert shipments of PVLT tires to or from alternative markets in response to changes in the price of PVLT tires. Chinese producers' shipments to the home market as a share of their total shipments remained relatively flat at *** percent during 2012-14. Chinese producers' shipments to third-country markets declined slightly from *** percent of total shipments in 2012 to *** percent of total shipments in 2014. 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 *** tires in 2012 to approximately *** tires in 2014; these inventories were equivalent to between *** and *** percent of total Chinese shipments of PVLT tires. These inventories give Chinese producers some ability to respond quickly to changes in demand.

[34] The Commission received 48 usable questionnaire responses from Chinese producers/exporters of PVLT tires. Their exports to the United States were equivalent to *** percent of official U.S. import statistics quantities of PVLT tires from China in 2014 and accounted for *** percent of China Rubber Industry Association's estimates of 2014 production of PVLT tires in China.

Supply constraints

Seventeen of 33 responding importers reported that their firms were unable to supply PVLT tires at some point during the period of investigation. Four importers reported general capacity constraints. Importer *** reported that it experiences backorders and has to prioritize shipments to customers on a few select tire sizes. Importer *** also reported limited capacity for certain tire sizes and stated that it has placed customers on allocation. Importer *** stated that it has been unable to supply its private label tires "due to the limited number of manufacturers that are capable of building a higher quality product that offers the additional features and benefits of our private label program, while maintaining competitive pricing models." One importer reported that is has suspended most imports of PVLT tires from China with the exceptions of a few key sizes during the ongoing AD/CVD investigations. One importer reported that it has declined to accept new customers for PVLT tires from China while the duties are in place.

Nonsubject imports

The largest sources of nonsubject imports during 2012–14 were Canada, Indonesia, Japan, Korea, Mexico, and Thailand. Combined, these countries accounted for 70.5 percent of nonsubject imports, by quantity, in 2014.

New suppliers

Ten of 45 responding purchasers indicated that new suppliers have entered the U.S. market since January 1, 2012. Purchasers cited Aeolus, Best Choice, Double Coin Holdings, Jupiter, ITA Tire, Nexen, Tire Champ Group, Tyre Champs, and Shanxi-Yongcheng. Several other purchasers (***) stated that there are many new Chinese manufacturers but did not list them by name.

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.

End uses and cost share

U.S. producers, importers, and purchasers 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.[35] 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

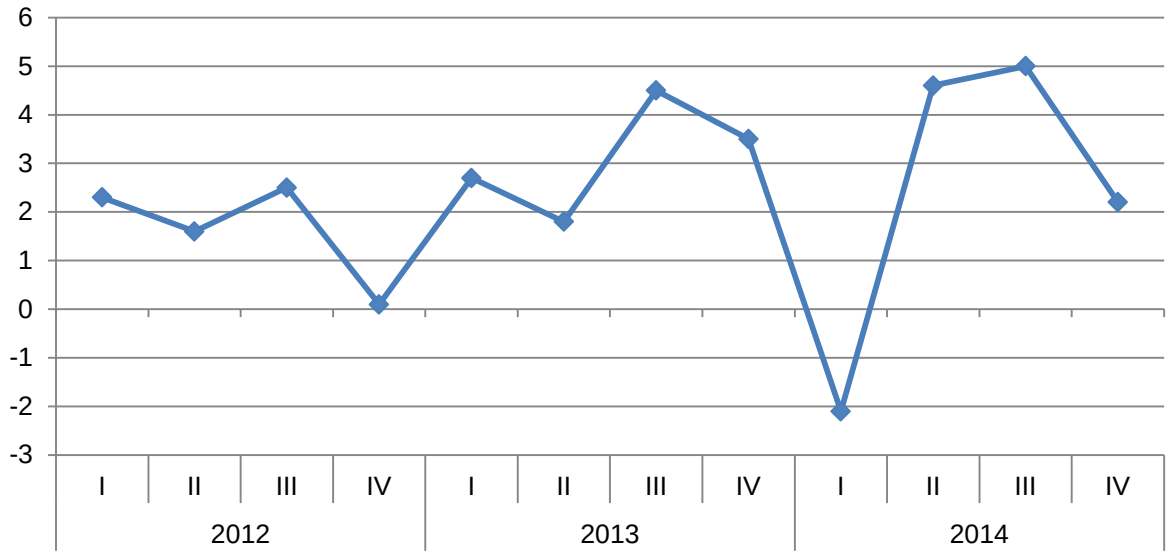
[35] Trailer tires are excluded from the scope of these investigations.

vehicles on which they are used. Most firms reported cost shares ranging from 1-2 percent, 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 2009 investigation.[36] [37] The low cost share of PVLT tires in the total cost of passenger vehicles and light trucks essentially ensures that consumers will choose to replace their tires rather than replace their vehicle.[38]

Demand characteristics

Based on questionnaire responses from U.S. producers, importers, and purchasers, U.S. demand for PVLT tires is affected by changes in overall U.S. economic activity. The aggregate U.S. economy, as measured by percentage changes in the gross domestic product, grew from 2012 to the last quarter in 2013, declined in the first quarter of 2014, but increased through the remaining three quarters (figure II-3). Firms reported that the rebounding economy has attributed to an increase demand for PVLT tires.

Figure II-3
Percent changes in real gross domestic product (GDP) growth, by quarter, January-March 2012-October-December 2014



Source: Bureau of Economic Analysis, U.S. Department of Commerce.

[36] Several U.S. producers, importers and purchasers reported a cost share of 100 percent for a replacement tire.

[37] *Certain Passenger Vehicle and Light Truck Tires from China*, Inv. No. TA-421-7, USITC Publication 4085, July 2009, V-11.

[38] For vehicle components which make up a larger share of the final cost of their vehicle (such as an engine), consumers will often chose to replace their vehicles rather than replace or repair the component. *Certain Passenger Vehicle and Light Truck Tires from China*, Inv. No. TA-421-7, USITC Publication 4085, July 2009, V-26.

Business cycles and distinct conditions of competition

Three of seven responding U.S. producers, 15 of 29 responding importers and 19 of 40 responding purchasers indicated that the U.S. market for PVLT tires was subject to business cycles. All three U.S. producers and most importers and purchasers reported seasonal fluctuations.[39] *** stated that demand for PVLT tires increases in the second half of the year and several firms noted that demand for winter tires increases in winter months.

Two of six responding U.S. producers, 15 of 29 responding importers, and 9 of 30 responding purchasers indicated that the market was subject to distinct conditions of competition. One U.S. producer (***) reported that the expiration of safeguard duties in 2012 led to increased imports from China and lower prices for competing products. Two importers (***) reported that because of the economy and consumers' lower purchasing power, more consumers are looking for lower-cost replacement tires. Importer *** reported that there have been steep declines in all PVLT tire raw material input prices. Importer *** reported that the U.S. market at both the retail and manufacturer level is being impacted by the increase of low-cost tires from China. Two purchasers stated that manufacturers offer incentives and consumer rebates at various times of the year. Purchaser *** stated that there is competition with "mega distributors" which control all major brands and the independent dealers that sell private brands. Another purchaser *** stated that there is stiff aftermarket competition among the retailers and the OEM dealers. Purchaser *** stated that manufacturers have more points of distribution which, therefore, increases the competition.

Three of four responding U.S. producers, 17 of 23 responding importers, and 10 of 28 responding purchasers indicated that there have been changes to the business cycle and conditions of competition since 2012. Two U.S. producers reported an increase in imports during the last two years. One importer stated that price competition with Chinese manufacturers, which it believes are heavily subsidized, has increased. One importer and two purchasers reported that after the expiration of safeguard duties in 2012, pricing in the U.S. market rapidly began to decline. Two U.S. producers and one purchaser reported that there was less seasonal demand with two firms noting that the last couple of winters have been less severe which in turn softened demand. Importer *** reported that low-end U.S. consumers who previously purchased used tires have been switching to new "entry-level" tires imported from China and Indonesia due to consumers' greater awareness of safety issues with used tires and the reduction in prices for new "entry level" tires. One importer also reported an increased demand for high quality "budget-minded" products. Purchaser *** stated that sales in the retail market have expanded and the consumer has more options of where to purchase its tires including new car dealerships, expanded online suppliers, and big box retail stores.

[39] Purchaser *** stated that "in our trade area, business ramps up steadily during the first three quarters of the calendar year and finishes with a very robust fourth quarter." Two purchasers (***) stated that demand increases in summer for most categories of tires due to more travel and car care, however, demand for winter tires increases during the winter in select markets.

Demand trends

Shipments of passenger vehicle tires and light truck tires to both the replacement and OEM markets increased from 2012 to 2014 according to an industry publication. Shipments of passenger vehicle tires to the U.S. replacement market increased by 7.6 percent during 2012-14 to 206.6 million tires in 2014. Shipments of light truck tires increased to 28.8 million tires in 2014, a 1.8 percent increase over the 2012 level.[40] Original equipment shipments also rose in 2014 compared to 2012, with passenger tire shipments up 13.6 percent to 46.0 million tires and light truck tire shipments up 14.3 percent to 4.2 million tires.[41]

The vast majority of firms reported that U.S. demand for PVLT tires had increased since January 1, 2012 (table II-6). Firms attributed the increase in demand for tires to a rebounding economy, an increase in the number of miles driven as gas prices have declined, and an increase in vehicle sales. Purchaser *** stated that the replacement market has grown by 2.8 percent year-on-year during 2012-14 due to improved economic conditions and an increase in miles driven. Purchaser *** stated that there has been an increase in overall vehicle production which has led to an increase in the number of tires being sold to OEMs. Importer *** stated that the average vehicle age has increased to 11 years, which has resulted in an increase in the demand for replacement tires.

Table II-6

PVLT tires: Firms' responses regarding U.S. demand and demand outside the United States

Item	Number of firms reporting			
	Increase	No change	Decrease	Fluctuate
Demand inside the United States:				
U.S. producers	6	0	0	1
Importers	31	1	1	3
Purchasers	26	7	1	5
Demand outside the United States:				
U.S. producers	2	0	0	1
Importers	11	2	0	5
Purchasers	7	3	1	2
Demand for purchasers' final products:				
Purchasers	6	3	1	2

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

Most responding firms expected demand outside of the United States to increase as well. Purchaser *** stated that demand for PVLT tires in both Asia and South America has increased, but noted that South America's economy has stagnated and sales have started to decline. It also stated that demand for PVLT tires in Europe is beginning to rise after recovering

[40] http://www.moderntiredealer.com/news/story/2014/02/rma-tire-shipments-close-in-on-300-million.aspx press release for the RMA Factbook; "Fact Issue 2015," *Modern Tire Dealer*, January 2015. http://www.moderntiredealer.com/files/stats/mtd-facts-issue-2015.pdf.

[41] Ibid.

from its own economic recession. Importer *** stated that demand for PVLT tires in foreign markets has increased due to the following factors: an increase in global preference to purchase new tires rather than used tires because of greater awareness of safety concerns, and a reduction in prices for new tires caused by reduction in raw material (rubber) prices. Importer *** reported that demand for PVLT tires in both the OEM and replacement market has increased in developing countries. It stated that car sales in China specifically continue to experience strong growth and create additional demand for tires.

Demand by market

The majority of firms reported that U.S. demand for PVLT tires in both the OEM market and the replacement market has increased since January 1, 2012 (table II-7). Again, firms noted the economic recovery as a major factor in the increasing demand for PVLT tires in both markets. Purchaser *** stated that "*** are using stronger merchandising techniques resulting in high sales volumes" in the replacement market. Purchaser *** stated that "consumers are looking for lower priced tires due to aging vehicles."

Table II-7
PVLT tires: Firms' responses regarding U.S. demand trends in the OEM and replacement markets

Item	Number of firms reporting			
	Increase	No change	Decrease	Fluctuate
Demand in OEM market:				
U.S. producers	7	0	0	0
Importers	22	2	1	1
Purchasers	14	5	1	0
Demand in replacement market:				
U.S. producers	5	1	0	1
Importers	28	3	1	2
Purchasers	23	7	1	6

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

Demand by product distinction

A plurality of U.S. producers and most importers and purchasers reported that U.S. demand for branded PVLT tires has increased since January 1, 2012 (table II-8). Firms that indicated an increase in demand for branded tires attributed the growth to lower pricing, national retail chains (e.g. Discount Tire, Costco, Firestone, etc.) embracing branded products, increased demand for larger sizes and product ranges, improved marketing and increased promotional activity. Several firms stated that the decrease in the price of branded tires has reduced the viability of private labels. Purchaser *** stated that branded tires account for 82 percent of the replacement market.

Two of six responding U.S. producers, 16 of 29 responding importers, and 14 of 30 responding purchasers reported that demand for private label tires has increased since January 1, 2012. Firms that indicated an increase in demand for private label tires attributed the growth to improved quality and low prices. Importer *** stated that distributors are willing to invest in private label tires in order to have a brand solely associated with their company, have greater

control of sales in international markets, and to provide a niche tire. Firms that indicated a decrease in demand for private label tires reported a reduction in manufacturer support, decrease in the price gap between branded and private label tires, and consumers becoming more "brand conscious."

Table II-8
PVLT tires: Firms' responses regarding U.S. demand trends for branded and private label tires

Item	Number of firms reporting			
	Increase	No change	Decrease	Fluctuate
Demand for branded tires:				
U.S. producers	3	2	0	2
Importers	18	7	2	4
Purchasers	20	9	5	3
Demand for private label tires:				
U.S. producers	2	1	1	2
Importers	16	2	6	5
Purchasers	14	5	7	4

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

Product changes

Three of seven responding U.S. producers and 11 of 34 responding importers reported that there have been significant changes in the product mix, product range, or marketing of PVLT tires since January 1, 2012. *** reported that it has made significant changes in the marketing of its tires including launching new websites and increasing its efforts to drive online traffic to those websites. In addition, *** stated that it has made capital investments to increase its ability to produce higher value-added products. U.S. producer and importer *** and importer *** reported that there has been growth in the higher speed rated tires (H-rated or higher) and a decrease in the lower speed rated tires (T-rated/S-rated). It also reported a decline in light truck sales. Most importers reported an increase in new sizes of tires and an expanded product range. One importer noted more aggressive tread patterns on tires.

Substitute products

Substitutes for PVLT tires are very limited. All nine U.S. producers, all 32 importers, and 41 of 42 responding purchasers reported that there are no substitutes. The 2009 Investigation reported that retreaded tires can be substituted for PVLT tires in many instances.[42]

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,

[42] *Certain Passenger Vehicle and Light Truck Tires from China*, Inv. No. TA-421-7, USITC Publication 4085, July 2009, V-11.

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 PVLT tires imported from China.

Lead times

U.S. producers and importers reported mainly meeting orders from their U.S. inventories (table II-9). On average, U.S. producers reported meeting 95.5 percent of their orders from U.S. inventories and taking 7 days to complete those orders. U.S. importers of PVLT tires from China reported completing 45.3 percent of their orders from U.S. inventories, from which lead times averaged 9 days. U.S. importers averaged 52 days to complete orders from foreign inventories. Lead times for produced-to-order sales averaged about 26 days for U.S. producers and about 77 days for U.S. importers.

Table II-9
PVLT tires: U.S. producers' and U.S. importers' lead times

Manner order met	U.S. producers	U.S. importer: China
Produced to order	4.5	45.5
From U.S. inventories	95.5	45.3
From foreign inventories		9.2

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

Knowledge of country sources

Forty-one purchasers indicated they had marketing/pricing knowledge of domestic product, 27 of Chinese product, and 24 of nonsubject countries (Canada, Chile, EU, Finland, Indonesia, Japan, Malaysia, Mexico, Romania, Russia, Taiwan, Thailand, South Korea, and Vietnam).

As shown in table II-10, most purchasers "never" make purchasing decisions based on the country of origin.[43] However, frequency of purchasing decisions based on the producer were split with 28 purchasers reporting that they "sometimes" or "never" make purchasing decisions based on producer and 20 purchasers "always" or "usually" make purchasing decisions based on producer. Of the 12 purchasers that reported that they always make decisions based on the producer, 4 firms cited quality and 3 firms cited purchasing through an affiliated manufacturer. Other reasons cited include price, past performance as a supplier, assistance with promotion of the producer's tires in the marketplace, and the producer's relationship with the purchaser and its reputation in the marketplace.

[43] Purchaser *** stated that purchasing decisions are not driven by country of origin, but the ability to meet performance requirements and part of the bidding process.

Table II-10
PVLT tires: Purchasing decisions based on producer and country of origin

Decision	Always	Usually	Sometimes	Never
Purchases based on producer	12	8	17	11
Purchases based on country of origin	1	2	17	26

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

Factors affecting purchasing decisions

Available information indicates that purchasers consider a variety of factors when purchasing PVLT tires. As shown in table II-11, while price, quality, and availability were cited most frequently as being important factors in their purchasing decisions, other factors such as brand recognition, market demand for certain tires, and product range are also important considerations. Quality was the most frequently cited first-most important factor (20 firms), followed by price (8 firms). Price was most frequently cited as both the second-most important factor (12 firms) and the third-most important factor (14 firms).

Table II-11
PVLT tires: Ranking of factors used in purchasing decisions as reported by U.S. purchasers, by factor

Factor	First	Second	Third	Total
Price	8	12	14	34
Quality	20	8	6	34
Availability	1	10	8	19
Other[1]	11	11	12	34

[1] Other factors include market demand for product (4 firms), brand recognition (3), product competition (1), exclusivity (1), contracts (1), extension of credit (1), and safety (1) for the first factor; product range (4), profitability margins (2), performance (1), extension of credit (1), reliability of supply (1), technical capability (1), and OE technology (1) for the second factor; and range of supplier's PVLT tire line (4), credit (3), warranty (1) , market intelligence (1), overall value (1), delivery (1), and strategic fit for brand within purchaser's portfolio (1) for the third factor.

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

The majority of purchasers (27 of 44) reported that they only "sometimes" purchase the lowest-priced product for their purchases; 10 purchasers reported "usually" and 7 reported "never."

When asked if they purchased product from one source although a comparable product was available at a lower price from another source, nine purchasers reported reasons including quality, availability, delivery times, exclusive distribution, manufacturing capacity, customer service, preference for U.S.-produced tires, brand recognition, and transportation costs. Purchaser *** stated that "the decision to purchase tires produced in a country due to lower cost alone would occur only if the market for that segment is moving towards lower cost faster than brand equity can maintain acceptable profit margins at required sales levels."[44] Thirteen of

[44] Purchaser questionnaire response, section IV-6.

43 responding purchasers reported that certain types of product were only available from a single source. Purchaser *** stated that "some sizes are available only from certain manufacturers, but instances of this are limited." Two purchasers reported that some large diameter SUV tires are made only in China. Purchasers *** and *** reported that winter and racing tires are only produced in Japan. One purchaser stated that the best quality tires are available only from the United States, EU, and Japan. Purchaser *** reported that certain specialty sizes are only made in China because they are cost prohibitive to produce in the United States.

Importance of specified purchase factors

Purchasers were asked to rate the importance of 17 factors in their purchasing decisions (table II-12). The factors rated as "very important" by more than half of responding purchasers were availability (42), reliability of supply (40), product consistency (38), price (37), quality meets industry standards (37), delivery time (33), and product range (28). More than half of responding purchasers rated minimum quantity requirements, packaging, and private label availability as "not important" in their purchasing decisions.

Table II-12
PVLT tires: Importance of purchase factors, as reported by U.S. purchasers, by factor

Factor	Very important	Somewhat important	Not important
Availability	42	0	4
Brand availability	14	24	9
Delivery terms	22	19	6
Delivery time	33	8	5
Discounts offered	21	17	8
Extension of credit	14	16	17
Minimum quantity requirements	7	13	26
Packaging	5	8	33
Price	37	5	4
Private label availability	5	14	27
Product consistency	38	4	4
Product range	28	11	7
Quality exceeds industry standards	21	18	7
Quality meets industry standards	37	5	4
Reliability of supply	40	2	4
Technical support/service	14	26	6
U.S. transportation costs	17	14	15

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

Branded and private label tires

Purchasers reported that they carry an average of 11 brands for their customers at a given time, with the number of brands ranging from 1 to 50.[45] All 47 responding purchasers

[45] Petitioner alleged that because end-use customers lack brand loyalty, typical tire dealers will carry more than 11 different brands. Petitioner's posthearing brief, questions from Broadbent, exhibit 3, p. 5.

reported that they sell branded tires. Twenty-eight of 47 responding purchasers reported that they sell tires under a private label, including three of the four largest purchasers (***).[46] Purchasers reported their firm's sales of branded and private label PVLT tires during 2012-14. Purchasers' sales of branded tires increased 7.2 percent, by quantity, during 2012-14; purchasers' sales of private label tires increased 10.2 percent, by quantity, during 2012-14. Overall, 78.6 percent of all purchasers' reported 2014 sales were branded tires with private label tires accounting for the remaining 21.4 percent.

Twenty-one of 45 responding purchasers reported that branding is "somewhat important" to their firms' purchasing decisions and marketing to consumers; 17 purchasers reported that branding was "very important", and eight purchasers reported that branding was "not important" to their firms' purchasing decisions.[47] Several purchasers stated that not all consumers are brand-conscious; for some consumers, price is the only issue. Several purchasers also stated that brand affects consumers' perception of the quality of the tire. Purchaser *** stated that it is easier to market a brand-named tire than a non-branded tire; it noted that there is more advertising support for tier 1 brands. Purchaser *** indicated that brand was sometimes important and stated that its decision is based on quality, the promotional program, and its market preference.

The vast majority of U.S. producers, importers, and purchasers reported that brand influences the price consumers are willing to pay for PVLT tires. Most firms indicated that brand names communicate the quality and performance of a tire and that consumers are willing to pay more for the perception of higher quality and performance levels. Importer *** stated that "the better a brand is known or perceived by consumers, the more likely consumers will pay a higher price. The brand factor diminishes if the price gap is unreasonably large."[48]

Most U.S. producers and importers and 16 of 37 responding purchasers indicated that private label tires are "somewhat competitive" with their name brand counterparts (table II-13). Firms that indicated that private label tires were "somewhat competitive" reported that there is variation of quality levels among private label tires. Firms noted that the manufacturer and the product type of the private label are the two main factors in determining the quality competiveness. U.S. producer *** stated that "The competitiveness of private-label tires with their name-brand counterparts can vary with tier. Private-label tires are generally more competitive with their name-brand counterparts in the economy tier and less so in the premium tier." Almost all firms agreed that private label tires are always priced lower than the name-brand counterpart. Some firms indicated that private label tires were "very competitive"

[46] ***.

[47] Responses from the three largest purchasers for the OE market were mixed. *** reported that branding was "very" important and stated that OEM business helps aftermarket sales. *** stated that branding was "not important" in its purchasing decisions. *** indicated that branding was "somewhat" important and stated that branding is not important in the replacement market; however, for the OE market, "GM aligns vehicle brand purchases with tire brand perception."

[48] Respondents argued that Chinese branded tires have no or very little brand equity in the United States, and therefore compete similarly to Chinese private label tires in the U.S. market. ITG Voma's posthearing brief, responses to the Commission's written and hearing questions, pp. 38-39.

and reported that private label tires have the same characteristics and performance levels but are sold at lower prices. Importer *** and purchaser *** stated that private label tires generally offer similar mileage warranties as the name brand counterpart, but at a lower price.

Table II-13
PVLT tires: Competitiveness between private label tires and their name brand counterparts

Item	Number of firms reporting		
	Very competitive	Somewhat	Not competitive
U.S. producers	1	4	1
Importers	9	19	6
Purchasers	17	16	4

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

Supplier certification

Twenty-one of 45 responding purchasers require their suppliers to become certified or qualified to sell product to their firm. Six purchasers reported that the time to qualify a new supplier ranged from one to three months; five purchasers reported qualification took four to six months; and two purchasers reported that qualification took several years. Purchasers reported that producers must have product liability insurance and meet general financial standings. All 44 responding purchasers reported that no domestic or foreign supplier had failed in its attempt to qualify product, or had lost its approved status since 2012.

Purchaser Ford, *** reported that the OEM tire supplier process is different than for tires procured for the replacement market. For each particular vehicle program, potential suppliers must design a tire that meets Ford's set of target metrics, manufacture prototypes, and deliver a batch of tires for Ford testing. Ford evaluates the tires and goes back to the tire manufacturers with features that may need improvement. It reported that typically a vehicle development program will involve three rounds of tire testing and redesign. Ford also requires that its suppliers have engineers on-site to solve any problems that may arise during incorporation of the tire onto a vehicle.[49]

Changes in purchasing patterns

Purchasers were asked about changes in their purchasing patterns from different sources since 2012 (table II-14). A plurality of purchasers reported that they increased purchases from U.S. manufacturers. Reasons reported for increases in domestic sourcing included: increased purchases from Cooper Tire and Toyo's domestic plants, growth in sales from domestic suppliers, and increased business. Twelve of 47 purchasers reported that they had decreased their purchases of domestic product due to price and product availability. Twenty-one of 46 responding purchasers reported that they had increased their purchases of Chinese tires since 2012. Reasons reported for increased purchases of PVLT tires from China

[49] Submission from Hogan Lovells on behalf of Ford Company, June 16, 2015, pp. 4-5.

included: price, market demand, increased availability, increased mix of entry-level tires available, suppliers moving production to Chinese factories, expansion with Chinese partners, and new sizes available.

Table II-14
PVLT tires: Changes in purchase patterns from U.S., subject, and nonsubject countries

Source of purchases	Did not purchase	Decreased	Increased	Constant	Fluctuated
United States	1	12	13	11	10
China	7	4	21	9	5
All other sources	6	4	12	9	8

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

Twenty-eight of 47 responding purchasers reported that they had changed suppliers since January 1, 2012. Specifically, firms dropped or reduced purchases from suppliers because of product availability, contract terms, price, delivery terms, and the supplier was purchased by a competitor. Firms added or increased purchases because of price, brand demand, and higher quality product.

Importance of purchasing domestic product

The majority of purchasers reported that purchasing U.S.-produced PVLT tires was not an important factor in their purchasing decisions (table II-15). Three purchasers reported other preferences for domestic product.[50] Reasons cited for preferring domestic product included: higher quality, a supply contract requiring U.S.-production technology, and when its own U.S. manufacturing capacity was reached.

Table II-15
PVLT tires: Importance of purchasing domestic product

Factor	Share of purchases (percent)	Number of firms
Purchases no domestic requirements	93.6	37
Purchases domestic requirements by law	0.0	3
Purchases domestic requirements by customers	0.4	10
Purchases domestic requirements other	5.9	2
Total	100.0	40

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

Comparisons of domestic products, subject imports, and nonsubject imports

Purchasers were asked a number of questions comparing product produced in the United States, subject countries, and nonsubject countries. First, purchasers were asked for a

[50] One purchaser (***) did not report purchase data, and therefore, is not included in the shares of U.S. purchases.

country-by-country comparison of the same 17 factors (table II-16) for which they were asked to rate the importance.

Table II-16
PVLT tires: Purchasers' comparisons between U.S.-produced and imported product

Factor	U.S. vs. China			U.S. vs. nonsubject			China vs. nonsubject		
	S	C	I	S	C	I	S	C	I
Availability	15	16	2	10	17	0	6	16	4
Brand availability	17	15	0	7	20	0	2	16	8
Delivery terms	19	14	0	11	15	1	3	14	9
Delivery time	25	8	1	14	11	1	3	10	12
Discounts offered	6	19	7	6	18	2	4	18	2
Extension of credit	10	23	0	5	20	1	1	17	7
Minimum quantity requirements	23	10	1	10	15	1	1	13	11
Packaging	5	26	0	2	22	0	1	19	2
Price[1]	0	11	22	0	16	10	14	10	1
Private label availability	3	18	11	3	16	6	6	17	1
Product consistency	12	21	0	6	20	0	2	20	3
Product range	14	16	3	7	19	0	2	20	3
Quality exceeds industry standards	16	17	0	8	18	0	1	21	3
Quality meets industry standards	9	24	0	6	20	1	1	22	1
Reliability of supply	12	18	3	8	17	1	2	17	6
Technical support/service	20	13	0	9	16	1	1	14	10
U.S. transportation costs[1]	10	22	1	5	19	2	3	17	5

[1] A rating of superior means that price/U.S. transportation costs is generally lower. For example, if a firm reported "U.S. superior," it meant that the U.S. product was generally priced lower than the imported product.
Note.-- S=first listed country's product is superior; C=both countries' products are comparable; I=first list country's product is inferior.
Source: Compiled from data submitted in response to Commission questionnaires.

More than half of responding purchasers reported that U.S. and Chinese PVLT tires were comparable on discounts offered, extension of credit, packaging, private label, product consistency, quality both meets and exceeds industry standards, reliability of supply and U.S. transportation costs. Most purchasers rated U.S. product superior on brand availability, delivery terms, delivery time, minimum quantity requirements, and technical support/service. For price, purchasers reported that PVLT tires from China were superior (lower-priced) to domestic product.

Most purchasers reported that U.S. and nonsubject product were comparable for all factors except for delivery time, for which the domestic product was rated as superior. Most purchasers reported that Chinese and nonsubject product were comparable for all factors except for delivery time and price. For delivery time, a plurality of purchasers reported that Chinese product was inferior to nonsubject product. For price, most purchasers reported that Chinese product was superior (lower-priced).

To determine if PVLT tires from the United States, China, and other countries can generally be used in the same applications, U.S. producers, importers, and purchasers were asked whether the products can "always," "frequently," "sometimes," or "never" be used interchangeably. As shown in table II-17, the majority of firms reported that domestic PVLT tires

and PVLT tires from China or nonsubject countries are “always” or “frequently” interchangeable. The majority of firms also reported that domestic PVLT tires are “always” or “frequently” interchangeable with PVLT tires from nonsubject countries. Furthermore, the majority of firms reported that PVLT tires from China are “always” or “frequently” interchangeable with PVLT tires from nonsubject countries.

Table II-17

PVLT tires: Interchangeability between PVLT 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				Number of purchasers reporting			
	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. subject countries:												
U.S. vs China	6	0	0	1	13	14	3	1	13	15	5	0
Nonsubject countries comparisons:												
U.S. vs. nonsubject	6	1	1	0	15	14	3	0	13	16	4	0
China vs. nonsubject	6	0	1	0	12	16	2	0	9	13	2	0

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

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

As can be seen from table II-18, the majority of responding purchasers (32 of 43) reported that domestically-produced PVLT tires “always” met minimum quality specifications. Twenty-two of 38 responding purchasers reported that PVLT tires from China “always” met minimum quality specifications.

Table II-18

PVLT tires: Ability to meet minimum quality specifications, by source[1]

Source	Always	Usually	Sometimes	Rarely or never
United States	32	9	1	1
China	22	12	3	1
All other sources	18	12	2	0

[1] Purchasers were asked how often domestically produced or imported PVLT tires meet minimum quality specifications for their own or their customers’ uses.

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

In addition, producers, importers, and purchasers were asked to assess how often differences other than price were significant in sales of product from the United States, subject, or nonsubject countries. As seen in table II-19, 3 of 6 responding U.S. producers, 19 of 32 responding importers, and 19 of 36 responding purchasers reported that differences other than price were “sometimes” or “never” important in comparing U.S. and Chinese product. However, 3 U.S. producers, 13 importers, and 17 purchasers reported that differences other than price were “always” or “frequently” important. The most commonly identified factors other than price were product mix, transportation network, brand strength, quality, and technical support. Importer *** stated that “Tires of different tiers have significantly different

levels of safety risks and durability. It is rare that a low-end U.S. consumer of entry-level tires would switch to purchasing first-tier tires. By contrast, low-end U.S. consumers who were previously purchasing used tires have been increasingly switching to new entry-level tires because of reduced costs permitting lower prices for such entry-level tires. In other words, tires from China largely compete with tires from Southeast Asia and with used tires rather than with tires from US, France, Japan and Korea."

Table II-19

PVLT tires: Significance of differences other than price between PVLT 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				Number of purchasers reporting			
	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. subject countries:												
U.S. vs. China	3	0	2	1	5	8	16	3	12	5	14	5
Nonsubject countries comparisons:												
U.S. vs. nonsubject	2	0	4	1	1	7	17	5	10	3	12	8
China vs. nonsubject	2	0	3	1	1	9	19	2	7	5	11	5

Note.--A = Always, F = Frequently, S = Sometimes, N = Never.
Source: Compiled from data submitted in response to Commission questionnaires.

ELASTICITY ESTIMATES

This section discusses elasticity estimates. Although parties were encouraged to comment on these estimates in their prehearing or posthearing briefs, none commented.

U.S. supply elasticity

The domestic supply elasticity[51] for PVLT tires measures the sensitivity of the quantity supplied by U.S. producers to changes in the U.S. market price of PVLT tires. The elasticity of domestic supply depends on several factors including the level of excess capacity, the ease with which producers can alter capacity, producers' ability to shift to production of other products, the existence of inventories, and the availability of alternate markets for U.S.-produced PVLT tires. Analysis of these factors earlier indicates that the U.S. industry has the ability to moderately increase or decrease shipments to the U.S. market; an estimate in the range of 2 to 4 is suggested.

[51] A supply function is not defined in the case of a non-competitive market.

U.S. demand elasticity

The U.S. demand elasticity for product measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of PVLT tires. This estimate depends on factors discussed earlier such as the existence, availability, and commercial viability of substitute products, as well as the component share of PVLT tires in the production of any downstream products. Based on the available information, the aggregate demand for PVLT tires is likely to be inelastic; a range of -0.25 to -0.50 is suggested.

Substitution elasticity

The elasticity of substitution depends upon the extent of product differentiation between the domestic and imported products.[52] Product differentiation, in turn, depends upon such factors as quality (e.g., chemistry, appearance, etc.) and conditions of sale (e.g., availability, sales terms/ discounts/ promotions, etc.). Based on available information, the elasticity of substitution between U.S.-produced PVLT tires and imported PVLT tires is likely to be in the range of 3 to 5.

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

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

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the subsidies and dumping margins was presented in *Part I* of this report and information on the quantity 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 essentially all U.S. production of PVLT tires during 2014.

U.S. PRODUCERS

Table III-1 lists U.S. producers of PVLT tires, their positions on the petitions, the location of their U.S. headquarters, and their shares of total production from January 2012 through December 2014. As noted in table III-1, ***.[1]

Table III-1
PVLT tires: U.S. producers of PVLT tires, their positions on the petition, U.S. headquarters locations, and shares of reported production, 2012-14

Firm	Position on petition	U.S. headquarters location	Share of production (percent)
Bridgestone[1]	***	Nashville, TN	***
Continental[2]	***	Fort Mill, SC	***
Cooper [3]	***	Findlay, OH	***
Goodyear [4]	***	Akron, OH	***
Michelin[5]	***	Greenville, SC	***
Pirelli[6]	***	Rome, GA	***
Specialty Tires	***	Indiana, PA	***
Toyo[7]	***	White, GA	***
Yokohama[8]	***	Santa Anna, CA	***
Total			100.0

* * * * * * *

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

Table III-2 presents information from an industry publication regarding daily capacity for PVLT tires and unionization status of each of the U.S. producers' domestic manufacturing plants as of January 1, 2015.

[1] *** accounted for *** percent of U.S. PVLT tire production during 2012-14.

Table III-2
PVLT tires: U.S. producers, unionization, plant location, aggregate daily capacity, and shares of U.S. capacity as of January 1, 2015

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 County, SC	29.7	5.4
Continental	None	Sumter, SC	3.5	0.6
	None	Mount Vernon, IL	33.0	6.0
Cooper	USW	Findlay, OH	23.0	4.2
	USW	Texarkana, AR	32.0	5.8
	None	Tupelo, MS	42.0	7.6
Goodyear	USW	Buffalo, NY	6.5	1.2
	USW	Fayetteville, NC	41.0	7.5
	USW	Gadsden, AL	26.0	4.7
	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 (MIRS)[2]	1.7	0.3
Specialty Tires	None	Indiana, PA	0.4	0.1
Toyo	None	White, GA (A.T.O.M.)[3]	16.6	3.0
Yokohama	USW	Salem, VA	26.8	4.9
Total[4]			549.2	100.0

[1] C3M (Confection Monofilament Mondrian Michelin), an automated Michelin continuous tire production process.

[2] Modular Integrated Roboticized System (MIRS), a tire production process developed and employed by Pirelli.

[3] Advanced Tire Operation Module (A.T.O.M.), a proprietary Toyo automated production system, www.toyotires.com.

[4] Passenger vehicle tires amount to 81 percent of the aggregate total; light truck tires, 19 percent.

Source: *Modern Tire Dealer,* January, 2015, pp. 44-45.

Additionally, Giti, Kumho, and Hankook have broken ground on PVLT tire plants that are expected to bring an additional capacity of 21 million tires to the United States in 2016.[2] Giti is building a tire manufacturing plant in Chester County, South Carolina. The $560 million tire plant will produce 5 million passenger and light truck tires for the replacement and original equipment markets annually. Hankook expects to begin operation of its consumer tire plant in Clarksville, Tennessee in 2016. The $800 million facility will have annual production capacity of 12 million tires. Kumho will begin producing tires at its Macon, Georgia consumer tire plant in 2016. The plant will be dedicated to OE business in North America with replacement capacity expected to be added in 2018.[3]

As indicated in the footnotes to table III-1, eight U.S. producers are related to Chinese producers of the subject merchandise. In addition, as discussed in greater detail below, six U.S. producers are related to importers or exporters of the subject merchandise, and eight U.S. producers directly import the subject merchandise.

Bridgestone

Bridgestone is headquartered in Nashville, Tennessee and is a business unit of Bridgestone Americas, Inc., whose parent company is Bridgestone Corp., Japan. Bridgestone operates facilities in Wilson City, North Carolina and Aiken, South Carolina 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, South Carolina 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.[4] As noted in table III-2, Bridgestone's facilities account for 11.6 percent of the total U.S. production capacity for PVLT tires as of the end of 2014. Bridgestone reported ***.

Continental

Continental is headquartered in Fort Mill, South Carolina, and is a subsidiary of Continental AG, Germany. Continental operates facilities in Mt. Vernon, Illinois and Sumter, South Carolina. In 2011, Continental reportedly invested $224 million to expand capacity at its Mt. Vernon, Illinois plant, creating four million additional units of passenger and light truck tire capacity.[5] Continental's new plant in Sumter, South Carolina, which opened in January 2014,

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[2] Chinese Respondents' posthearing brief, pp. 4-5.

[3] *Modern Tire Dealer*, "2015 Facts Issue," January, 2015, pp. 44-45.

[4] "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.

[5] "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.

reportedly cost $500 million and will have an eventual capacity of approximately 5 million units per year in 2017. A second phase of expansion is expected to be completed in 2021 bringing capacity to 8 million units per year and employing 1,600 additional workers.[6] As noted in table III-2, these two facilities account for 6.6 percent of total U.S. production capacity for PVLT tires as of the end of 2014. Continental reported ***.

Cooper

Cooper is headquartered in Findlay, Ohio and operates facilities that produce PVLT tires in Findlay, Ohio; Texarkana, Arkansas; and Tupelo, Mississippi. A three-month lockout of more than 1,000 workers at Cooper's Findlay plant ended in March 2012 after members of United Steelworkers Local 207-L approved a new five-year contract.[7] In February 2013, Cooper announced plans to establish a Global Technical Center for research 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.[8] As noted in table III-2, Cooper's facilities account for 17.6 percent of total U.S. production capacity for PVLT tires as of the end of 2014. Cooper reported ***.

Goodyear

Goodyear is headquartered in Akron, Ohio and operates facilities in Buffalo, New York; Fayetteville, North Carolina; Gadsden, Alabama; Lawton, Oklahoma; and Topeka, Kansas. Goodyear closed one facility; Union City, TN, which produced PVLT tires in 2011. The company recently announced plans to build a $500 million plant in Mexico with an estimated annual capacity of 6 million tires. Production at this plant is expected to begin around mid-2017.[9] According to the USW, Goodyear recently made a commitment to invest $500 million in its unionized U.S. plants in addition to the $700 million in capital expenditures previously

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[6] "New Continental Tire Plant in Sumter, South Carolina Now Officially Open," January 29, 2014, http://www.continental-tires.com/www/tires_de_en/themes/news/meldungen/pr_2014_01_29_sumter_opening_en.html , retrieved May 11, 2015.

[7] 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.

[8] "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.

[9] "Goodyear to build $500 million plant in Mexico," Rubber News, April 24, 2015. http://www.rubbernews.com/article/20150424/NEWS/150429958?template=printart, retrieved May 9, 2015.

committed to by Goodyear through 2015.[10] Along with the capital expenditure commitments, USW Local 12 president David Hayes noted that Goodyear extended "protected status" to all of its union plants through 2021.[11] As noted in table III-2, Goodyear's five U.S. facilities account for 25.2 percent of total U.S. production capacity for PVLT tires as of the end of 2014. Goodyear reported ***.

Michelin

Michelin is headquartered in Greenville, South Carolina and is wholly owned by Michelin Corp., Greenville, South Carolina, which is part of Compagnie Generale des Etablissements Michelin, France. Michelin operates facilities in Ardmore, Oklahoma; Dothan, Alabama; Fort Wayne, Indiana; Greenville, South Carolina; Lexington, South Carolina; and Tuscaloosa, Alabama. In 2011, Michelin invested a reported $200 million to expand its Lexington, South Carolina facility.[12] In October 2013, Michelin announced it was going to lay off nearly 100 workers at its Tuscaloosa, Alabama plant. According to testimony at the hearing, all of these workers were hired back by the end of 2014.[13] Michelin recently announced that it will invest $22 million to expand its Dothan, Alabama plant in order to increase production of light truck and SUV passenger tires by 10 percent by the summer of 2016.[14] As noted in table III-2, Michelin's seven facilities account for 30.8 percent of total U.S. production capacity for PVLT tires as of the end of 2014. Michelin reported ***.

Pirelli

Pirelli is headquartered in Rome, Georgia 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. Recently, a bid to purchase Pirelli & C. S.p.A by the state-run China National Chemical Corp. was made public.[15] As noted in table III-2, Pirelli's manufacturing facility in Rome, Georgia

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[10] ITG Voma's posthearing brief, exhibit 1. "USW: Goodyear to match Mexico spending in U.S.," Tire Business, http://www.tirebusiness.com/article/20150514/NEWS/150519940/usw-goodyear-to-match-mexico-spending-in-u-s , retrieved June 23, 2015

[11] Protected status requires Goodyear to meet a minimum staffing level of 1,140 employees at the Gadsden Plant which currently employs about 1,600 individuals including 1,390 union workers. ITG Voma's posthearing brief, exhibit 1.

[12] "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.

[13] Hearing transcript, p. 160 (Williams).

[14] "Michelin to invest $22 million to increase capacity at Dothan, Ala. Plant", http://michelinmedia.com/pages/blog/detail/article/c6/a342 , retrieved June 22, 2015.

[15] "ChemChina Won't Rule Out Pumping Up Pirelli Offer," The Wall Street Journal, March 29, 2015, http://www.wsj.com/articles/chemchina-committed-to-pirellis-autonomy-1427612186?KEYWORDS=pirelli, retrieved May 10, 2015.

accounts for less than one percent of total U.S. production capacity of PVLT tires as of the end of 2014. Pirelli reported ***.

Specialty Tires

Specialty Tires is headquartered in Indiana, Pennsylvania, and is wholly owned by Polymer Enterprises, Inc., Greensburg, Pennsylvania. As noted in table III-2, its facility in Indiana, Pennsylvania accounts for less than one percent of total U.S. production capacity for PVLT tires as of the end of 2014. In its questionnaire response, Specialty Tire reported a second production facility in Unicoi, Tennessee. This facility accounts for *** percent of total U.S. production capacity throughout the period. It is the only company not to identify related foreign firms and report *** during 2012-14.

Toyo

Toyo is headquartered in White, Georgia 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. The company is proceeding with a $371 million capacity expansion at its White, Georgia plant, in order to meet demand for light truck and SUV tires. The project will increase capacity by 40 percent (to 8 million tires annually), is expected to be completed by 2017.[16] As noted in table III-2, Toyo's facility in White, Georgia accounts for 3.0 percent of total U.S. production capacity for PVLT tires as of the end of 2014. Toyo reported ***.

Yokohama

Yokohama Tire Corporation is headquartered in Santa Anna, California and is a wholly owned subsidiary of Yokohama Corporation of North America of Santa Anna, California, which is owned by Yokohama Rubber Co., Ltd. of Tokyo, Japan. On January 1, 2014, Yokohama Tire Corporation created Yokohama Tire Manufacturing Virginia, LLC, a wholly owned subsidiary consisting of the Salem, Virginia manufacturing plant.[17] As noted in table III-2, its facility in Salem, Virginia accounts for 4.9 percent of total U.S. production capacity of PVLT tires as of the end of 2014. Yokohama reported ***.

Domestic producers reported a number of changes in the nature of the operations relating to the production of PVLT tires since 2012. Five firms (***) reported expansions of

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[16] "Toyo reports record sales and earnings in 2014," Rubber News, February 17, 2015. http://www.rubbernews.com/article/20150217/NEWS/150219962?template=printart retrieved May 9, 2015.

[17] Yokohama Tire Corporation accounts for 2012-13 production and Yokohama Tire Manufacturing Virginia, LLC accounts for 2014 production reported in Yokohama's U.S. producer questionnaire response. All production reported by the Yokohama entities during 2012-14 took place in the Salem, Virginia plant.

existing facilities and/or the investments in new equipment. Two firms *** reported prolonged shutdowns or production curtailments. Three 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, since 2012

* * * * * * *

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

Table III-4 presents U.S. producers' reported capacity and production of products using the same equipment and machinery used to make PVLT tires. During 2012-14, PVLT tires accounted for at least *** percent of production on the same equipment and machinery in each year. In the questionnaires, U.S. producers were asked if they possessed the ability to switch production capacity between PVLT tires and other products using the same equipment and machinery. *** reported the ability to shift production capacity between PVLT tires and non-PVLT tires, although *** actually reported producing other products on the same machinery and equipment during 2012-14.[18] 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 ***.

Table III-4
PVLT tires: U.S. producers' reported capacity, production, and capacity utilization using the same equipment and machinery, 2012-14

* * * * * * *

Table III-5 and figure III-1 present U.S. producers' production, capacity, and capacity utilization rates for PVLT tires during 2012-14. During this period, 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.

Total PVLT tire production capacity for U.S. producers decreased 0.4 percent and production decreased 0.6 percent during 2012-14. The producers' total capacity utilization rates ranged from a high of 91.2 percent in 2012 to a low of 87.2 percent in 2013 but rebounded in 2014 to reach 91.1 percent. The 2013 decline in production is mostly attributable to production curtailments at *** as well as ***.[19]

[18] ***.

[19] ITG Voma's posthearing brief, p. 15.

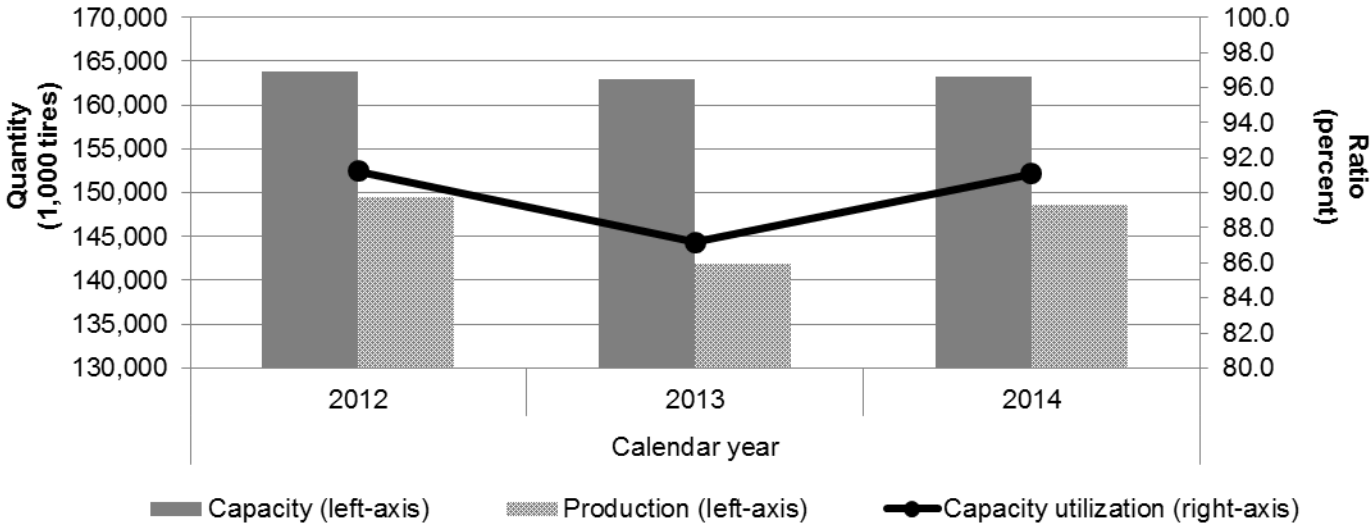
Table III-5
PVLT tires: U.S. producers' capacity, production, and capacity utilization, 2012-14

Firm	Calendar year		
	2012	2013	2014
	Capacity (1,000 tires)		
Bridgestone[1]	***	***	***
Continental[2]	***	***	***
Cooper[3]	***	***	***
Goodyear[4]	***	***	***
Michelin[5]	***	***	***
Pirelli[6]	***	***	***
Specialty Tires[7]	***	***	***
Toyo[8]	***	***	***
Yokohama[9]	***	***	***
Total	163,864	162,911	163,219
	Production (1,000 tires)		
Bridgestone	***	***	***
Continental	***	***	***
Cooper	***	***	***
Goodyear	***	***	***
Michelin	***	***	***
Pirelli	***	***	***
Specialty Tires	***	***	***
Toyo	***	***	***
Yokohama	***	***	***
Total	149,497	141,995	148,673
	Capacity utilization (percent)		
Bridgestone	***	***	***
Continental	***	***	***
Cooper	***	***	***
Goodyear	***	***	***
Michelin	***	***	***
Pirelli	***	***	***
Specialty Tires	***	***	***
Toyo	***	***	***
Yokohama	***	***	***
Total	91.2	87.2	91.1

* * * * * * *

Source: Compiled from data submitted in response to Commission questionnaires and responses to Staff's additional questions regarding capacity sent on June 16, 2015.

Figure III-1
PVLT tires: U.S. producers' capacity, production, and capacity utilization, 2012-14



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

The parties disagree over the meaning of reported capacity utilization rates. Petitioners argue that the domestic industry had the ability to significantly increase production during 2012-14.[20] ITG Voma and the Chinese respondents argue that the domestic industry was near maximum capacity utilization during 2012-14.[21]

U.S. producers were asked to describe the constraints or "bottlenecks" that set limits on their firms' production capacity in the questionnaires.[22] U.S. producers generally reported that production capacity is limited by the combination of equipment and product mix. Equipment constraints include the number of 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. The product mixes assumed in the producers' capacity calculations are described in the footnotes to table III-5. Producers also cite the need for routine and emergency equipment maintenance. Labor constraints include the ability to find and retain qualified personnel, absenteeism and holidays. Nearly all U.S. producers assumed 160 hours or more of plant operations in a given week for 49 to 50 weeks per year in their capacity calculation. Some producers noted that rubber mixing may create a bottleneck in the production process. The USW added that the length of a production lot size affects

[20] Petitioner's posthearing brief, p. 12 and response to Commissioner Williamson Question 2.
[21] ITG Voma's prehearing brief, pp. 18-20; Chinese respondents' prehearing brief, p. 28.
[22] Email from USITC investigator requesting additional information on production capacity, June 16, 2015.

capacity, as shorter runs and the introduction of new products require more downtime for retooling.[23]

In response to the Staff's supplemental questionnaire regarding whether or not a company can reach 100 percent capacity utilization (or greater), *** explained that, though it intends to reach 100 percent capacity utilization, equipment breakdowns, absenteeism, and machine/equipment maintenance make it "highly unlikely" that they reach that level. *** reported that it is not possible to exceed 100 percent capacity. *** reported that it could not exceed *** days of operation in a given year, which is the number of days it assumes in its calculation of 100 percent operational capacity. *** explained that it is possible to meet or exceed 100 percent utilizations by expanding operating hours. *** stated that it is possible, but only if the actual product mix differs from the projected product mix assumed in its calculations.[24]

*** indicated that, in order to ramp up capacity, it would need to raise capital, purchase machinery and equipment, and expand facilities. *** stated that it could ramp up its facilities by 5 percent with "major investments." *** indicated that its limited ability to ramp up would require additional equipment. *** explained that its ability to ramp up was "extremely limited and would truly require capital investment for additional lines and curing presses." *** explained that its manufacturing plants run 24 hours and 7 days per week, so it would require facility improvements and additional equipment which would take 12 to 24 months, depending on the facility. *** noted that in order to raise capacity beyond an optimal product mix, it would require additional assembly machines.

*** was the only U.S. producer to respond that it could ramp up capacity by expanding hours of operations. It explained that if necessary, it could extend operations from *** hours per week and *** weeks per year to *** hours per week and *** weeks per year, subject to the implementation of certain processes, supply efficiencies and additional personnel.

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 large majority of their total shipments throughout the period. When measured by quantity, U.S. shipments decreased by 1.3 percent during 2012-14. When measured by value, U.S. shipments decreased by 4.5 percent during 2012-14. The average unit values of U.S. shipments decreased in both 2013 and 2014.

[23] Petitioner's posthearing brief, supplement 2, pp. 3-5.

[24] *** response to the supplemental questionnaire regarding capacity indicates that its maximum capacity is *** million units, assuming its current projections for the product mix of tires for sedans, SUVs, and light trucks. If it shifted as much capacity away from high-performance or SUV tires as possible, it could produce *** million units.

Table III-6
PVLT tires: U.S. producers' U.S. shipments, exports shipments, and total shipments, 2012-14

Item	Calendar year		
	2012	2013	2014
	Quantity (1,000 tires)		
Commercial U.S. shipments	115,272	110,371	111,804
Internal consumption	***	***	***
Transfers to related firms	***	***	***
Subtotal, U.S. shipments	127,830	123,545	126,160
Export shipments	20,780	19,439	23,230
Total shipments	148,610	142,984	149,390
	Value (1,000 dollars)		
Commercial U.S. shipments	10,919,285	10,296,250	10,152,280
Internal consumption	***	***	***
Transfers to related firms	***	***	***
Subtotal, U.S. shipments	12,292,022	11,749,005	11,740,621
Export shipments	1,923,730	1,693,077	2,120,462
Total shipments	14,215,752	13,442,082	13,861,083
	Unit value (dollars per tire)		
Commercial U.S. shipments	94.73	93.29	90.80
Internal consumption	***	***	***
Transfers to related firms	***	***	***
Subtotal, U.S. shipments	96.16	95.10	93.06
Export shipments	92.58	87.10	91.28
Total shipments	95.66	94.01	92.78
	Share of quantity (percent)		
Commercial U.S. shipments	77.6	77.2	74.8
Internal consumption	***	***	***
Transfers to related firms	***	***	***
Subtotal, U.S. shipments	86.0	86.4	84.5
Export shipments	14.0	13.6	15.5
Total shipments	100.0	100.0	100.0
	Share of value (percent)		
Commercial U.S. shipments	76.8	76.6	73.2
Internal consumption	***	***	***
Transfers to related firms	***	***	***
Subtotal, U.S. shipments	86.5	87.4	84.7
Export shipments	13.5	12.6	15.3
Total shipments	100.0	100.0	100.0

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

***. *** firms (***) reported transfers to related firms during 2012-14.[25] *** U.S. producers reported export shipments, the vast majority of which were accounted for by ***.[26] When measured by quantity, the U.S. producers' export shipments increased by 11.8 percent during 2012-14. When measured by value, export shipments increased by 10.2 percent during 2012-14. *** were among the most common export markets identified by U.S. producers.

Table III-7 presents U.S. producers' U.S. commercial shipments by branded and private label tires.[27] While every U.S. producer except *** ships branded tires, [28] only *** ship private label PVLT tires.[29] Branded tires increased from 87.0 percent to 89.4 percent of the share of quantity of U.S. producers' commercial shipments during 2012-14. Private label tires have decreased in share of quantity of commercial shipments from 13.0 percent to 10.6 percent during 2012-14. In terms of value of U.S. commercial shipments, branded tires accounted for 92.7 percent while private label tires accounted for 7.3 percent in 2014.[30]

Branded PVLT tires may fall into any tier of the market, however, according to Modern Tire Dealer, private label tires are exclusively found in tier three.[31] The petitioner also acknowledged that the industry has historically viewed private label tires as belonging to tier three.[32] According to ITG Voma, private label tires compete with branded tires that have little or no brand equity in the U.S. market.[33]

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[25] ***.

[26] *** accounted for *** percent of total reported U.S. exports in 2014.

[27] The Commission's U.S. producer questionnaires defined branded and private label as follows:
Private label-- a tire produced or packaged for sale under the name other than that of the manufacturer of the tire or a brand name owned by that manufacturer.
Branded tires-- a tire produced or packaged for sale under the name of the manufacturer of the tire or a brand name owned by that manufacturer.

[28] ***.

[29] U.S. commercial shipments of private labels include: ***.

[30] A list of each U.S. producers' brands and private labels is presented in appendix E of this report.

[31] *Modern Tire Dealer*, "2015 Facts Issue," p. 38, January, 2015.

[32] Conference transcript, p. 84, (Stewart).

[33] ITG Voma's posthearing brief, p. 39.

Table III-7
PVLT tires: U.S. producers' commercial shipments of branded versus private label tires, 2012-14

Item	Calendar year		
	2012	2013	2014
	Quantity (1,000 tires)		
Branded	100,289	98,097	99,912
Private label	14,983	12,274	11,892
Total shipments	115,272	110,371	111,804
	Value (1,000 dollars)		
Branded	9,938,142	9,519,499	9,415,403
Private label	981,143	776,751	736,877
Total shipments	10,919,285	10,296,250	10,152,280
	Unit value (dollars per tire)		
Branded	99.10	97.04	94.24
Private label	65.48	63.28	61.96
Total shipments	94.73	93.29	90.80
	Share of quantity (percent)		
Branded	87.0	88.9	89.4
Private label	13.0	11.1	10.6
Total shipments	100.0	100.0	100.0
	Share of value (percent)		
Branded	91.0	92.5	92.7
Private label	9.0	7.5	7.3
Total shipments	100.0	100.0	100.0

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

U.S. PRODUCERS' INVENTORIES

Table III-8 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 during 2012-14. U.S. producers' end-of-period inventories decreased by 11.7 percent during 2012-14. The ratio of these inventories to U.S. production ranged from a high of 12.9 percent in 2012 to a low of 11.4 percent in 2014. The ratio of these inventories to U.S. shipments ranged from a high of 15.1 percent in 2012 to a low of 13.5 percent in 2014. The ratio of these inventories to total shipments ranged from a high of 13.0 percent in 2012 to a low of 11.4 percent in 2014.

Table III-8
PVLT tires: U.S. producers' end-of-period inventories, 2012-14

Item	Calendar year		
	2012	2013	2014
	Quantity (1,000 tires)		
U.S. producers' end-of-period inventories	19,248	17,917	16,997
	Ratio (percent)		
Ratio of inventories to.--			
U.S. production	12.9	12.6	11.4
U.S. shipments	15.1	14.5	13.5
Total shipments	13.0	12.5	11.4

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

U.S. PRODUCERS' IMPORTS AND PURCHASES

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 2012-14. These data are reported in table III-9.

Table III-9
PVLT tires: U.S. producers' direct imports, 2012-14

* * * * * * *

***.

Table III-10 presents U.S. producers' purchases of PVLT tires. ***.[34]

Table III-10
PVLT tires: U.S. producers' purchases from importers and domestic producers of branded and private label tires, 2012-14

* * * * * * *

[34] ***. ***.

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Table III-11 shows U.S. producers' employment-related data during 2012-14. From 2012 to 2014, the number of PRWs in the domestic industry decreased by 1.1 percent, but over the same period, total hours worked increased 1.7 percent. Both hourly wages and unit labor costs have increased 3.1 and 5.5 percent, respectively, over the period. Productivity, measured in tires produced per hour, decreased by 2.3 percent during 2012-14.

Table III-11
PVLT tires: U.S. producers' employment-related data, 2012-14

Item	Calendar year		
	2012	2013	2014
Production-related workers (PRWs) (number)	25,299	24,712	25,026
Total hours worked (1,000 hours)	51,686	48,959	52,590
Hours worked per PRW (hours)	2,043	1,981	2,101
Wages paid (1,000 dollars)	1,324,183	1,295,695	1,389,307
Hourly wages (dollars per hour)	25.62	26.46	26.42
Productivity (tires per hour)	2.89	2.90	2.83
Unit labor costs (dollars per tire)	8.86	9.12	9.34

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

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

U.S. IMPORTERS

The Commission issued importer questionnaires to 53 firms believed to be importers of PVLT tires, and to all U.S. producers of PVLT tires.[1] Usable questionnaire responses were received from 37 companies, representing *** percent of U.S. import quantities of PVLT tires from China and *** percent of total imports in 2014.[2]

Table IV-1 lists all responding U.S. importers of PVLT tires from China and nonsubject sources, their locations, and their shares of U.S. imports during 2012-14. *** were among the largest importers of PVLT tires from China, while *** were the largest importers of PVLT tires from nonsubject sources.

Five importers reported using a free trade zone ***; no importers reported using a bonded warehouse; and one importer (***) reported 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.[3]

[1] The Commission issued questionnaires to those firms identified in the petitions and the preliminary investigations 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 Nos. 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, 4011.20.5010 during the period of investigation.

[2] Coverage estimate is based on imports reported in U.S. importers' questionnaires versus official import statistics for 2014.

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

Table IV-1
PVLT tires: U.S. importers by source, 2012-14

Firm	Headquarters	Share of imports by source (percent)		
		China	All other sources	All sources
Alliance Tire Americas	Wakefield, MA	***	***	***
American Kenda Rubber	Reynoldsburg, OH	***	***	***
American Omni Trading	Houston, TX	***	***	***
American Pacific Industries	Scottsdale, AZ	***	***	***
Bridgestone	Nashville, TN	***	***	***
Cheng Shin Rubber USA	Suwanee, GA	***	***	***
China Manufacturers Alliance	Monrovia, CA	***	***	***
Continental	Fort Mill, SC	***	***	***
Cooper	Findlay, OH	***	***	***
Dynamic	Woodbridge, ON	***	***	***
Falken	Rancho Cucamonga, CA	***	***	***
Foreign Tire Sales	Union, NJ	***	***	***
GITI	Rancho Cucamonga, CA	***	***	***
Global Tire & Wheel	Montclair, CA	***	***	***
Goodyear	Akron, OH	***	***	***
Hankook	Wayne, NJ	***	***	***
Hercules	Findlay, OH	***	***	***
Highpoint Trading	Chungli City, Taiwan,	***	***	***
Horizon	Houston, TX	***	***	***
Husky	Mississauga, ON	***	***	***
ITG Voma	Memphis, TN	***	***	***
Kumho	Rancho Cucamonga, CA	***	***	***
Maxon	Qingdao,	***	***	***
Michelin	Greenville, SC	***	***	***
Omni United	Singapore,	***	***	***
Pirelli	Rome, GA	***	***	***
Seatex	Woodbridge, ON	***	***	***
Sentaida	Miami, FL	***	***	***
South Dade Automotive	Miami, FL	***	***	***
Strategic Tire Supply	Minnetonka, MN	***	***	***
TBC Corporation	Palm Beach Gardens, FL	***	***	***
Tire Group International	Miami, FL	***	***	***
Tireco, Inc.	Gardena, CA	***	***	***
Toyo	Cypress, CA	***	***	***
Turbo Wholesale Tires	Irwindale, CA	***	***	***
Unicorn	Memphis, TN	***	***	***
Yokohama	Santa Ana, CA	***	***	***
Total		100.0	100.0	100.0

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

Importers reported a number of changes in the nature of the operations relating to the importation of PVLT tires since 2012. Nine firms (***) reported office/warehouse openings; five firms (***) reported office/warehouse closings; nine firms (***) reported relocations; nine firms (***) reported expansions; three firms (***) reported acquisitions; one firm (***) reported consolidations; and one firm (***) reported ***.

U.S. IMPORTS

Table IV-2 and figure IV-1 present data for U.S. imports of PVLT tires from China and all other sources.[4] As noted in Part I of this report, U.S. imports of PVLT tires from China were subject to safeguard duties from September 2009 until September 2012.[5] From 2012 to 2013, imports from China increased by 61.5 percent in terms of quantity and increased by 47.3 percent in terms of value. From 2012 to 2014 U.S. imports from China increased by 84.3 percent in terms of quantity and increased by 61.8 percent in terms of value.[6]

[4] According to official statistics, passenger car tires accounted for 85.3 percent of all import quantities and 80.0 percent of value during 2012-14, while light truck tires comprised the remainder.

[5] Between January and September 2012 the applicable duty on imports from China was 25.0 percent *ad valorem* above the general tariff rate as a result of the U.S. section 421 safeguard measures. 74 Fed. Reg. 47861 (Sept. 17, 2009); 74 Fed. Reg. 47433 (Sept. 16, 2009). Once the safeguard measure expired, the general tariff rate on PVLT tires was 3.4 to 4.0 percent.

[6] U.S. import data submitted in questionnaire responses indicated somewhat smaller increases compared to official Commerce statistics (quantity of U.S. imports from China increased *** percent and value increased *** percent during 2012-14).

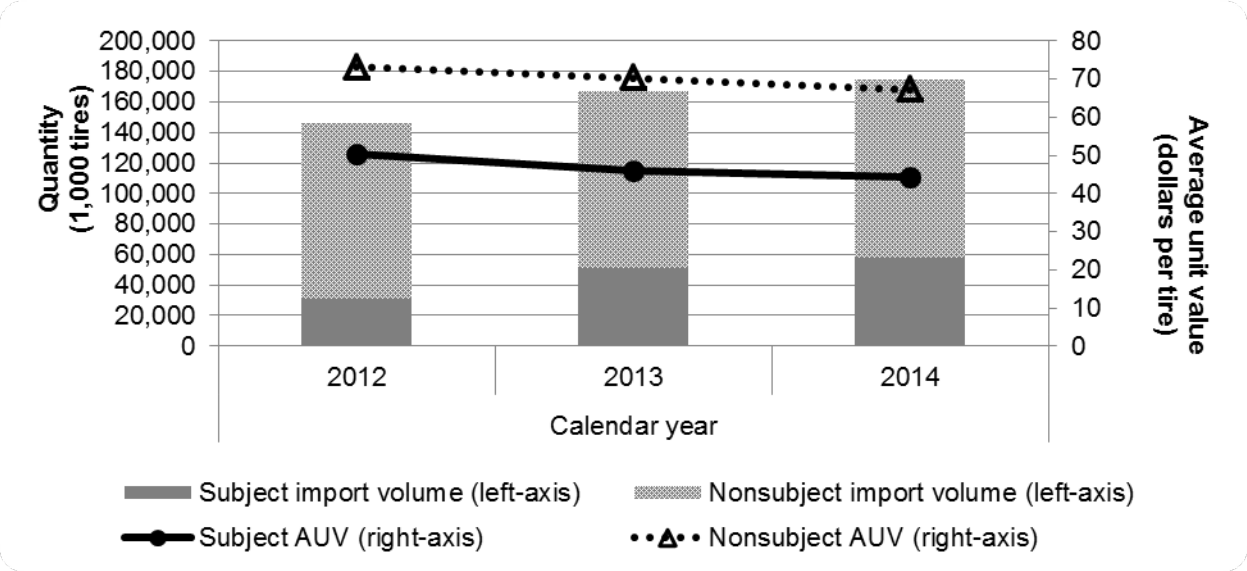
Table IV-2
PVLT tires: U.S. imports, by source, 2012-14

Item	Calendar year		
	2012	2013	2014
	Quantity (1,000 tires)		
U.S. imports from.--			
China	31,479	50,847	58,012
Nonsubject sources	114,987	116,248	116,866
Total U.S. imports	146,466	167,096	174,878
	Value (1,000 dollars)[1]		
U.S. imports from.--			
China	1,583,853	2,333,209	2,561,898
Nonsubject sources	8,409,908	8,165,458	7,851,746
Total U.S. imports	9,993,761	10,498,667	10,413,644
	Unit value (dollars per tire)[1]		
U.S. imports from.--			
China	50.31	45.89	44.16
Nonsubject sources	73.14	70.24	67.19
Total U.S. imports	68.23	62.83	59.55
	Share of quantity (percent)		
U.S. imports from.--			
China	21.5	30.4	33.2
Nonsubject sources	78.5	69.6	66.8
Total U.S. imports	100.0	100.0	100.0
	Share of value (percent)		
U.S. imports from.--			
China	15.8	22.2	24.6
Nonsubject sources	84.2	77.8	75.4
Total U.S. imports	100.0	100.0	100.0
	Ratio to production quantity (percent)		
U.S. imports from.--			
China	21.1	35.8	39.0
Nonsubject sources	76.9	81.9	78.6
Total U.S. imports	98.0	117.7	117.6

[1] Landed, duty-paid, which includes the safeguard duty of 25 percent *ad valorem* on PVLT tires from China through September 2012.

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, 2012-14



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.

China accounted for an increasing share of total U.S. imports of PVLT tires throughout the period. In terms of quantity, China accounted for 21.5 percent of imports in 2012 and 33.2 percent in 2014. In terms of value, China accounted for 15.8 percent of imports in 2012 and 24.6 percent in 2014.

The quantity of U.S. imports of PVLT tires from nonsubject sources increased by 1.6 percent during 2012-14 but accounted for a decreasing share of imports throughout the period. In terms of quantity, nonsubject sources accounted for 78.5 percent of imports in 2012 and 66.8 percent in 2014. In terms of value, nonsubject sources accounted for 84.2 percent of imports in 2012 and 75.4 percent in 2014.

Average unit values of U.S. imports from both China and nonsubject sources have decreased throughout the period. During 2012-14, average unit values of imports from China ranged from a high of $50.31 in 2012 to a low of $44.16 in 2014. Over the same period, average unit values of imports from nonsubject sources ranged from a high of $73.14 in 2012 to a low of $67.19 in 2014. [7]

Table IV-3 presents U.S. imports of PVLT tires from major nonsubject countries. Canada and Korea were the two largest nonsubject sources of imports in every year during the period; however, the quantities of imports attributed to them have decreased by 5.5 and 18.5 percent, respectively. Thailand is the only major nonsubject country to increase imports substantially

[7] Declines in natural rubber and crude oil prices were cited as a contributing factor for lower prices of imported and domestically produced tires by Michelin and Continental. ITG Voma's prehearing brief, June 2, 2015, pp. 78-81. Petitioners also acknowledge that the drop in average unit values is at least, in part, due to declining material costs, though they argue that tire prices are relatively "sticky" and less responsive to declines in raw material costs than they are to increases. Petitioner's posthearing brief, response to Commissioner Williamson's question #1.

(13.9 percent) over the period. Over the period, total import values and unit values have decreased for every major nonsubject source listed in table IV-3.

Table IV-3

PVLT tires: U.S. imports from major nonsubject sources, 2012-14

Item	Calendar year		
	2012	2013	2014
	Quantity (1,000 tires)		
U.S. imports from.--			
Canada	20,652	20,622	19,522
Korea	22,697	19,768	18,489
Thailand	10,821	11,119	12,329
Indonesia	10,482	11,334	10,835
Mexico	10,870	10,890	10,805
Japan	10,666	10,250	10,379
All other sources	28,799	32,265	34,508
Nonsubject imports	114,987	116,248	116,866
	Value (1,000 dollars)[1]		
U.S. imports from.--			
Canada	1,662,117	1,601,189	1,415,220
Korea	1,668,905	1,382,900	1,279,904
Thailand	679,770	629,054	594,949
Indonesia	504,790	536,745	500,274
Mexico	674,453	669,064	652,673
Japan	1,011,773	954,387	913,487
All other sources	2,208,100	2,392,118	2,495,239
Nonsubject imports	8,409,908	8,165,458	7,851,746
	Unit value (dollars per tire) [1]		
U.S. imports from.--			
Canada	80.48	77.64	72.49
Korea	73.53	69.96	69.23
Thailand	62.82	56.57	48.26
Indonesia	48.16	47.36	46.17
Mexico	62.05	61.44	60.40
Japan	94.86	93.11	88.01
All other sources	76.67	74.14	72.31
Nonsubject imports	73.14	70.24	67.19

Table continued on following page.

Table IV-3--Continued

PVLT tires: U.S. imports from major nonsubject sources, 2012-14

Item	Calendar year		
	2012	2013	2014
	Share of total imports quantity (percent)		
U.S. imports from.--			
Canada	14.1	12.3	11.2
Korea	15.5	11.8	10.6
Thailand	7.4	6.7	7.1
Indonesia	7.2	6.8	6.2
Mexico	7.4	6.5	6.2
Japan	7.3	6.1	5.9
All others	19.7	19.3	19.7
Nonsubject imports	78.5	69.6	66.8
	Share of total imports value (percent)[1]		
U.S. imports from.--			
Canada	16.6	15.3	13.6
Korea	16.7	13.2	12.3
Thailand	6.8	6.0	5.7
Indonesia	5.1	5.1	4.8
Mexico	6.7	6.4	6.3
Japan	10.1	9.1	8.8
All others	22.1	22.8	24.0
Nonsubject imports	84.2	77.8	75.4
	Ratio to production quantity (percent)		
U.S. imports from.--			
Canada	13.8	14.5	13.1
Korea	15.2	13.9	12.4
Thailand	7.2	7.8	8.3
Indonesia	7.0	8.0	7.3
Mexico	7.3	7.7	7.3
Japan	7.1	7.2	7.0
All others	19.3	22.7	23.2
Nonsubject imports	76.9	81.9	78.6

[1] Landed, duty-paid.

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.

CRITICAL CIRCUMSTANCES[8]

If both Commerce and the Commission make affirmative final critical circumstances determinations, certain imports may be subject to countervailing duties retroactive by 90 days from December 1, 2014, the effective date of Commerce's preliminary affirmative countervailing subsidies determination. On December 1, 2014, Commerce issued its preliminary affirmative countervailable subsidies determination and a preliminary determination that "critical circumstances" exist with regard to imports from China of PVLT tires from Shandong Yongsheng Rubber Group Co., Ltd. (Shandong Yongsheng) and all other exporters or producers not individually-investigated.[9]

On June 11, 2015, Commerce issued its final affirmative determination of critical circumstances, in part, in its CVD investigation. Commerce changed its critical circumstances finding with regard to Giti Tire (Fujian) Co., Ltd. ("Giti") and its cross-owned affiliated companies, determining that critical circumstances exist with respect to all imports of PVLT tires from China, except for those produced by Cooper and its cross-owned affiliated companies.[10]

If both Commerce and the Commission make affirmative final critical circumstances determinations, certain subject imports may be subject to antidumping duties retroactive by 90 days from January 27, 2015, the effective date of Commerce's preliminary affirmative LTFV determination. On January 27, 2015, Commerce issued its preliminary affirmative determination of sales at less than fair value (LTFV) and a preliminary determination that critical circumstances exist with regard to all non-individually investigated companies and the

[8] When petitioners file timely allegations of critical circumstances, Commerce examines whether there is a reasonable basis to believe or suspect that (1) either there is a history of dumping or subsidies and material injury by reason of dumped or subsidized imports in the United States or elsewhere of the subject merchandise, or the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling subsidized subject merchandise or subject merchandize at LTFV and that there was likely to be material injury by reason of such sales; and (2) there have been massive imports of the subject merchandise over a relatively short period.

[9] The individually-investigated exporters/producers excluded from the preliminary critical circumstances findings were Giti Tire (Fujian) Co., Ltd., and its cross-owned affiliated companies Giti Tire (China) Investment Company Ltd., Giti Radial Tire (Anhui) Company Ltd., Giti Tire (Hualin) Company Ltd., Giti Steel Cord (Hubei) Company Ltd., and Anhui Prime Cord Fabrics Company Ltd.; and Cooper Kunshan Tire Co., Ltd., and its cross-owned affiliated company, Cooper Chengshan (Shandong) Tire Co., Ltd. *Certain Passenger Vehicle and Light Truck Tires From the People's Republic of China: Preliminary Affirmative Countervailing Subsidies Determination, Preliminary Affirmative Critical Circumstances Determination, in Part, and Alignment of Final Determination With Final Antidumping Duty Determination,* 79 FR 71093, December 1, 2014, referenced in appendix A.

[10] DOC, ITA *Issues and Decisions* Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China, June 11, 2015, pp. 3-4. And *Notice of Final Affirmative CVD Determination and Final Affirmative Critical Circumstances Determination: Certain Passenger Vehicle and Light Truck Tires From the People's Republic of China,* 80 FR 34888, June 18, 2015.

PRC-wide entity but do not exist with regard to imports from Giti and Sailun Group Co., Ltd. ("Sailun Group.")[11]

On June 11, 2015, Commerce issued its final affirmative determination of sales at LTFV and final determination of critical circumstances, in part. In its final determination Commerce found that critical circumstances do not exist for Giti, Sailun Group, or companies qualifying for separate rates, but determined that critical circumstances exist for imports from China produced by companies within the PRC-wide entity.[12]

Table IV-4 and figure IV-2 present U.S. imports of PVLT tires by month in the six months leading up to the June 3, 2014 petitions (December 2013-May 2014), as well as the six months following (June 2014-November 2014). Import quantities of PVLT tires from China increased in the six months following the petitions by 20.6 percent compared to the six months leading up to the petitions. Import quantities from nonsubject sources increased by 3.6 percent over the same period.

Because Commerce determined that critical circumstances exist only in-part with respect to both the AD and CVD investigations, certain producers were excluded from the data according to each determination. According to Commerce's AD determination, in the six months following the petitions, U.S. imports from China (excluding imports from Giti, Sailun Group, and separate rate entities) increased by *** percent compared to the six months before the petitions. According to Commerce's CVD determination, U.S. imports from China (excluding imports from Cooper) increased by *** percent over the same periods.

[11] Sailun and cross-owned affiliated companies consist of the following entities: Sailun Group Co., Ltd., Sailun Tire International Corp., Shandong Jinyu Industrial Co., Ltd., Jinyu International Holding Co., Limited, Seatex International Inc., Dynamic Tire Corp., Husky Tire Corp., and Seatex PTE. Ltd. *Certain Passenger Vehicle and Light Truck Tires From the People's Republic of China: Preliminary Determination of Sales at Less Than Fair Value; Preliminary Affirmative Determination of Critical Circumstances; In Part and Postponement of Final Determination,* 80 FR 4250, January 27, 2015, referenced in appendix A.

[12] DOC, ITA *Issues and Decisions* Memorandum for the Final Determination in the Antidumping Duty Investigation of Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China, June 11, 2015, pp. 6-7. And *Notice of Final Affirmative Determination of Sales at Less Than Fair Value and Final Affirmative Critical Circumstances Determination: Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China,* 80 FR 34893, June 18, 2015.

Table IV-4

PVLT tires: U.S. imports by month, December 2013-November 2014

Month	China	China AD[1]	China CVD[2]	All other sources (nonsubject)
	Imports (1,000 tires)			
Year:--2013 December	4,193	***	***	8,762
Year:--2014 January	4,750	***	***	9,008
February	3,655	***	***	8,619
March	4,388	***	***	10,561
April	4,891	***	***	10,136
May	5,191	***	***	10,021
Subtotal (Dec-May)	**27,068**	*******	*******	**57,107**
June	5,910	***	***	10,332
July	6,293	***	***	10,106
August	5,881	***	***	9,283
September	5,232	***	***	9,728
October	5,058	***	***	10,141
November	4,273	***	***	9,547
Subtotal (Jun-Nov)	**32,647**	*******	*******	**59,137**
Total	59,715	***	***	116,244

[1] China AD represents imports from all producers and exporters in China excluding imports from Giti, Sailun Group, and all separate rate entities.

[2] China CVD represents imports from all producers and exporters in China excluding imports from Cooper and its affiliates.

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, except exclusions which are based on proprietary Customs data.

Figure IV-2

PVLT tires: U.S. imports by month, December 2013-November 2014

* * * * * * *

Table IV-5 presents data collected from importers regarding inventories of imported PVLT tires by source in the month prior to the filing of the petition and six months afterwards in November 2014 (November 2013 inventories are included for comparison).

Table IV-5

PVLT tires: U.S. importers' inventories of imports from China and all other sources[1]

Item	Month		
	Nov 2013	May 2014	Nov 2014
	Quantity (1,000 tires)		
China	5,610	4,339	6,626
China (AD)[1]	***	***	***
China (CVD)[2]	***	***	***
All other sources	18,412	19,747	18,173

[1] China AD represents inventories of imports from all producers and exporters in China excluding those from Giti, Sailun Group, and all separate rate entities.

[2] China CVD represents inventories of imports from all producers and exporters in China excluding those from Cooper and its affiliates.

Source: Compiled from data submitted in response to Commission questionnaires and adjustments based on importers' responses to the Staff's June 16, 2015 request for additional information regarding inventories. ***.

NEGLIGIBILITY

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.[13] 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 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.[14] Imports from China accounted for 31.8 percent of total imports of PVLT tires by quantity from June 2013 to May 2014.

APPARENT U.S. CONSUMPTION

Table IV-6 and figure IV-3 present data on apparent U.S. consumption and market shares for PVLT tires. Apparent U.S. consumption increased by 9.7 percent when measured by quantity and decreased by 0.6 percent when measured by value during 2012-14. U.S. producers' market share decreased by 4.7 percentage points, by quantity, and 2.2 percentage

[13] 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)).

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

points, by value. Market share of U.S imports of PVLT tires from China increased by 7.8 percentage points, by quantity, and 4.5 percentage points, by value, during 2012-14. Over the same period, market share of U.S. imports of PVLT tires from nonsubject sources decreased by 3.1 percentage points, in quantity, and by 2.3 percentage points, in value.

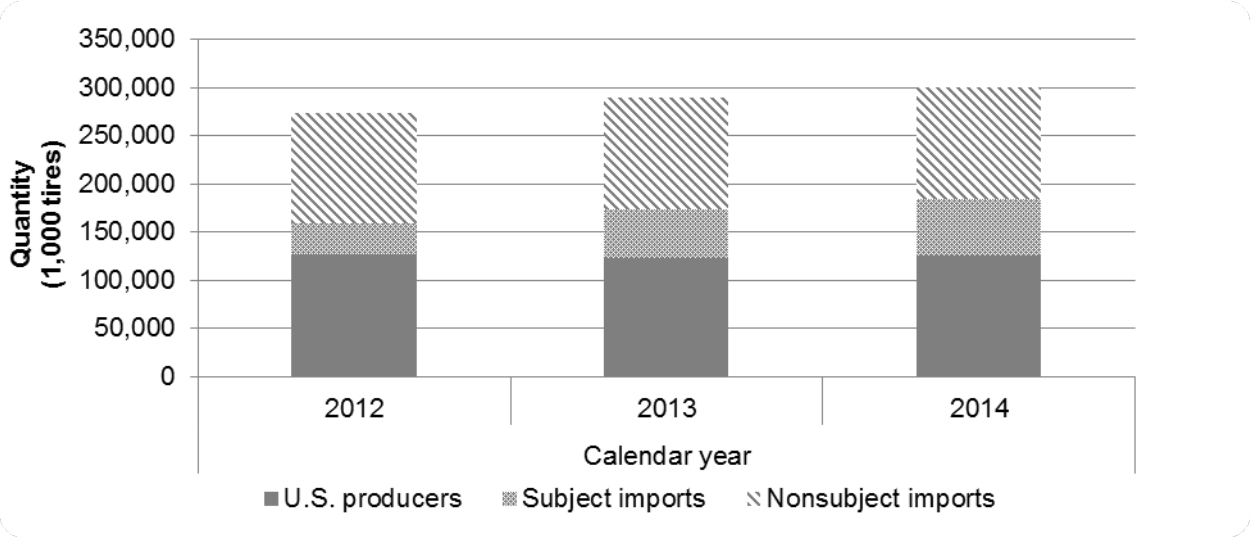
Table IV-6

PVLT tires: Apparent U.S. consumption and market shares, 2012-14

Item	Calendar year		
	2012	2013	2014
	Quantity (1,000 tires)		
U.S. producers' U.S. shipments	127,830	123,545	126,160
U.S. importers' U.S. imports from.--China	31,479	50,847	58,012
Nonsubject sources	114,987	116,248	116,866
Total U.S. imports	146,466	167,096	174,878
Apparent U.S. consumption	274,296	290,641	301,038
	Value (1,000 dollars)		
U.S. producers' U.S. shipments	12,292,022	11,749,005	11,740,621
U.S. importers' U.S. imports from.--China	1,583,853	2,333,209	2,561,898
Nonsubject sources	8,409,908	8,165,458	7,851,746
Total U.S. imports	9,993,761	10,498,667	10,413,644
Apparent U.S. consumption	22,285,783	22,247,672	22,154,265
	Market shares by quantity (percent)		
U.S. producers' U.S. shipments	46.6	42.5	41.9
U.S. importers' U.S. imports from.--China	11.5	17.5	19.3
Nonsubject sources	41.9	40.0	38.8
Total U.S. imports	53.4	57.5	58.1
	Market shares by value (percent)		
U.S. producers' U.S. shipments	55.2	52.8	53.0
U.S. importers' U.S. imports from.--China	7.1	10.5	11.6
Nonsubject sources	37.7	36.7	35.4
Total U.S. imports	44.8	47.2	47.0

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

Figure IV-3
PVLT tires: Apparent U.S. consumption, and market shares 2012-14



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

Table IV-7 presents data regarding U.S. commercial shipments of imports from China for branded and private label PVLT tires.[15] Branded tires comprise roughly two-thirds of U.S. commercial shipments in terms of quantity and value during 2012-14. Unit values of branded and private label PVLT tires are roughly the same within each year of the period.[16] Unit values of commercial shipments have decreased by *** percent for branded PVLT tires and *** percent for private label during 2012-14.

Table IV-7
PVLT tires: U.S. commercial shipments of imports by branded and private label tires from China, 2012-14

* * * * * * *

[15] The Commission's U.S. importer questionnaires defined branded and private label as follows:
Private label-- a tire produced or packaged for sale under the name other than that of the manufacturer of the tire or a brand name owned by that manufacturer,
Branded tires-- a tire produced or packaged for sale under the name of the manufacturer of the tire or a brand name owned by that manufacturer.

[16] As discussed in part III, private label tires are typically considered tier three along with less recognizable value brands like Kelly, Uniroyal, and Fuzion. *Modern Tire Dealer,* "2015 Facts Issue," January, 2015, p. 38.

Table IV-8 presents data regarding U.S. commercial shipments of imports from nonsubject sources for branded and private label PVLT tires. In contrast to imports from China, branded tires from all other sources comprise no less than 95.5 percent of shipments in terms of quantity and value. Also, in contrast to imports from China, unit values of branded PVLT tires greatly exceed those of private label PVLT tires throughout the period.

Table IV-8

PVLT tires: U.S. commercial shipments of imports by branded and private label tires from nonsubject sources, 2012-14

Item	Calendar year		
	2012	2013	2014
	Quantity (1,000 tires)		
Branded	83,695	85,729	84,957
Private label	3,919	3,627	4,012
Total	87,614	89,356	88,969
	Value (1,000 dollars)		
Branded	7,522,522	7,171,522	7,212,674
Private label	214,456	197,055	224,164
Total	7,736,978	7,368,577	7,436,838
	Unit value (dollars per tire)		
Branded	89.88	83.65	84.90
Private label	54.72	54.33	55.87
Total	88.31	82.46	83.59
	Share of quantity (percent)		
Branded	95.5	95.9	95.5
Private label	4.5	4.1	4.5
Total	100.0	100.0	100.0
	Share of value (percent)		
Branded	97.2	97.3	97.0
Private label	2.8	2.7	3.0
Total	100.0	100.0	100.0

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

PART V: PRICING DATA

FACTORS AFFECTING PRICES

Raw material costs

Raw material costs for the production of PVLT tires accounted for 52.6 percent of U.S. producers' total cost of goods sold during 2014, down from 56.8 percent in 2012. The main raw material input for PVLT tires is rubber (see *Part VI* for additional information on raw material costs).[1] Ribbed smoked sheets (RSS 3) are made from high quality natural rubber and used to produce tires, tubes, tread, and other products.[2] The price of RSS 3 on the Singapore Exchange (SGX) decreased by 58.0 percent between the first quarter of 2012 and the fourth quarter of 2014 (figure V-1).[3] [4] The SGX price of technically specified rubber (TSR 20), a general purpose natural rubber used in making tires and other products, declined by 59.4 percent between the first quarter of 2012 and the fourth 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 22.2 percent between the first quarter of 2012 and the fourth quarter of 2014.[5]

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[1] Rubber (natural and synthetic) accounts for approximately 40 percent of the raw materials in a tire by weight, 28 percent carbon black reinforcement, 17 percent reinforcing fabric body ply, and 15 percent steel (belts and bead wire). Federal Motor Vehicle Safety Standard No. 139 (49 CFR 571.139).

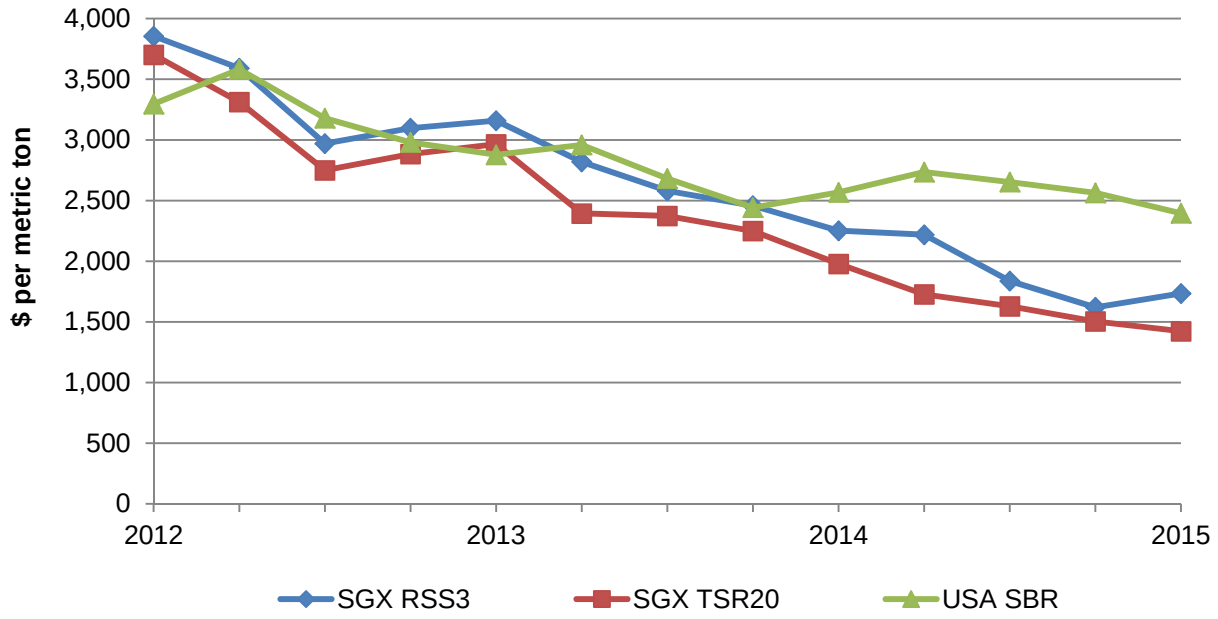
[2] Rubber product descriptions are from Thomson Rubber, http://www.thomsonrubbers.com/natural_rubber.html.

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

[4] According to the IMF, the price of RSS 3 on the SGX rose from $0.87 per pound in 2009 to $2.19 per pound in 2011. Prices of RSS 3 steadily declined between 2012 ($1.53 per pound) and 2014 ($0.88 per pound). The IMF forecasts that the price of RSS 3 on the SGX will increase by 11.7 percent during 2014-15 to $0.99 per pound in 2015 and by 17.0 percent during 2015-16 to $1.04 per pound in 2016. However, these forecasted prices remain well below the 2011 peak of $2.19 per pound. The IMF forecasts that the price of RSS 3 will remain stable during 2017-20 (ranging from $0.99 per pound to $1.00 per pound). IMF Primary Commodity Prices, International Monetary Fund, http://www.imf.org/external/np/res/commod/index.aspx, retrieved July 1, 2015.

[5] According to the IMF, the spot price of crude oil fell by 8.3 percent during 2012-14. The IMF forecasts that the spot price of crude oil will decrease by 38.8 percent during 2014-15 before increasing by 9.1 percent during 2015-16 and 4.5 percent during 2016-17. IMF Primary Commodity Prices, International Monetary Fund, http://www.imf.org/external/np/res/commod/index.aspx, retrieved July 1, 2015.

Figure V-1
Quarterly rubber prices, January-March 2012 – January March 2015



Note.--SGX RSS3 and SGX TSR20 are natural rubbers, and USA SBR is a synthetic rubber.
Source: *Rubber Statistical Bulletin*, April-June 2014 edition and April-June 2015 edition.

The majority of firms (7 of 8 responding U.S. producers and 27 of 31 responding importers) reported that PVLT raw material prices have decreased since January 1, 2012.[6] Most firms stated that the price of raw materials may have a substantial influence on the price of PVLT tires with several firms reporting that they have passed the raw material cost savings onto their customers.[7]

U.S. inland transportation costs

All responding U.S. producers and importers reported that they typically arrange transportation to their customers. Five of seven responding U.S. producers reported that their

[6] Petitioner anticipates that the price of raw materials will increase in the near future. It reported that future contracts for natural rubber that are 4.9 percent to 5.9 percent higher for delivery in November 2015 and crude oil prices show increases of 4.3 percent by December 2015 and 8.4 percent by December 2016. Petitioner's posthearing brief, pp. 12-13. However, respondents contend that raw material prices will remain stable over the year. Respondents cite to Goodyear's 2014 Annual Report which stated "Based on current raw material spot prices, for the full year of 2015, we expect our raw material costs will be approximately 14 percent lower than 2014, and we expect the benefit of lower raw material costs to more than offset declines in price and product mix." Chinese respondent's posthearing brief, p. 7 and exhibit 3.

[7] According to respondents, tire prices in the lower segments of the replacement market are closely tied to raw material costs. ITG Voma's posthearing brief, exhibit 9, p. 3.

U.S. inland transportation costs ranged between 3-5 percent; one U.S. producer reported that its U.S. inland transportation costs averaged 15 percent and one U.S. producer reported that it averaged 63 percent. Twenty-five of 31 responding importers reported their U.S. inland transportation costs ranged between 1-8 percent; six importers reported that their average U.S. inland transportation costs ranged between 10-22 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
	Share (percent)	
0 to 100 miles	20.2	30.5
101 to 1,000 miles	67.7	42.1
More than 1,000 miles	12.1	27.4

[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).[8] Importers were more likely to establish prices based on price lists or individual transactions.[9]

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	4	13
Contract	4	10
Set price list	6	28
Other	2	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 reported selling their PVLT tires primarily in the spot market while U.S. importers reported selling a majority of their PVLT tires either in the spot market or under long-term contracts (table V-3). In general, importers relied more on contracts than U.S. producers.

[8] Two U.S. producers reported setting prices using other methods. *** reported that it uses "price lists for house brands and negotiates pricing for private brands." *** reported that "prices can be based on competitive situations in the market."

[9] Two importers (***) reported that prices are based on market conditions.

Table V-3

PVLT tires: U.S. producers' and importers' shares of U.S. commercial shipments by type of sale, 2014

Type of sale	U.S. producers	Importers
	Share (percent)	
Long-term contracts	17.8	34.9
Annual contracts	19.3	14.1
Short-term contracts	0.0	15.5
Spot sales	62.9	35.5
Total	100.0	100.0

Note.--Because of rounding, figures may not add to the totals shown.
Source: Compiled from data submitted in response to Commission questionnaires.

Four of eight responding U.S. producers and nine of 35 responding importers reported using long-term contracts. Three U.S. producers and three importers reported that the duration of their long-term contracts averaged three years, one U.S. producer and one importer reported an average of three to five years, and one importer reported an average of two years. The majority of U.S. producers (3 of 4) reported that prices were fixed.[10] However, most importers (6 of 9) reported that price could be renegotiated during the contract period. One U.S. producer and three importers reported that long-term contracts fixed price; two importers reported that their long-term contracts fixed quantity. Most U.S. producers (3 of 4) and importers (7 of 9) indicated that long-term contracts did not include a meet-or-release clause.

Three of eight responding U.S. producers and eight of 35 responding importers reported using annual (365 days) contracts.[11] Two of five responding U.S. producers reported that price could not be renegotiated during an annual contract; in contrast, the majority of importers (6 of 8) reported that price could be renegotiated during the contract period. Two U.S. producers and four importers reported that the contracts fixed price; two importers reported that contracts fixed both price and quantity. Most U.S. producers (2 of 3) and importers (5 of 8) indicated that annual contracts did not include a meet-or-release clause.

Six of 32 responding importers reported using short-term contracts with an average duration of 100 days. The majority of importers (6 of 8) reported that price could not be renegotiated during the short-term contract period. Five importers reported that short-term contracts fixed price; two importers reported that short-term contracts fixed both price and quantity. All eight importers indicated that short-term contracts did not include a meet-or-release clause.

[10] U.S. producer *** reported that it has long-term contracts with OEMS. *** reported that in general, prices are fixed; however, its OEM agreements frequently contain raw material index price adjustments.

[11] *** did not provide details of its contract provisions.

Sales terms and discounts

U.S. producers and importers typically quote prices on a delivered basis, although both fairly routinely also quote on an f.o.b basis. U.S. producers and importers reported using a variety of sales terms with net 60 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. Four of nine U.S. producers and nine of 36 importers reported not offering discounts.

Price leadership

Purchasers reported a variety of firms including producers, importers, and large retailers as price leaders. Firms identified as price leaders include: American Tire Distributors, BF Goodrich, Bridgestone, Continental, Cooper, Costco, Discount Tire, Falken, Firestone, Giti, Goodyear, Hangzhou, Kenoa, Michelin, Monor, Mavis, Multistrada, Nexen, Pep Boys, Pirelli, Primewell, Sears, Strategic Tire Imports, Sumitomo, TBC, Turbo Tires, Unicorn Tires, Walmart, and Yokohama. Michelin followed by Goodyear, Bridgestone, and American Tire Distributors were the most frequently identified price leaders. Several purchasers stated that Michelin has the greatest brand recognition and often leads a price change for the industry. Purchaser *** stated that Michelin, Goodyear, Cooper, and Bridgestone determine the price at which they will sell to a retailer and they control the price which can be advertised on the retailer's website. Several purchasers stated that Tier 1 firms make the pricing announcements which are then generally followed by Tier 2 suppliers changing their pricing as well. Four purchasers stated that American Tire Distributors' prices were typically the lowest in the market and other firms monitor its pricing closely.

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 2012–December 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.[12] [13] Pricing data reported by these firms accounted for approximately 4.5 percent of U.S. producers' commercial shipments of PVLT tires and 8.1 percent of U.S. commercial shipments of PVLT tires from China in 2014.

The majority of U.S. producers' pricing data were for sales of branded tires while importers' pricing data reflect a mix of sales of both branded and private label tires (table V-4).

Table V-4
PVLT tires: U.S. producers' and importers' shares of pricing data, by branding type, 2014

Product	U.S.-produced		Imports from China	
	Branded tire	Private label tire	Branded tire	Private label tire
	(percent)			
Product 1	75.4	24.6	48.4	51.6
Product 2	91.3	8.7	27.1	72.9
Product 3	69.6	30.4	44.9	55.1
Product 4	94.6	5.4	53.2	46.8
Product 5	***	***	75.2	24.8
Product 6	***	***	81.4	18.6
Average across products	73.3	26.7	51.2	48.8

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

Price data for products 1-6 are presented in tables V-5 to V-10 and figures V-2 to V-7. Price trend summary data are presented in table V-11. Nonsubject price data for Canada and Korea are presented in appendix F.

[12] Eight importers provided pricing data for products that did not exactly meet the product specifications but were competitive with the specified pricing product. The majority of these importers provided pricing data with a lower speed rating. Staff contacted these importers and requested that firms explain how comparable these products with lower speed ratings are to the defined pricing products in terms of price. Most firms reported that the lower speed rating affect price to a very limited degree. Importer *** stated that "On average in the market, there is a 0.5-1.0 percent pricing differential between lower speed rated tires versus higher speed rated tires." Importers *** reported a price differential of 1-2 percent. Staff has included the pricing data provided by these eight importers in the pricing data analysis.

[13] Per-unit pricing data are calculated from total quantity and total value data provided by U.S. producers and importers. The precision of these figures may be affected by rounding and producer or importer estimates.

Table V-5

PVLT tires: Weighted-average f.o.b. prices and quantities of domestic and imported product 1[1] and margins of underselling, by quarters, January 2012-December 2014

Period	United States		China		
	Price *(per tire)*	Quantity *(tires)*	Price *(per tire)*	Quantity *(tires)*	Margin *(percent)*
2012:					
Jan.-Mar.	59.43	280,112	50.43	79,529	15.1
Apr.-June	60.58	288,871	47.54	152,115	21.5
July-Sept.	63.29	363,740	48.26	106,897	23.7
Oct.-Dec.	62.44	396,346	47.75	188,074	23.5
2013:					
Jan.-Mar.	60.76	344,146	41.59	152,979	31.5
Apr.-June	60.11	354,598	40.31	214,098	32.9
July-Sept.	60.50	431,158	39.38	276,581	34.9
Oct.-Dec.	59.85	423,231	38.38	262,147	35.9
2014:					
Jan.-Mar.	58.96	332,120	36.70	193,299	37.8
Apr.-June	54.38	345,270	35.45	227,969	34.8
July-Sept.	56.43	375,655	38.16	274,647	32.4
Oct.-Dec.	54.44	387,621	36.92	175,326	32.2

[1] Product 1: PVLT tires, tire size 205/55R16, 89-94 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 2[1] and margins of underselling, by quarters, January 2012-December 2014

Period	United States		China		
	Price *(per tire)*	Quantity *(tires)*	Price *(per tire)*	Quantity *(tires)*	Margin *(percent)*
2012:					
Jan.-Mar.	93.55	13,332	51.17	20,397	45.3
Apr.-June	84.48	13,547	43.95	46,323	48.0
July-Sept.	88.03	24,314	47.61	17,021	45.9
Oct.-Dec.	92.04	21,272	43.46	41,874	52.8
2013:					
Jan.-Mar.	90.11	9,675	39.10	60,734	56.6
Apr.-June	83.19	19,213	39.22	74,793	52.9
July-Sept.	83.39	42,075	38.29	75,323	54.1
Oct.-Dec.	85.93	38,209	38.87	64,414	54.8
2014:					
Jan.-Mar.	84.64	17,043	37.01	66,158	56.3
Apr.-June	76.47	15,898	37.32	69,194	51.2
July-Sept.	72.44	40,942	35.95	100,035	50.4
Oct.-Dec.	71.01	30,666	36.25	54,356	49.0

[1] Product 2: PVLT tires, tire size P215/55R17, 93-98 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 3[1] and margins of underselling, by quarters, January 2012-December 2014

Period	United States		China		
	Price *(per tire)*	Quantity *(tires)*	Price *(per tire)*	Quantity *(tires)*	Margin *(percent)*
2012:					
Jan.-Mar.	67.79	507,950	59.80	152,374	11.8
Apr.-June	63.70	401,624	55.24	193,020	13.3
July-Sept.	64.12	500,204	55.64	167,298	13.2
Oct.-Dec.	66.04	581,426	51.12	251,195	22.6
2013:					
Jan.-Mar.	66.30	553,020	51.22	246,217	22.7
Apr.-June	63.40	492,770	48.93	281,140	22.8
July-Sept.	61.51	566,969	48.21	278,413	21.6
Oct.-Dec.	62.37	520,051	47.03	269,392	24.6
2014:					
Jan.-Mar.	61.71	441,738	44.93	245,614	27.2
Apr.-June	57.37	434,477	43.42	289,979	24.3
July-Sept.	57.58	483,638	43.24	267,603	24.9
Oct.-Dec.	55.42	493,255	43.84	177,808	20.9

[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-8

PVLT tires: Weighted-average f.o.b. prices and quantities of domestic and imported product 4[1] and margins of underselling, by quarters, January 2012-December 2014

Period	United States		China		
	Price *(per tire)*	Quantity *(tires)*	Price *(per tire)*	Quantity *(tires)*	Margin *(percent)*
2012:					
Jan.-Mar.	78.31	69,701	65.21	25,656	16.7
Apr.-June	84.13	59,632	68.22	34,336	18.9
July-Sept.	80.43	97,997	65.93	77,949	18.0
Oct.-Dec.	77.13	98,394	59.17	149,663	23.3
2013:					
Jan.-Mar.	80.65	81,502	58.97	195,376	26.9
Apr.-June	74.85	66,640	56.55	228,866	24.5
July-Sept.	75.12	69,622	55.39	231,625	26.3
Oct.-Dec.	76.18	76,258	54.23	236,490	28.8
2014:					
Jan.-Mar.	71.67	66,092	53.86	151,531	24.8
Apr.-June	70.57	48,042	50.93	140,709	27.8
July-Sept.	71.41	62,757	50.76	172,254	28.9
Oct.-Dec.	70.92	68,313	52.24	139,981	26.4

[1] Product 4: PVLT tires, tire size P235/75R15, 104-110 load index, T 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 5[1] and margins of underselling, by quarters, January 2012-December 2014

Period	United States		China		
	Price *(per tire)*	Quantity *(tires)*	Price *(per tire)*	Quantity *(tires)*	Margin *(percent)*
2012: Jan.-Mar.	***	***	97.49	38,518	***
Apr.-June	***	***	96.73	44,050	***
July-Sept.	***	***	88.14	75,402	***
Oct.-Dec.	***	***	83.51	84,378	***
2013: Jan.-Mar.	***	***	79.89	112,687	***
Apr.-June	***	***	80.44	128,323	***
July-Sept.	***	***	77.23	144,393	***
Oct.-Dec.	***	***	75.18	143,143	***
2014: Jan.-Mar.	***	***	74.62	86,576	***
Apr.-June	***	***	72.86	103,330	***
July-Sept.	***	***	72.04	112,320	***
Oct.-Dec.	***	***	72.44	79,135	***

[1] Product 5: PVLT tires, tire size LT245/75R16, 111-116 load index, R speed rating.
Source: Compiled from data submitted in response to Commission questionnaires.

Table V-10

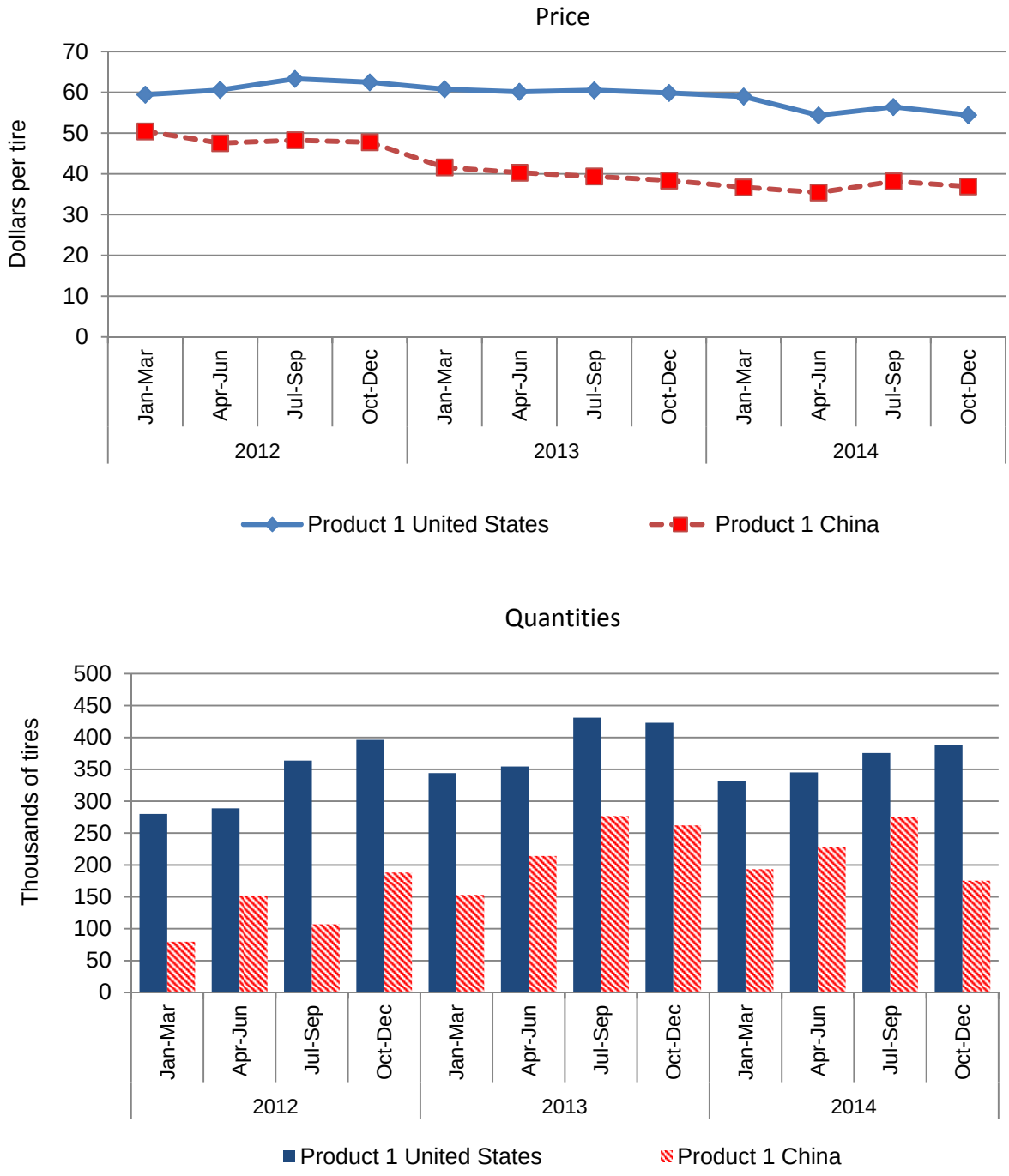
PVLT tires: Weighted-average f.o.b. prices and quantities of domestic and imported product 6[1] and margins of underselling, by quarters, January 2012-December 2014

Period	United States		China		
	Price *(per tire)*	Quantity *(tires)*	Price *(per tire)*	Quantity *(tires)*	Margin *(percent)*
2012: Jan.-Mar.	***	***	94.72	24,045	***
Apr.-June	***	***	96.25	25,608	***
July-Sept.	***	***	89.78	31,017	***
Oct.-Dec.	***	***	94.76	44,146	***
2013: Jan.-Mar.	***	***	91.45	55,524	***
Apr.-June	***	***	90.62	61,031	***
July-Sept.	***	***	87.99	54,226	***
Oct.-Dec.	***	***	88.76	61,787	***
2014: Jan.-Mar.	***	***	87.99	55,366	***
Apr.-June	***	***	82.47	35,168	***
July-Sept.	***	***	83.87	52,876	***
Oct.-Dec.	***	***	84.33	30,710	***

[1] Product 6: PVLT tires, 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

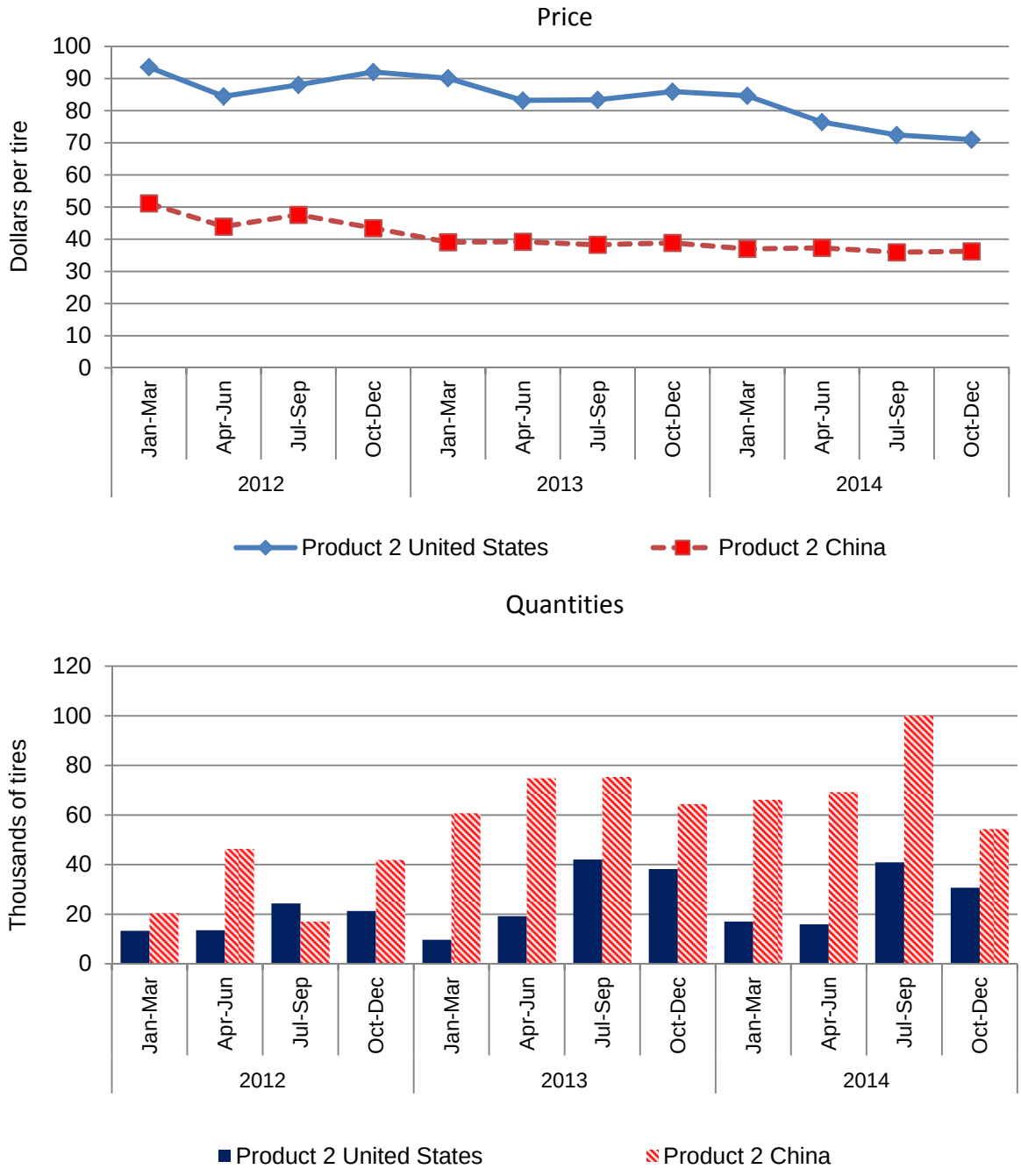
PVLT tires: Weighted-average prices and quantities of domestic and imported product 1,[1] by quarters, January 2012-December 2014



[1]Product 1: PVLT tires, tire size 205/55R16, 89-94 load index, T speed rating.
Source: Compiled from data submitted in response to Commission questionnaires.

Figure V-3

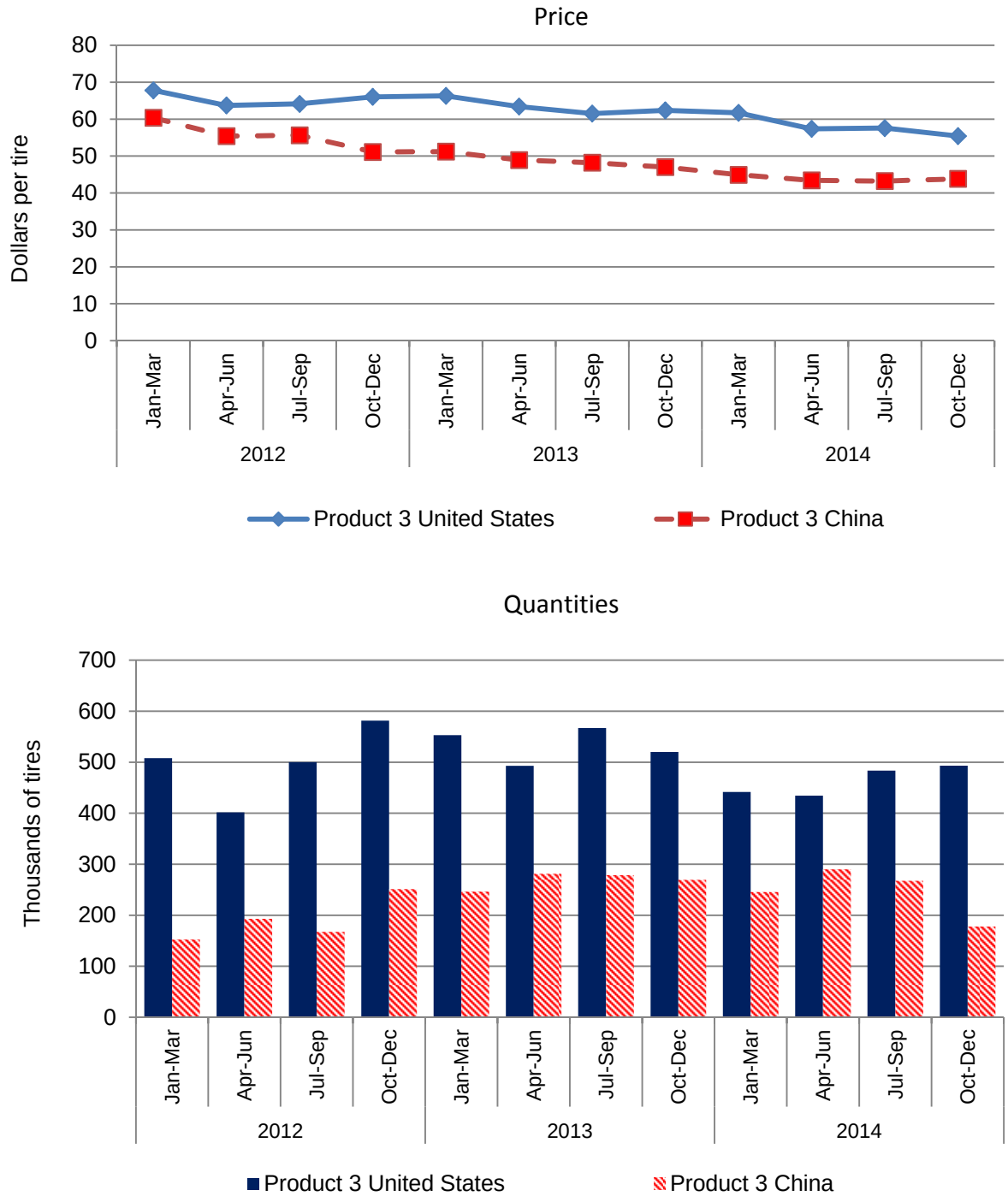
PVLT tires: Weighted-average prices and quantities of domestic and imported product 2,[1] by quarters, January 2012-December 2014



[1]Product 2: PVLT tires, tire size P215/55R17, 93-98 load index, T speed rating.
Source: Compiled from data submitted in response to Commission questionnaires.

Figure V-4

PVLT tires: Weighted-average prices and quantities of domestic and imported product 3,[1] by quarters, January 2012-December 2014

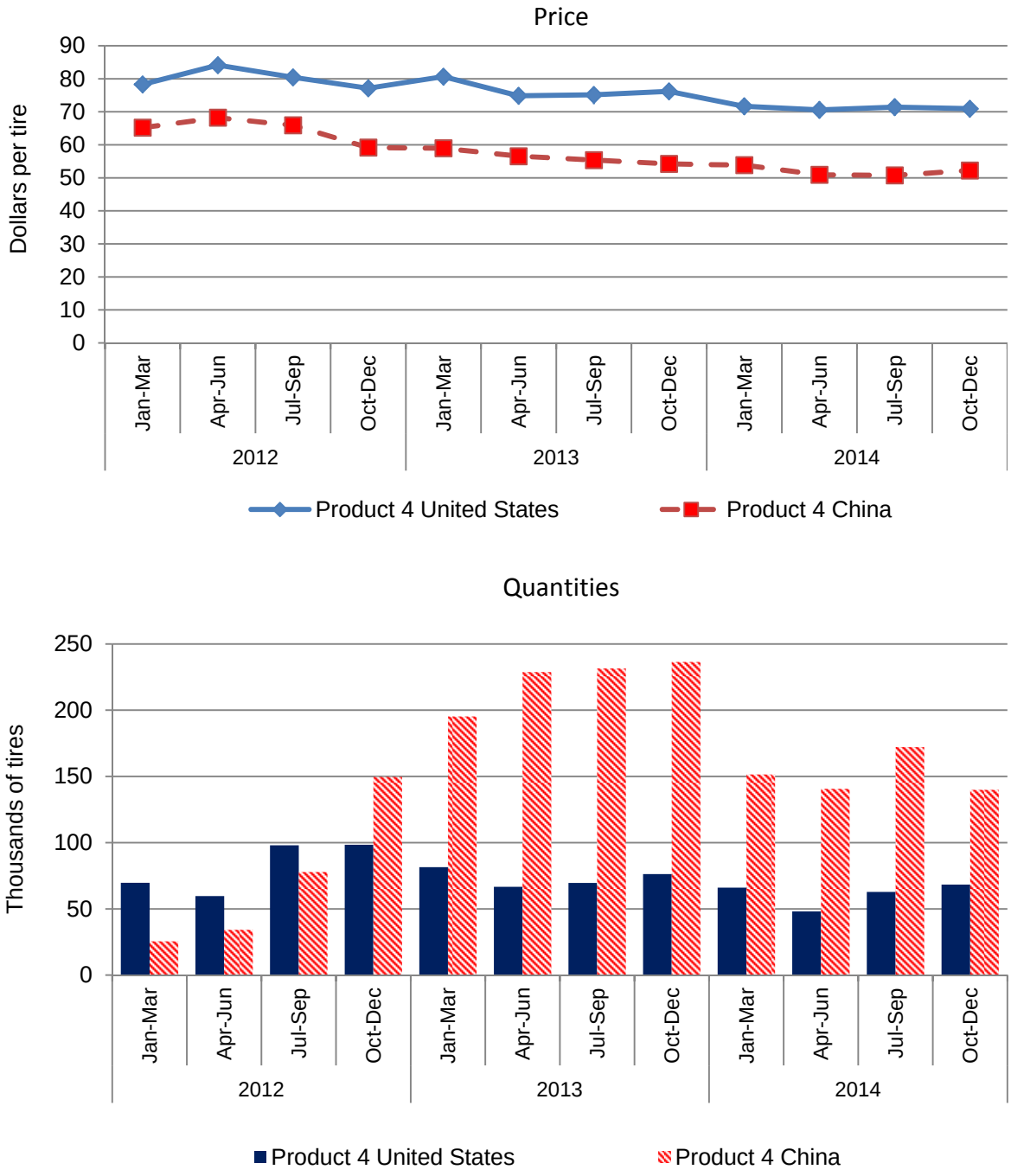


[1]Product 3: PVLT tires, tire size 225/60R16, 97-98 load index, T speed rating.

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

Figure V-5

PVLT tires: Weighted-average prices and quantities of domestic and imported product 4,[1] by quarters, January 2012-December 2014



[1]Product 4: PVLT tires, tire size P235/75R15, 104-110 load index, T speed rating.
Source: Compiled from data submitted in response to Commission questionnaires.

Figure V-6

PVLT tires: Weighted-average prices and quantities of domestic and imported product 5,[1] by quarters, January 2012-December 2014

* * * * * * *

Figure V-7

PVLT tires: Weighted-average prices and quantities of domestic and imported product 6,[1] by quarters, January 2012-December 2014

* * * * * * *

Price trends

Prices for PVLT tires fell during 2012–14. These price decreases occurred in all six price products. Table V-11 summarizes the price trends, by product and by country. Domestic price decreases ranged from 5.9 percent to 24.1 percent during 2012-14 while import price decreases ranged from 11.0 percent to 29.2 percent.

Table V-11

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	12	54.38	63.29	(8.4)
China	12	35.45	50.43	(26.8)
Product 2				
United States	12	71.01	93.55	(24.1)
China	12	35.95	51.17	(29.2)
Product 3				
United States	12	55.42	67.79	(18.2)
China	12	43.24	59.80	(26.7)
Product 4				
United States	12	70.57	84.13	(9.4)
China	12	50.76	68.22	(19.9)
Product 5				
United States	12	***	***	(8.4)
China	12	72.04	97.49	(25.7)
Product 6				
United States	12	***	***	(5.9)
China	12	82.47	96.25	(11.0)

[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

Prices for PVLT tires imported from China were priced below those for U.S.-produced product in all 72 instances during the period of investigation. Margins of underselling ranged from *** to *** percent, with an average margin of *** percent.

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.[14] However, the petitioner added that, as subject imports undersold the similar domestic products and gained market share, lost sales and lost revenues doubtlessly occurred.[15]

During the final phase of these investigations, 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. Responses of all U.S. producers are summarized in table V-12.

Table V-12
PVLT tires: Summary of U.S. producers' responses regarding lost revenues and lost sales

* * * * * * *

In response to an allegation of lost sales from *** in the preliminary phase of these investigations, *** said that the only North American company with which he had discussed a tire deal during this time was ***.[16] 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. In the final phase of these investigations, *** reported that it had switched purchases of PVLT tires from U.S. producers to PVLT tires imported from China but

[14] Petition, I-16.
[15] Ibid.
[16] ***-Staff telephone conversation, June 26, 2014.

indicated that price was not the reason for the shift. It reported that it was diversifying its product offerings and expanding its global sourcing options.[17]

*** also made 15 allegations of lost revenue but 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 ***, *** largest customer, but *** was unable to confirm or deny the allegations based on the information provided. The other nine allegations involved ***, which consists of a couple hundred customers. *** 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 and stated that the alleged initial prices and accepted prices were reasonably accurate.

[17] Response to lost sales allegation received May 1, 2015.

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

BACKGROUND

The following nine U.S. producers reported their financial results on PVLT tires: Bridgestone, Continental, Cooper, Goodyear, Michelin, Pirelli, Specialty Tires, Toyo, and Yokohama. Financial results were reported for calendar-year periods and primarily on the basis of U.S. generally accepted accounting principles (GAAP).[1]

PVLT tire revenue primarily reflects commercial sales (*** percent) with transfer sales accounting for the remainder *** percent).[2] Although most U.S. producers sell in both the OEM and replacement markets, several producers reported that they sell PVLT tires primarily 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 operations beyond tires (PVLT or non-PVLT).[4]

With respect to their U.S. PVLT tire operations, several producers reported that they purchase inputs from related suppliers: ***.[5] [6] [7] While Michelin's annual report indicates that, on an overall basis, the company produces 35 percent of its synthetic rubber requirements, ***.[8]

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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 also Table VI-3, note 4.

[3] Cooper 2014 10-K, p. 3. *** U.S. producer questionnaire, response to II-8. *** U.S. producer questionnaire, response to II-8.

[4] Narrative information accompanying public financial statements generally indicates that the relevant segment operations of U.S. producers consist of discrete business units, focused on specific markets such as OEM or replacement, which in turn may be managed on a global or regional basis; e.g., Continental specified in its 2012 Annual Report that, while its 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 PVLT tire operations are as follows: Regional basis segment reporting -- Cooper Tires (Americas Tire Operations); Goodyear (North American Tire). Cooper 2014 10-K, p. 23. 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. ***. *** U.S. producer questionnaire, response to III-17. ***. April 23, 2015 e-mail with attachment from *** to USITC auditor. ***. April 27, 2015 e-mail with attachment from *** to USITC auditor.

[6] The Commission's current practice requires that relevant cost information associated with input purchases from related suppliers correspond to the manner in which this information is reported in the

(*continued*...)

Operations on PVLT tires

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

Sales volume

The revenue section of the table VI-2 variance analysis shows total revenue was impacted by relatively large volume variances. While the *** of U.S. producers reported higher sales volume in 2013, the 2.9 percent decline in total sales volume in 2013 compared to 2012 was due ***. Overall sales volume subsequently increased 2.1 percent in 2014 with the *** of U.S. producers again reporting higher sales volume.

***. With respect to its relevant segment operations, Cooper's 2013 10-K stated that the reduction in sales volume in 2013 compared to 2012, in large part, was due to increased import competition "primarily on private label and lower value entry level consumer tires." Cooper also noted issues related to enterprise resource planning (ERP) software implementation which negatively impacted U.S. shipments in 2013.[10]

(…*continued*)
U.S. producer's own accounting books and records. See *1,1,1,2-Tetrafluoroethane from China, Inv. Nos. 701-TA-509 and 731-TA-1244 (Final)*, USITC Publication 4503, December 2014, pp. 23 and 37.

[7] Public information generally indicates that Bridgestone, with respect to its overall operations, is the only major tire producer that directly controls a portion of its natural rubber requirements. 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] Michelin 2014 Annual Report, p. 40. *** U.S. producer questionnaire, response to III-7.

[9] The Commission's variance analysis is calculated in three parts: sales variance, cost of sales 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 cost of sales variance 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 cost of sales and SG&A variances, respectively, and the volume variance is the sum of the volume components of the net sales, cost of sales, 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 pricing and product mix.

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

Table VI-1
PVLT tires: Results of operations of U.S. producers, 2012-14

Item	Calendar year		
	2012	2013	2014
	Quantity (1,000 tires)		
Commercial sales	***	***	***
Transfers	***	***	***
Total net sales quantity	151,078	146,720	149,829
	Value ($1,000)		
Commercial sales	***	***	***
Transfers	***	***	***
Total net sales value	13,362,303	12,803,969	13,004,873
Cost of goods sold:			
Raw materials	6,173,771	5,459,638	5,210,891
Direct labor	1,564,857	1,573,054	1,562,386
Other factory costs	3,137,939	3,180,158	3,138,691
Total cost of goods sold	10,876,567	10,212,850	9,911,968
Gross profit	2,485,736	2,591,119	3,092,905
SG&A expenses	1,256,839	1,295,401	1,417,307
Operating income	1,228,897	1,295,718	1,675,598
Interest expense	102,726	150,059	157,022
Other expenses[1]	93,803	52,874	117,530
Other income items	6,298	22,824	12,321
Net income	1,038,666	1,115,609	1,413,367
Depreciation/amortization	446,392	470,625	523,090
Estimated cash flow	1,485,058	1,586,234	1,936,457
	Ratio to net sales (percent)		
Raw materials	46.2	42.6	40.1
Direct labor	11.7	12.3	12.0
Other factory costs	23.5	24.8	24.1
Cost of goods sold	81.4	79.8	76.2
Gross profit	18.6	20.2	23.8
SG&A expenses	9.4	10.1	10.9
Operating income	9.2	10.1	12.9
Net income	7.8	8.7	10.9

Table continued on next page.

Table VI-1--*Continued*
PVLT tires: Results of operations of U.S. producers, 2012-14

Item	Calendar year		
	2012	2013	2014
	Ratio to cost of goods sold (percent)		
Raw materials	56.8	53.5	52.6
Direct labor	14.4	15.4	15.8
Other factory costs	28.9	31.1	31.7
	Unit values (dollars per tire)		
Commercial sales	***	***	***
Transfers	***	***	***
Total net sales	88	87	87
Cost of goods sold:			
Raw materials	41	37	35
Direct labor	10	11	10
Other factory costs	21	22	21
Total cost of goods sold	72	70	66
Gross profit	16	18	21
SG&A expenses	8	9	9
Operating income	8	9	11
	Number of firms reporting		
Operating losses	0	0	0
Data	9	9	9

[1] ***. June 26, 2014 e-mail with attachment from *** to USITC auditor. ***. April 22, 2015 e-mail with attachment from *** to USITC auditor. ***. *** U.S. producer questionnaire, response to III-10. ***. May 1, 2015 e-mail with attachment from *** to USITC auditor.

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

Table VI-2
PVLT tires: Variance analysis on the operations of U.S. producers, 2012-14

Item	Calendar year	
	2012-13	2013-14
	Value ($1,000)	
Total net sales:		
Price variance	(172,885)	(70,412)
Volume variance	(385,449)	271,316
Total net sales variance	(558,334)	200,904
Net cost of sales:		
Cost variance	349,971	517,293
Volume variance	313,746	(216,411)
Total net cost of sales variance	663,717	300,882
Gross profit variance	105,383	501,786
SG&A expenses:		
Expense variance	(74,817)	(94,456)
Volume variance	36,255	(27,450)
Total SG&A variance	(38,562)	(121,906)
Operating income variance	66,821	379,880
Summarized as:		
Price variance	(172,885)	(70,412)
Net cost/expense variance	275,154	422,836
Net volume variance	(35,449)	27,456

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

Table VI-3
PVLT tires: Results of operations of U.S. producers, by firm, 2012-14

* * * * * * *

*** reported relatively large percentage increases in sales volume during 2012-14 which coincided with capacity expansions.[11] ***.[12]

[11] ***. April 27, 2015 e-mail with attachment from *** to USITC auditor.
***. April 22, 2015 e-mail with attachment from *** to USITC auditor.
Toyo's U.S. plant in White, Georgia, which began operations in late 2005, is undergoing its fourth and final expansion which will increase overall capacity by around 3.8 million tires. The additional capacity will primarily be focused on light truck or larger rim diameter ultra-high performance (UHP) tires. *Toyo wrapping up long-term plant expansion; receives new bond facility*, Tire Business, August, 1, 2011, Vo. 29, Issue 9. *Growth drives Toyo's Georgia plant expansion*, Tire Business, December 22, 2014, Vol. 32, Issue 19. ***. April 22, 2015 e-mail with attachments from counsel on behalf of *** to USITC auditor.

[12] May 1, 2015 e-mail with attachment from *** to USITC auditor.

***.[13]

Sales value

The *** of U.S. producers reported declines in average sales value (of varying magnitudes) during 2012-14 (see table VI-3) which in turn generally explains the consecutive negative price variances shown in the revenue section of table VI-2 (variance analysis).

*** indicated that changes in average sales value were primarily due to underlying price, as opposed to product mix. In contrast, *** reported that its average sales value increased due, in large part, to a shift in product mix. *** also emphasized the importance of product mix, while *** indicated that the pattern of average sales values reflected changes in both raw material costs and product mix. *** noted that the pattern of its average sales value reflected a decline in prices which was offset in part by an improved product mix. Similarly, *** indicated that changes in price level and product mix were both important factors.[14]

Cost of goods sold

Table VI-1 shows that raw material costs declined from a high of 56.8 percent of total cost of goods sold (COGS) in 2012 to a low of 52.6 percent in 2014. As shown in table VI-3, the directional trend of company-specific average raw material costs was *** negative during 2012-14.

While the cost of raw materials used to produce PVLT tires include a number of items, a large share reflects natural and synthetic rubber.[15] During 2012-14 and with some fluctuations, the cost of natural rubber continued a decline which began in early 2011.[16] Of the two primary precursors for synthetic rubber (butadiene and styrene), butadiene exhibited a volatile trend

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[13] April 17, 2015 e-mail with attachment from *** to USITC auditor.

[14] June 20, 2014 *** response to staff follow-up questions. June 25, 2014 e-mail with attachments from *** to USITC auditor. June 26, 2014 e-mail with attachment from *** to USITC auditor. June 25, 2014 e-mail with attachment from *** to USITC auditor. June 25, 2014 e-mail with attachments from *** to USITC auditor. June 25, 2014 *** response to staff follow-up questions. June 25, 2014 e-mail with attachments from *** to USITC auditor. June 27, 2014 *** response to staff follow-up questions.

[15] As described by Goodyear in its 2014 10-K, "{t}he principal raw materials used by Goodyear are synthetic and natural rubber. Synthetic rubber accounts for approximately 60% 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." Goodyear 2014 10-K, p. 7. In varying levels of detail, other U.S. producers reported the same basic primary raw materials. Bridgestone 2011 Annual Report, p. 9 (specifying natural rubber as a key input for tires); Cooper 2012 10-K, p. 4 (indicating that 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).

[16] Continental 2014 Annual Report, p. 80.

which, like natural rubber, has also been generally downward since 2011. In contrast, price indices for styrene did not exhibit a notable downward trend until the latter part of 2014.[17]

Conversion costs (i.e., other factory costs and direct labor) make up somewhat less than half of total COGS. Table VI-1 shows that other factory costs, the second largest component of COGS, increased from 28.9 percent of total COGS in 2012 to 31.7 percent in 2014. 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."[18] In large part, relevant fixed costs related to PVLT manufacturing operations are included in the "other factory costs" category referenced in this section of the report.

Product mix, PVLT tire production process, the relative age of plant and equipment, and choices regarding cost assignment are among at least some of the factors which could help to explain the relatively wide range of company-specific average other factory costs shown in table VI-3. ***, U.S. producers reported generally modest period-to-period changes in average other factory costs during 2012-14.[19]

Direct labor accounts for the smallest share of overall COGS and increased from 14.4 percent of total COGS in 2012 to 15.8 percent of total COGS in 2014. When considering the relative importance of other factory costs and direct labor, an industry witness at the Commission's staff conference noted that ". . . labor costs are also significant, it's a pretty labor intensive industry as well as a relatively expensive high overhead industry."[20]

The range of company-specific average direct labor costs shown in table VI-3 generally indicates that U.S. producers vary to some extent in terms of how much direct labor is used in the production of PVLT tires.[21] While there were some period-to-period fluctuations, U.S. producers generally reported only modest changes in average direct labor costs during 2012-14.

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[17] Ibid. Narrative information accompanying the public financial information of several U.S. producers described the same general trend of declining raw material costs. Bridgestone Financial Results for 2014, p. 4. Cooper 2014 10-K, p. 4. Goodyear 2014 10-K, p. 7.

[18] Conference transcript (Johnson), p. 75.

[19] ***. Subsequently and with regard to its relevant segment operations, Cooper's 2014 10-K noted that 2014 costs were somewhat lower due to the elimination of production curtailments experienced in 2013. The positive impact of Cooper's higher 2014 production volume, however, was partially offset by manufacturing inefficiencies associated with reconfiguring the company's U.S. plants to produce increased volumes of higher value, higher margin tires. Cooper 2014 10-K, p. 21, p. 24.

***.

[20] Conference transcript (Johnson), p. 75.

[21] For example, Pirelli (with its Modular Integrated Roboticized System (MIRS)) and Toyo (with its Advanced Tire Operation Module (ATOM) production system) reportedly use unique automation processes which impact the entire cost structure. *Toyo, Pirelli make Ga. Hub of automation*, Tire Business article retrieved on May 1, 2015 at http://www.tirebusiness.com/article/20070604/ISSUE/306049978/toyo-pirelli-make-ga-hub-of-automation.

Financial results

For the U.S. industry as a whole, gross profit increased on an absolute basis and as ratio to net sales during 2012-14 (see table VI-1). The expansion in gross profit ratio, which was partially offset by a decline in sales volume in 2013 and then amplified by an increase in sales volume in 2014, reflects declines in average COGS which outpaced corresponding declines in average sales value.

While providing similar descriptions, U.S. producers were not uniform in terms of which factors most directly impacted profitability. *** noted that declines in raw material costs enhanced profitability.[22] In its 2014 10-K, Cooper indicated that the relevant segment's higher profitability in 2014 was due to a decline in raw material costs which was partially offset by unfavorable pricing and product mix. In addition, Cooper's manufacturing costs were somewhat lower in 2014 compared to 2013 due to the elimination of previously-referenced production curtailments in 2013.[23] ***, lower raw material costs were offset by declining sales value and improvements in profitability were largely due to lower manufacturing costs and associated savings.[24] *** also generally indicated that changes in profitability reflect shifts in product mix and that declines in raw material costs were not a primary factor.[25]

Table VI-1 shows that SG&A expense ratios (total SG&A expenses divided by total net sales) increased from 9.4 percent in 2012 to 10.9 percent in 2014. In the absence of substantial changes in corresponding SG&A expense ratios, factors impacting the pattern of overall gross profitability generally explain the pattern of overall operating income. This generalization does not apply to ***.[26]

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[22] ***. April 24, 2015 e-mail with attachment from *** to USITC auditor. ***. April 27, 2015 e-mail with attachment from *** to USITC auditor.

[23] Cooper 2014 10-K, p. 24. As described in footnote 19, Cooper also experienced manufacturing inefficiencies in 2014 due to plant reconfigurations intended to increase the company's capacity to produce higher margin, higher value tires.

[24] April 23, 2015 e-mail with attachment from *** to USITC auditor. ***. June 25, 2014 *** response to staff follow-up questions.

[25] April 22, 2015 e-mail with attachments from counsel on behalf of *** to USITC auditor. April 17, 2015 e-mail with attachment from *** to USITC auditor. ***.

[26] *** were the only U.S. producers that provided descriptions of how their SG&A expenses support (specifically or in general) marketing in the OEM and replacement markets. ***. *** U.S. producer questionnaire, response to III-9(b). ***. *** U.S. producer questionnaire, response to III-9(b).

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.[27]

Table VI-4
PVLT tires: Capital expenditures and research and development expenses of U.S. producers, 2012-14

* * * * * * *

Having declined somewhat in 2013, the U.S. industry's capital expenditures increased to their highest level in 2014. As shown in table VI-4 and with regard to U.S. producers reporting notable capital expenditure amounts, company-specific patterns were not uniform: ***,[28] ***,[29] and ***,[30] ***,[31] and ***.[32]

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[27] U.S. producers reported total assets related to PVLT tire operations as follows: ***. Using this information and the reported PVLT tire operating results, the following return on assets ratios for PVLT tire operations were calculated: ***. Alternatively and giving consideration to the fact that the asset information reported by U.S. producers was based on information specific to their level of operations, the following return on asset ratios were calculated (using the overall average asset turnover ratio (sales divided by total assets) of relevant reportable segments): ***. See footnote 4 and USITC auditor final-phase notes. The lower return on asset ratios based on reportable segment information is directly explained by lower segment asset turnover ratios, ***, as compared to asset turnover ratios specific to PVLT tires of ***. In general, this pattern is consistent with the broader range of assets that would be accounted for by reportable segments. Since the asset turnover ratios for PVLT tires and reportable segments were essentially static, the primary source of the improvement of return on assets, for both levels of activity, was the increase in operating profit margin. (Note: Return on assets equals relevant profit ratio multiplied by asset turnover ratio. To the extent that either one of these variables remains essentially constant, changes in the return on assets ratio can generally be attributed to the other variable.)

[28] ***. April 27, 2015 e-mail with attachment from *** to USITC auditor.

***. June 27, 2014 *** response to staff follow-up questions. Michelin's Lexington, South Carolina expansion, which focused on creating capacity for larger diameter performance tires for SUV's and crossovers, reportedly came on line in early October, 2012. *Michelin S.C. expansion now on stream*, Tire Business article retrieved on May 1, 2015 at http://www.tirebusiness.com/article/20121012/NEWS/121019941/michelin-s-c-expansion-now-on-stream.

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

[30] ***.

[31] ***. April 23, 2015 e-mail with attachment from *** to USITC auditor.

[32] ***. April 22, 2015 e-mail with attachments from counsel on behalf of *** to USITC auditor.

Table VI-4 shows that *** U.S. producers reported R&D during 2012-14. While company-specific R&D expenses ranged considerably, U.S. producers reported similar underlying R&D activity.[33] [34] [35] [36] [37] [38]

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	***.

Anticipated effects of imports

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

[33] ***. June 26, 2014 e-mail with attachment from *** to USITC auditor.
[34] ***. June 25, 2014 e-mail with attachments from *** to USITC auditor.
[35] ***. June 25, 2014 *** response to staff follow-up questions.
[36] ***. June 27, 2014 *** response to staff follow-up questions.
[37] ***. June 25, 2014 e-mail with attachments from *** to USITC auditor.
[38] ***. June 25, 2014 e-mail with attachments from *** to USITC auditor.

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 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 150 companies were identified as operating tire production facilities in China as of September 2014. Of these firms, about 55 percent (80 companies) were reported to

[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."

be operating plants producing PVLT tires at about 90 locations.[3] According to public data reported by the Tire Branch of the China Rubber Industry Association ("CRIA"), total Chinese PVLT tire production was estimated to be about 399 million tires in 2014.[4] The largest Chinese tire producers include Hangzhou Zhongce Rubber Co. Ltd. ("Zhongce Rubber"), Giti Tire, Pte. Ltd. ("Giti"), Triangle Group Co., Ltd., Shandong, China ("Triangle Group"), and Shandong Linglong Rubber Co., Ltd. ("Shandong Linglong").[5]

Zhongce Rubber ranks tenth globally, with about $5 billion in tire sales in 2013, and operates two PVLT tire plants at Hangzhou, Zhejiang and Jintan, Jiangzhou. The Hangzhou plant commenced operations in 1958 and has a production capability of 45 million radial and bias ply DOT coded tires annually consisting of PVLT and other tires produced by a workforce of 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 1,500 nonunion workers.

Giti ranked 11th globally with about $4 billion in 2013 in tire sales. The firm operates six plants, three of which produce 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 tires annually.

Triangle Group ranks 15th globally with tire sales of about $3 billion in 2013. Triangle Group operates three plants, all of which produce PVLT tires. The plants in total are manned by a combined workforce of approximately 8,600. Two of its plants opened in Weihai, Shandong in 1993 with a combined annual production capacity of 82.5 million radial and bias ply tires for PVLT, truck/bus, agricultural, and industrial tires. Its third plant in Wehei, Shandong, opened in 2010 with an annual production capacity of 13.6 million PVLT and truck/bus tires.

Shandong Linglong ranks 18th globally with tire sales of about $2 billion in 2013. 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.[6]

The Commission received 48 usable questionnaire responses from foreign producers or exporters of PVLT tires in China.[7] Their reported exports to the United States accounted for *** percent of official U.S. import statistics quantities of PVLT tires from China in 2014. Their

[3] Data compiled from statistics published in Rubber & Plastics News, September 8, 2014.

[4] Chinese PVLT tire production is projected to reach 418 million tires in 2015. Chinese respondents' prehearing brief, attachment three.

[5] Rubber & Plastics News, September 8, 2014.

[6] Chinese tire producer profiles are based on information published in Rubber and Plastics News, September 8, 2014.

[7] Commission staff received responses from Weifang Yuelong Rubber Co., Ltd. and Xingyuan Tire Group Co., Ltd. indicating that they did not produce PVLT tires any time since January 1, 2012.

reported production accounted for *** percent of CRIA's estimate of PVLT tires produced in China during 2014.[8]

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. Eleven firms reported opening plants.[9] In addition to plant openings reported in response to Commission questionnaires, Sanshun Tire opened a plant in December 2013 with annual capacity of 3 million passenger vehicle tires; Hankook opened its Chongqing plant in March 2013; Shaanxi Yanchang completed construction on its 8 million tire annual capacity plant in September of 2014; and Anhui HeDing began production in its new 4 million steel-belted radial tire annual capacity plant in September 2014.[10] According to industry press cited by the petitioner, Triangle Group, Guanzhou Fengli Tire & Rubber, and Himaxer Tire are also planning to open new production facilities in the future.[11]

Other changes in operations reported in foreign producers' questionnaire responses include fifteen firms reported expansions or planned expansions;[12] five firms reported relocating or plans to relocate;[13] three firms reported involvement in acquisitions;[14] three firms reported prolonged shutdowns or curtailments;[15] three firms reported revised labor agreements;[16] and five firms reported other changes.[17] Table VII-1 presents total reported industry changes in the character of operations during 2012-14.

[8] Coverage calculation based on the *** million PVLT tires reported by Chinese producers in tables VII-2 and VII-4 of this report and the 2014 production estimate of 399 million PVLT tires provided by CRIA. Chinese respondents' prehearing brief, attachment three.

[9] ***.

[10] Petitioner's prehearing brief, pp. 119-121.

[11] Ibid.

[12] ***.

[13] ***.

[14] ***.

[15] ***.

[16] ***.

[17] ***. Appendix G presents detailed changes in character of operations, as reported in the questionnaire responses.

Table VII-1
PVLT tires: Chinese producers' reported changes in character of operations, 2012-14

Item	Number of changes
Plant openings	11
Plant closings	0
Relocations	5
Expansions	15
Acquisitions	3
Consolidations	0
Prolonged shutdowns or curtailments	3
Revised labor agreements	3
Other	5
Total number of changes	45

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

Sixteen firms indicated that they anticipate increased productivity of PVLT tires in the near-term future, either through improved processes and technology or by expansion of existing facilities.[18] In addition, ***.

Table VII-2 presents Chinese producers' capacity and production data. Twenty foreign producers reported production of products other than PVLT tires during at least one year during the period. These nonsubject products include racing tires (ZR), off-the-road tires (OTR), and special trailer (ST) tires produced using the same equipment, machinery, and labor used in the production of PVLT tires. Production of nonsubject tires decreased from *** to *** percent of Chinese producers' overall production between 2012 and 2014. 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.

Table VII-2
PVLT tires: Chinese producers' overall capacity and production, 2012-14

* * * * * * *

Chinese producers were asked to describe the constraints that set the limits on their 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. They also mention adjustment and fitting of new equipment and work stoppages due to "excessive fog and haze."[19]

[18] ***. Appendix G also provides the details of all anticipated changes in character of operations, as reported in the questionnaire responses.

[19] Chinese respondents' posthearing brief, p. 17.

In response to the Commission's supplemental questions regarding capacity, foreign producers explained that 100 percent capacity utilization is impossible to maintain over an extended period of time.[20] *** and *** provided information regarding the steps involved with ramping up production. They estimate that it would take 6 to 12 months to add new product capacity. They cite market research, internal project approval, product design, contracting the production of molds, processing of the molds, and trial production as typical steps required to add new capacity.[21]

Table VII-3 presents summary data on responding producers and exporters from China. The largest producers of PVLT tires in China include: ***.[22] [23]

[20] Ibid.

[21] Ibid., p. 19.

[22] The following firms provided a foreign producer/exporters' questionnaire response in the preliminary phase of the investigations but did not provide one during the final phase: Crowntyre Industrial Co., Ltd. ("Crowntyre"), Guangzhou Pearl River Rubber Tyre Co., Ltd. ("Pearl River"), Hankook China Co., Ltd. ("Hankook"), Shandong Duratti Rubber Co., Ltd. ("Shandong Duratti"), Shandong Haolong Rubber Tyre Co., Ltd. ("Shandong Haolong"), Shandong Luhe Group ("Shandong Luhe"), South China Tire and Rubber Co., Ltd. ("South China Tire"), Weihai Ping'an Tyre Co., Ltd. ("Weihai Ping'an"), and Xingyuan Tire Group ("Xingyuan"). The Chinese respondents reported the following with respect to these firms: Crowntyre: ***; Shandong Haolong: ***; South China Tire: ***; Weihai Ping'an: ***; Xingyuan:*** Chinese respondents' prehearing brief, p. 25.

[23] ***.

Table VII-3
PVLT tires: Summary data on firms in China, 2012-14

Firm	Production (1,000 tires)	Share of reported production (percent)	Exports to the United States (1,000 tires)	Share of reported exports to the United States (percent)	Total shipments (1,000 tires)	Share of firm's total shipments exported to the United States (percent)
Aeolus	***	***	***	***	***	***
Beijing Capital	***	***	***	***	***	***
Bridgestone (China)	***	***	***	*** [1]	***	***
Cooper (Kunshan)	***	***	***	***	***	***
Double Coin Holdings	***	***	***	***	***	***
Doublestar-Dongfeng	***	***	***	***	***	***
Federal Tire (JiangXi)	***	***	***	*** [1]	***	***
Giti	***	***	***	***	***	***
Goodyear Dalian	***	***	***	*** [1]	***	***
Guangzhou Wanli	***	***	***	***	***	***
Guizhou	***	***	***	***	***	***
Kenda Rubber (China)	***	***	***	***	***	***
Kumho Tire (Changchun)	***	***	***	***	***	***
Kumho Tire (Tianjin)	***	***	***	***	***	***
Longkou Xinglong	***	*** [1]	***	*** [1]	***	***
Nanjing Kumho	***	***	***	***	***	***
Nankang	***	***	***	***	***	***
Pirelli	***	***	***	***	***	***
Prinx Chengshan	***	***	***	***	***	***
Qingdao Doublestar	***	***	***	***	***	***
Qingdao Fullrun	***	***	***	***	***	***
Qingdao Fuyingxiang	***	***	***	***	***	***
Qingdao Sentury	***	***	***	***	***	***
Sailun Jinyu Group	***	***	***	***	***	***
Shaanxi Yanchang	***	***	***	***	***	***
Shandong Changfeng	***	***	***	***	***	***
Shandong Guofeng	***	***	***	***	***	***
Shandong Haohua	***	***	***	***	***	***

Table continued on following page.

Table VII-3--Continued
PVLT tires: Summary data on firms in China, 2012-14

Firm	Production (1,000 tires)	Share of reported production (percent)	Exports to the United States (1,000 tires)	Share of reported exports to the United States (percent)	Total shipments (1,000 tires)	Share of firm's total shipments exported to the United States (percent)
Shandong Hengyu	***	***	***	***	***	***
Shandong Jinyu	***	***	***	***	***	***
Shandong Linglong	***	***	***	***	***	***
Shandong Longyue	***	***	***	***	***	***
Shandong New Continent	***	***	***	***	***	***
Shandong Province Sanli	***	*** [1]	***	*** [1]	***	***
Shandong Wanda Boto	***	***	***	***	***	***
Shandong Yongsheng	***	***	***	***	***	***
Shandong Yongtai	***	***	***	***	***	***
Shandong Zhongyi	***	***	***	***	***	***
Shengtai Group	***	***	***	***	***	***
Shouguang Firemax	***	***	***	***	***	***
Sichuan	***	***	***	***	***	***
Sumitomo	***	***	***	***	***	***
Toyo	***	***	***	***	***	***
Triangle	***	***	***	***	***	***
Weihai Zhongwei	***	*** [1]	***	***	***	***
Wendeng Sanfeng	***	*** [1]	***	***	***	***
Zhaoqing Junhong	***	***	***	***	***	***
Zhongce Rubber Group	***	***	***	***	***	***
Total	***	100	***	100	***	***

[1] Less than .05 percent of share.
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 own or are otherwise related to one or more Chinese producers of PVLT tires.[24] Details concerning these producers and their facilities in China are provided below.

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.[25]

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

[25] 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

(*continued*...)

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.[26] 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 for per day (2.9 million tires per year) to approximately 12,000 tires per day (4.4 million tires per year).[27] 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. [28] Bridgestone reported that ***. Bridgestone's overall annual production capacity in China was *** million PVLT tires in 2014.

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 per year.[29] In 2013, it was reported that the Hefei plant had produced China's first domestic run-flat tires, which are 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

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(…*continued*)
1, 2000. http://www.tirebusiness.com/article/20000201/NEWS/302019997/bridgestone-hikes-tire-making-presence-in-china, retrieved July 3, 2014.

[26] "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.

[27] *Certain Passenger Vehicle and Light Truck Tires From China, Inv. No. TA*-421-7, USITC Publication 4085, July 2009, pp. IV-6-7.

[28] "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.

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

510,000 in 2015.[30] The Commission did not receive a foreign producer 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.[31] The first radial passenger and light truck tires produced by the joint venture came in February 2008.[32] In 2011, Cooper agreed to buy the remaining 50-percent stake in the joint venture for $116.5 million, renaming it Cooper Kunshan Tire. In its questionnaire response, Cooper reported ***.

Cooper also produced tires as part of a joint venture with the Chengshan Group in Shandong Province. 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.[33] ***.[34]

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

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

[31] In that same year, Cooper announced that Hangzhou Zhongce Rubber, located in Hangzhou, China would be supplying approximately one million passenger radial tries to Cooper for sale in the U.S. market. *Investigation No. TA*-421-7*: Certain Passenger Vehicle and Light Truck Tires From China, Inv.—Staff Report*, INV-GG-051, June 12, 2009, p. IV-7.

[32] Ibid.

[33] 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 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.

[34] ***.

listed as 15,000 tires a day, or approximately 5.4 million a year.[35] In its questionnaire response, Goodyear reported ***.

Michelin

Michelin established its 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.[36] 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 it reported will eventually have the capacity to produce more than 12 million car, light truck and medium truck/bus tires a year.[37] The Commission did not receive a foreign producer 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.[38] 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 capacity to 850,000 units from 700,000.[39] In its questionnaire response, Pirelli reported an ***.

Toyo

Toyo has PVLT tire manufacturing operations at two facilities in China. In 2010, Toyo established a subsidiary (Toyo Tire (Zhangjiagang) to produce PVLT tires in Jiangu, which

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[35] "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.

[36] Michelin acquired 70 percent of a joint venture in Shanghai in 2001, which operates as Shanghai Michelin Warrior Tire Co. *Investigation No. TA*-421-7*: Certain Passenger Vehicle and Light Truck Tires From China, Inv.—Staff Report*, INV-GG-051, June 12, 2009, IV-9.

[37] "Michelin opens Shenyang plant," February 12, 2013. http://www.tirebusiness.com/article/20130212/NEWS/130219977/michelin-opens-shenyang-plant, retrieved July 7, 2014.

[38] "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.

[39] 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.

opened in December 2011 with an expected annual capacity of about two million tires.[40] In 2011, Toyo acquired a 75 percent equity interest in Chinese motor vehicle tire manufacturer Silverstone and renamed it Toyo Tire (Zhucheng).[41] Toyo reported that its operations in China have ***.

Yokohama

Yokohama has PVLT tire manufacturing operations at two facilities in China: Hangzhou Yokohama Tire Co., Ltd. in Hangzhou and Suzhou Yokohama Tire Co., Ltd. in Suzhou. 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 that year with an eventual 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."[42]

Table VII-4 presents aggregate data with respect to PVLT tires operations of the 48 responding firms in China.

Table VII-4
PVLT tires: Data on industry in China, 2012-14 and projections for calendar years 2015 and 2016

* * * * * * *

Capacity in China increased by *** percent while production increased by *** percent during 2012-14. Home market shipments accounted for between *** percent of total shipments during the period. *** accounted for the majority of reported internal consumption/internal transfers of PVLT tires. Export shipment quantities to the United States increased by *** percent during the period and accounted for *** percent of total shipments in 2012 and *** percent in 2014. Export shipment quantities to all other markets increased by *** percent during the period and accounted for *** percent of total shipments in 2012 and *** percent in 2014.

[40] "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.

[41] 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.

[42] "Yokohama to build 2nd Chinese passenger tire plant," January 23, 2014. http://www.rubbernews.com/article/20140123/NEWS/140129972, retrieved July 8, 2014.

Table VII-5 shows exports to the United States of branded and private label tires.[43] Branded tires comprised between *** and *** percent of quantities of export shipments to the United States over the period. Unit values of branded and private label tires *** in 2012 and 2013, and then they *** in 2014 when the average unit value of branded tires fell to $38.24 compared to *** for private label. [44]

Table VII-5
PVLT tires: Exports to the United States of branded and private label tires, 2012-14

Item	Calendar year		
	2012	2013	2014
	Quantity (1,000 tires)		
Branded	17,870	26,614	28,935
Private label	***	***	***
Total shipments	***	***	***
	Value (1,000 dollars)		
Branded	784,801	1,077,992	1,106,424
Private label	***	***	***
Total shipments	***	***	***
	Unit value (dollars per tire)		
Branded	43.92	40.50	38.24
Private label	***	***	***
Total shipments	***	***	***
	Share of quantity (percent)		
Branded	***	***	***
Private label	***	***	***
Total shipments	***	***	***
	Share of value (percent)		
Branded	***	***	***
Private label	***	***	***
Total shipments	***	***	***

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

[43] The Commission's foreign producer questionnaires defined branded and private label as follows:
Private label-- a tire produced or packaged for sale under the name other than that of the manufacturer of the tire or a brand name owned by that manufacturer,
Branded tires-- a tire produced or packaged for sale under the name of the manufacturer of the tire or a brand name owned by that manufacturer.

[44] A list of each foreign producer's brands and private labels is presented in appendix E.

China's export markets

Chinese exports of motor car (passenger car) tires by country as reported under HS 4011.10 are presented in table VII-6. Light truck tires are excluded from this category.

Table VII-6
Motor car tires: China's exports of motor car tires to major trading partners, 2012-14

Item	Calendar year		
	2012	2013	2014
	Value (1,000 dollars)		
United States	1,398,045	1,899,681	1,714,371
United Kingdom	480,532	490,750	473,760
Germany	201,200	197,810	221,401
Australia	302,878	251,861	218,654
Canada	264,365	235,240	217,345
Mexico	167,000	176,124	198,405
Netherlands	186,197	161,470	164,231
Brazil	163,873	181,234	156,582
Italy	123,896	136,229	145,189
United Arab Emirates	146,610	123,782	140,548
Japan	161,594	153,848	135,997
Saudi Arabia	137,509	114,216	133,184
Spain	102,631	127,362	129,844
Russia	113,863	125,383	106,574
Korea South	137,304	111,592	101,748
Belgium	127,917	97,678	84,811
Nigeria	65,327	90,886	84,058
Algeria	88,230	66,670	73,011
France	66,535	64,676	72,186
Iran	19,840	13,769	65,829
All others	1,423,656	1,363,453	1,418,014
Total	5,879,002	6,183,716	6,055,743

Source: Global Trade Atlas, Customs data (HS 4011.10), accessed April 30, 2015.

The United States was reported as the leading destination for Chinese passenger car tire exports during the period, and in 2014 accounted for 28.3 percent of total Chinese global exports compared to 23.8 percent in 2012. In 2014, China exported passenger car tires valued at $6.1 billion to more than 200 countries in several regions around the globe. More than three-quarters of that total was shipped to the 20 countries listed in table VII-6. On a regional basis, of the 20 countries shown in 2014, North America (United States, Canada, and Mexico) accounted for 35.2 percent of total Chinese exports, the EU 28, 21.3 percent, and Asia, the Middle East, Oceania, Africa and Latin America, 20.3 percent in aggregate.

Table VII-7 presents the value of Chinese exports of subject passenger car tires, together with both subject and nonsubject truck and bus tires by country, as reported under HS 4011.10 and 4011.20, respectively. In 2014, Chinese exports of passenger car, truck and bus tires in

aggregate totaled $14.6 billion, of which truck and bus tires accounted for $8.5 billion or about 58 percent of the total, and passenger tires, $6.1 billion, or 42 percent of total exports.[45] Chinese truck and bus tires were exported to more than 200 countries around the globe.[46]

Table VII-7
Motor car, truck and bus tires:[1] China's exports of motor car, truck and bus tires to major trading partners, 2012-14

Item	Calendar year		
	2012	2013	2014
	Value (1,000 dollars)		
United States	2,868,688	3,349,406	3,564,604
United Kingdom	607,010	656,590	637,763
Mexico	431,507	431,454	528,776
United Arab Emirates	694,372	507,045	508,295
Australia	587,931	525,655	481,209
Russia	527,666	548,087	458,721
Saudi Arabia	536,131	494,650	420,151
Canada	398,022	372,493	357,635
Germany	288,718	292,416	341,237
Netherlands	262,195	252,984	275,531
Nigeria	236,086	302,325	244,750
Italy	196,874	231,202	244,691
Iran	73,550	81,341	220,008
Brazil	231,221	269,601	219,256
Spain	151,592	197,959	215,876
Algeria	209,339	156,641	210,385
Japan	199,963	180,021	206,209
Chile	207,559	206,813	179,639
Pakistan	244,664	233,144	177,128
Iraq	137,910	207,417	167,943
All others	4,844,447	4,818,992	4,913,922
Total	13,935,445	14,316,236	14,573,729

[1] Includes values of nonsubject truck and bus tires reported under HS 4011.20.
Source: Global Trade Atlas, Customs data (HS 4011.10, 4011.20), accessed April 30, 2015.

[45] Chinese truck and bus tire export data as reported by Global Trade Atlas (GTIS) at the 6-digit HS level are likely to include a significant percentage of nonsubject product. In 2014, U.S. imports of subject Chinese light truck and nonsubject truck and bus tire imports at 10-digit levels were valued at $1.48 billion, of which nonsubject truck and bus tires accounted for $1.08 billion, or 73 percent of the total, and subject light truck tires $0.40 billion, or 27 percent of the total.

[46] Certain nonsubject truck and bus tires from China reported at the 10-digit level under HS 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.

U.S. INVENTORIES OF IMPORTED MERCHANDISE

Table VII-8 presents data on U.S. importers' reported inventories of PVLT tires. Inventory quantities of imported PVLT tires from China increased by 84.4 percent during 2012-14, while inventories from all other sources decreased by 0.9 percent.

Table VII-8
PVLT tires: U.S. importers' end-of-period inventories by source, 2012-14

Item	Calendar year		
	2012	2013	2014
Imports from China:			
Inventories (1,000 tires)	4,348	5,788	8,019
Ratio to U.S. imports (percent)	16.6	13.9	17.8
Ratio to U.S. shipments of imports (percent)	17.7	14.6	19.0
Ratio to total shipments of imports (percent)	17.4	14.4	18.7
Imports from all other sources:			
Inventories (1,000 tires)	18,580	19,117	18,415
Ratio to U.S. imports (percent)	18.2	18.7	18.0
Ratio to U.S. shipments of imports (percent)	19.6	19.8	19.0
Ratio to total shipments of imports (percent)	18.6	18.8	17.8
Imports from all sources:			
Inventories (1,000 tires)	22,928	24,905	26,434
Ratio to U.S. imports (percent)	17.9	17.3	17.9
Ratio to U.S. shipments of imports (percent)	19.2	18.3	19.0
Ratio to total shipments of imports (percent)	18.3	17.5	18.1

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 December 31, 2014. These data are presented in table VII-9.

Table VII-9
PVLT tires: U.S. importers' current orders arranged for delivery after December 31, 2014

* * * * * * *

ANTIDUMPING OR COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS

Petitioners cited five countries with antidumping duty orders on passenger vehicle and light truck tires: Brazil, India, Turkey, Colombia, and Egypt. On June 9, 2009, Brazil issued antidumping duty orders with rates ranging from $1.12 to $2.59 per kilogram on radial

construction tires for trucks from China. In September 2009, Brazil issued antidumping duty orders with a rate 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.[47] On January 1, 2010, India issued an antidumping duty order on new pneumatic radial tires for trucks and buses from China, with a rate ranging from $22.47 to $89.14 per tire.[48] On August 8, 2005, Turkey issued an antidumping duty order on new pneumatic tires from China at rates ranging from 60 to 80 percent.[49] On June 12, 2013, Colombia issued an antidumping duty order on radial tires from China.[50] On February 20, 2014, Egypt extended its antidumping duty orders on tires for buses and trucks from China with duties between 3.8 and 60.0 percent.[51] On September 25, 2014, Egyptian authorities initiated, upon a request from an exporter, an interim review for tires from China.[52]

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 nonsubject imports) 'to ensure that it is not attributing injury from other sources to the subject imports.'"[53]

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[47] "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.

[48] 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.

[49] "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.

[50] *Semi-Annual Report Under Article 16.4 of the Agreement: Colombia*, World Trade Organization, March 21, 2014, p. 13.

[51] *Semi-Annual Report Under Article 16.4 of the Agreement: Egypt*, July 30, 2014, p. 3.

[52] *Semi-Annual Report Under Article 16.4 of the Agreement: Egypt*, January 23, 2015, p. 4.

[53] *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).

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 new tire sales data are presented in table VII-10.[54]

Global new tire sales figures as reported by 75 international firms reflect a relatively level value of sales of approximately $188 billion in both 2012 and 2013. The 15 leading firms in tire sales in 2013 accounted for about 72 percent of the global total. These sales were led by Bridgestone of Japan, Michelin of France, and Goodyear of the United States. These firms' sales were reported at $71 billion, or about 53 percent of the top 15 leading global tire manufacturer sales, and about 38 percent of the global total. The next largest producers were Continental of Germany, Pirelli of Italy, Sumitomo of Japan, and Hankook of Korea, which accounted for another $33 billion, or about 25 percent of sales by the top 15 tire producers. Firms headquartered in Japan had the largest share of sales with $42 billion, or about 23 percent of total global value. Zhongce Rubber and Triangle Group were the only firms headquartered in China among the top global producers.

[54] Global tire sales by producer were obtained from data published in Rubber and Plastics News, September 8, 2014.

Table VII-10
Tires: Global leaders in new tire sales, by firm, 2012-13

2013 Rank	Firm and headquarters location	Estimated value of tire sales ($ million)		Share of global sales
		2012	2013	2013
1	Bridgestone Corp., Tokyo, Japan [1]	28,575	27,390	14.6
2	Group Michelin, Clermont-Ferrand, France	26,222	25,545	13.7
3	Goodyear Tire & Rubber Co., Akron, OH [2] [3]	18,900	17,586	9.4
4	Continental A.G., Hanover, Germany	10,895	11,150	6.0
5	Pirelli & C. S.p.A., Milan, Italy [4]	7,635	8,007	4.3
6	Sumitomo Rubber Industries Ltd., Kobe, Japan [2] [5]	7,763	6,971	3.7
7	Hankook Tire Co. Ltd., Seoul, South Korea [6]	6,259	6,868	3.7
8	Yokohama Rubber Co. Ltd., Tokyo, Japan [7]	5,570	4,916	2.6
9	Maxxis International/Cheng Shin Rubber, Yuanlin, Taiwan	4,631	4,769	2.6
10	Zhongce Rubber Group Co. Ltd., Hangzhou, China	4,558	4,529	2.4
11	Giti Tire Pte. Ltd., Singapore [8]	2,696	3,756	2.0
12	Cooper Tire & Rubber Co., Findlay, OH	4,201	3,439	1.8
13	Kumho Tire Co. Inc., Seoul, South Korea [9]	3,600	3,419	1.8
14	Toyo Tire & Rubber Co. Ltd., Osaka, Japan	2,867	2,970	1.6
15	Triangle Group Co., Ltd., Shandong, China	2,470	2,712	1.5
	Subtotal	136,842	134,027	71.7
	All others	52,408	52,973	28.3
	Total	189,250	187,000	100.0

[1] Bridgestone owns 15% of Nokian Tyres P.L.C. (No. 19 on 2013 ranking) and 44% of Turkey's BRISA/Bridgestone (No. 39).

[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. Companies are negotiating an end to the joint venture, expected before year-end.

[3] Goodyear is phasing out its European/Middle East/Africa farm tire business ($200+M annual sales) by year-end 2014.

[4] Pirelli sold its steel cord business ($410M annual sales), 2nd quarter 2014, to Bekaert S.A.

[5] Sumitomo acquired Dunlop assets in Africa, including Ladysmith, South Africa, plant from Apollo Tyres (No. 17 on 2013 ranking); $180M sales.

[6] Hankook is building a PVLT tire plant in Clarksville, TN (U.S.).

[7] Yokohama and Kumho are participating in a joint R&D agreement.

[8] Giti's 2013 sales include revenue of P.T. Gajah Tunggal of Indonesia, in which Giti owns 49.7% stake; the firm is building a tire manufacturing plant in South Carolina (U.S.), designed to produce PVLT tires.

[9] Kumho is building a PVLT tire plant in Macon, GA (U.S.).

Note.-- Where possible, non-tire revenue from company-owned retail operations is excluded.

Source: Rubber and Plastic News, September 8, 2014.

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	*Commission's Institution of Antidumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations*	http://www.gpo.gov/fdsys/pkg/FR-2014-06-09/pdf/2014-13342.pdf
79 FR 35725, June 24, 2014	*Commerce's Notice of Extension of the Deadline for Determining the Adequacy of the Antidumping and Countervailing Duty Petitions*	http://www.gpo.gov/fdsys/pkg/FR-2014-06-24/pdf/2014-14716.pdf
79 FR 42285, July 21, 2014	*Commerce's Initiation of Countervailing Duty Investigation*	http://www.gpo.gov/fdsys/pkg/FR-2014-07-21/pdf/2014-17096.pdf
79 FR 42292, July 21, 2014	*Commerce's Initiation of Antidumping Duty Investigation*	http://www.gpo.gov/fdsys/pkg/FR-2014-07-21/pdf/2014-17111.pdf
79 FR 47616, August 14, 2014	*Commerce's Postponement of Preliminary CVD Determination*	http://www.gpo.gov/fdsys/pkg/FR-2014-08-14/pdf/2014-19276.pdf
79 FR 49537, August 21, 2014	*Commission's Preliminary Injury Determinations*	http://www.gpo.gov/fdsys/pkg/FR-2014-08-21/pdf/2014-19797.pdf
79 FR 61052, October 9, 2014	*Commerce's Postponement of Preliminary AD Determination*	http://www.gpo.gov/fdsys/pkg/FR-2014-10-09/pdf/2014-24167.pdf
79 FR 71093, December 01, 2014	*Commerce's Preliminary Affirmative CVD Determination, Preliminary Affirmative Critical Circumstances Determination, in Part, and Alignment of Final Determination With Final Antidumping Duty Determination*	http://www.gpo.gov/fdsys/pkg/FR-2014-12-01/pdf/2014-28257.pdf
79 FR 78398, December 30, 2014	*Commerce's Amended Affirmative CVD Preliminary Determination*	http://www.gpo.gov/fdsys/pkg/FR-2014-12-30/pdf/2014-30544.pdf

80 FR 4250, January 27, 2015	*Commerce's Preliminary Determination of Sales at Less Than Fair Value; Preliminary Affirmative Determination of Critical Circumstances; In Part and Postponement of Final Determination*	http://www.gpo.gov/fdsys/pkg/FR-2015-01-27/pdf/2015-01504.pdf
80 FR 9744, February 24, 2015	*Commission's Scheduling of the Final Phase of Countervailing Duty and Antidumping Duty Investigations*	http://www.gpo.gov/fdsys/pkg/FR-2015-02-24/pdf/2015-03680.pdf
80 FR 15987, March 26, 2015	*Commerce's Amended Preliminary Determination of Sales at Less Than Fair Value*	http://www.gpo.gov/fdsys/pkg/FR-2015-03-26/pdf/2015-06955.pdf
80 FR 34893, June 18, 2015	*Commerce's Final Determination of Sales at Less Than Fair Value and Final Affirmative Determination of Critical Circumstances, In Part*	http://www.gpo.gov/fdsys/pkg/FR-2015-06-18/pdf/2015-15058.pdf
80 FR 34888, June 18, 2015	*Commerce's Final Affirmative Countervailing Duty Determination, and Final Affirmative Critical Circumstances Determination, in Part*	http://www.gpo.gov/fdsys/pkg/FR-2015-06-18/pdf/2015-15059.pdf

APPENDIX B

LIST OF HEARING WITNESSES

CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject:	Certain Passenger Vehicle and Light Truck Tires from China
Inv. Nos.:	701-TA-522 and 731-TA-1258 (Final)
Date and Time:	June 9, 2015 - 9:30 a.m.

Sessions were held in connection with these investigations in the Main Hearing Room (room 101), 500 E Street, S.W., Washington, DC.

CONGRESSIONAL APPREARANCES:

The Honorable Jeff Sessions, United States Senator, Alabama

The Honorable Sherrod Brown, United States Senator, Ohio

The Honorable Tim Kaine, United States Senator, Virginia

The Honorable David Price, U.S. Representative, 4th District, North Carolina

The Honorable Robert B. Aderholt, U.S. Representative, 4th District, Alabama

OPENING REMARKS:

Petitioner (**Terence P. Stewart**, Stewart and Stewart)
Respondents (**Max F. Schutzman**, Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt 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

David Hayes, President, USW Local 12L

Kenneth R. Button, Ph.D., Senior Vice President, Economic Consulting Services LLC

Jim Dougan, Vice President, Economic Consulting Services LLC

Steven Byers, Ph.D., Director of Financial Analysis Services, Economic Consulting Services LLC

Terence P. Stewart)
Elizabeth J. Drake) – OF COUNSEL
Philip A. Butler)

In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders:

Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt LLP
Washington, DC
on behalf of

Sub-Committee of Tire Producers of the China Chamber of
Commerce of Metals, Minerals & Chemical Importers
The China Rubber Industry Association ("CRIA")

Yu Yi, Vice Chairman, China Chamber of Commerce of
Metals Minerals & Chemicals Importers & Exporters

Gustavo Lima, Chief Executive Officer, Oriente Triangle
Latin America, Inc.

Jason Rothstein, General Manager of North American Operations,
Aelous Tyre Co., Ltd.

Seth Kaplan, Senior Economic Advisor, Capital Trade Incorporated

Andrew Szamosszegi, Principal, Capital Trade Incorporated

Chen Yang, Attorney, Jincheng, Tongda & Neal

Zheng Xu, Attorney, Jincheng, Tongda & Neal

Max F. Schutzman)
Ned H. Marshak)
Kavita Mohan) – OF COUNSEL
Elaine F. Wang)
Yun Gao)

Hogan Lovells US LLP
Washington, DC
on behalf of

ITG Voma Corporation

Dennis Mangola, Chief Executive Officer, DMC Consulting, Inc.

Kivanc A. Kirgiz, Ph.D., Principal, Cornerstone Research

Jonathan T. Stoel)
Craig A. Lewis) – OF COUNSEL
Wesley V. Carrington)

In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders (continued):

Jochum Shore & Trossevin, PC
Washington, DC
on behalf of

American Omni Trading Company

Marguerite Trossevin) – OF COUNSEL

REBUTTAL/CLOSING REMARKS:

Petitioner (**Elizabeth J. Drake**, Stewart and Stewart)
Respondents (**Jonathan T. Stoel**, Hogan Lovells US LLP)

-END-

APPENDIX C

SUMMARY DATA

Table C-1
PVLT tires: Summary data concerning the U.S. market, 2012-14
(Quantity=1,000 tires; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per tire; Period changes=percent--exceptions noted)

	Reported data			Period changes		
	Calendar year			Calendar year		
	2012	2013	2014	2012-14	2012-13	2013-14
U.S. consumption quantity:						
Amount	274,296	290,641	301,038	9.7	6.0	3.6
Producers' share (fn1)	46.6	42.5	41.9	(4.7)	(4.1)	(0.6)
Importers' share (fn1):						
China	11.5	17.5	19.3	7.8	6.0	1.8
All others sources	41.9	40.0	38.8	(3.1)	(1.9)	(1.2)
Total imports	53.4	57.5	58.1	4.7	4.1	0.6
U.S. consumption value:						
Amount	22,285,783	22,247,672	22,154,265	(0.6)	(0.2)	(0.4)
Producers' share (fn1)	55.2	52.8	53.0	(2.2)	(2.3)	0.2
Importers' share (fn1):						
China	7.1	10.5	11.6	4.5	3.4	1.1
All others sources	37.7	36.7	35.4	(2.3)	(1.0)	(1.3)
Total imports	44.8	47.2	47.0	2.2	2.3	(0.2)
U.S. importers' U.S. imports from:						
China:						
Quantity	31,479	50,847	58,012	84.3	61.5	14.1
Value	1,583,853	2,333,209	2,561,898	61.8	47.3	9.8
Unit value	50.31	45.89	44.16	(12.2)	(8.8)	(3.8)
Ending inventory quantity	***	***	***	***	***	***
All other sources:						
Quantity	114,987	116,248	116,866	1.6	1.1	0.5
Value	8,409,908	8,165,458	7,851,746	(6.6)	(2.9)	(3.8)
Unit value	73.14	70.24	67.19	(8.1)	(4.0)	(4.4)
Ending inventory quantity	***	***	***	***	***	***
Total imports:						
Quantity	146,466	167,096	174,878	19.4	14.1	4.7
Value	9,993,761	10,498,667	10,413,644	4.2	5.1	(0.8)
Unit value	68.23	62.83	59.55	(12.7)	(7.9)	(5.2)
Ending inventory quantity	***	***	***	***	***	***
U.S. producers':						
Average capacity quantity	163,864	162,911	163,219	(0.4)	(0.6)	0.2
Production quantity	149,497	141,995	148,673	(0.6)	(5.0)	4.7
Capacity utilization (fn1)	91.2	87.2	91.1	(0.1)	(4.1)	3.9
U.S. shipments:						
Quantity	127,830	123,545	126,160	(1.3)	(3.4)	2.1
Value	12,292,022	11,749,005	11,740,621	(4.5)	(4.4)	(0.1)
Unit value	96.16	95.10	93.06	(3.2)	(1.1)	(2.1)
Export shipments:						
Quantity	20,780	19,439	23,230	11.8	(6.5)	19.5
Value	1,923,730	1,693,077	2,120,462	10.2	(12.0)	25.2
Unit value	92.58	87.10	91.28	(1.4)	(5.9)	4.8
Ending inventory quantity	19,248	17,917	16,997	(11.7)	(6.9)	(5.1)
Inventories/total shipments (fn1)	13.0	12.5	11.4	(1.6)	(0.4)	(1.2)
Production workers	25,299	24,712	25,026	(1.1)	(2.3)	1.3
Hours worked (1,000s)	51,686	48,959	52,590	1.7	(5.3)	7.4
Wages paid (1,000s)	1,324,183	1,295,695	1,389,307	4.9	(2.2)	7.2
Hourly wages (dollars)	25.62	26.46	26.42	3.1	3.3	(0.2)
Productivity (tires per hour)	2.89	2.90	2.83	(2.3)	0.3	(2.5)
Unit labor costs	8.86	9.12	9.34	5.5	3.0	2.4
Net sales:						
Quantity	151,078	146,720	149,829	(0.8)	(2.9)	2.1
Value	13,362,303	12,803,969	13,004,873	(2.7)	(4.2)	1.6
Unit value	88.45	87.27	86.80	(1.9)	(1.3)	(0.5)
Cost of goods sold (COGS)	10,876,567	10,212,850	9,911,968	(8.9)	(6.1)	(2.9)
Gross profit or (loss)	2,485,736	2,591,119	3,092,905	24.4	4.2	19.4
SG&A expenses	1,256,839	1,295,401	1,417,307	12.8	3.1	9.4
Operating income or (loss)	1,228,897	1,295,718	1,675,598	36.3	5.4	29.3
Capital expenditures	793,700	761,035	876,763	10.5	(4.1)	15.2
Unit COGS	71.99	69.61	66.16	(8.1)	(3.3)	(5.0)
Unit SG&A expenses	8.32	8.83	9.46	13.7	6.1	7.1
Unit operating income or (loss)	8.13	8.83	11.18	37.5	8.6	26.6
COGS/sales (fn1)	81.4	79.8	76.2	(5.2)	(1.6)	(3.5)
Operating income or (loss)/sales (fn1)	9.2	10.1	12.9	3.7	0.9	2.8

fn1.--Reported data are in percent and period changes are in percentage points.

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

Table C-2
PVLT tires: Summary data concerning the U.S. market, 2012-14 (excluding *)**
(Quantity=1,000 tires; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per tire; Period changes=percent--exceptions noted)

	Reported data			Period changes		
	Calendar year			Calendar year		
	2012	2013	2014	2012-14	2012-13	2013-14
U.S. consumption quantity:						
Amount	274,296	290,641	301,038	9.7	6.0	3.6
Producers' share (fn1)						
Included firms	***	***	***	***	***	***
Excluded firms	***	***	***	***	***	***
All U.S. producers	46.6	42.5	41.9	(4.7)	(4.1)	(0.6)
Importers' share (fn1):						
China	11.5	17.5	19.3	7.8	6.0	1.8
All others sources	41.9	40.0	38.8	(3.1)	(1.9)	(1.2)
Total imports	53.4	57.5	58.1	4.7	4.1	0.6
U.S. consumption value:						
Amount	22,285,783	22,247,672	22,154,265	(0.6)	(0.2)	(0.4)
Producers' share (fn1)						
Included firms	***	***	***	***	***	***
Excluded firms	***	***	***	***	***	***
All U.S. producers	55.2	52.8	53.0	(2.2)	(2.3)	0.2
Importers' share (fn1):						
China	7.1	10.5	11.6	4.5	3.4	1.1
All others sources	37.7	36.7	35.4	(2.3)	(1.0)	(1.3)
Total imports	44.8	47.2	47.0	2.2	2.3	(0.2)
U.S. importers' U.S. imports from:						
China:						
Quantity	31,479	50,847	58,012	84.3	61.5	14.1
Value	1,583,853	2,333,209	2,561,898	61.8	47.3	9.8
Unit value	50.31	45.89	44.16	(12.2)	(8.8)	(3.8)
Ending inventory quantity	***	***	***	***	***	***
All other sources:						
Quantity	114,987	116,248	116,866	1.6	1.1	0.5
Value	8,409,908	8,165,458	7,851,746	(6.6)	(2.9)	(3.8)
Unit value	73.14	70.24	67.19	(8.1)	(4.0)	(4.4)
Ending inventory quantity	***	***	***	***	***	***
Total imports:						
Quantity	146,466	167,096	174,878	19.4	14.1	4.7
Value	9,993,761	10,498,667	10,413,644	4.2	5.1	(0.8)
Unit value	68.23	62.83	59.55	(12.7)	(7.9)	(5.2)
Ending inventory quantity	***	***	***	***	***	***
U.S. producers':						
Average capacity quantity	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***
Capacity utilization (fn1)	***	***	***	***	***	***
U.S. shipments:						
Quantity	***	***	***	***	***	***
Value	***	***	***	***	***	***
Unit value	***	***	***	***	***	***
Export shipments:						
Quantity	***	***	***	***	***	***
Value	***	***	***	***	***	***
Unit value	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***
Inventories/total shipments (fn1)	***	***	***	***	***	***
Production workers	***	***	***	***	***	***
Hours worked (1,000s)	***	***	***	***	***	***
Wages paid (1,000s)	***	***	***	***	***	***
Hourly wages (dollars)	***	***	***	***	***	***
Productivity (tires per hour)	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***
Net sales:						
Quantity	***	***	***	***	***	***
Value	***	***	***	***	***	***
Unit value	***	***	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	***	***
Gross profit or (loss)	***	***	***	***	***	***
SG&A expenses	***	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***
Unit operating income or (loss)	***	***	***	***	***	***
COGS/sales (fn1)	***	***	***	***	***	***
Operating income or (loss)/sales (fn1)	***	***	***	***	***	***

fn1.--Reported data are in percent and period changes are in percentage points.

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

APPENDIX D

QUESTIONNAIRE RESPONSES REGARDING CATEGORIES IN THE U.S. MARKET

The Commission asked U.S. producers, importers, and purchasers to respond to the following questions:

> 1. Is the U.S. PVLT tires market divided into categories (e.g., Good/Better/Best; Tier 1/Tier 2/Tier 3; Flagship/Secondary/Mass-market)? If no, please provide a description of how, if at all, the U.S. market for PVLT tires can be categorized. If yes, please describe each category's main distinguishing characteristics and identify the producers and brands that belong in each category.
>
> 2. Please estimate the share of the total U.S. market for PVLT tires for each category. Additionally, please report the share of your firm's sales/purchases of PVLT tires for each category.

Eight U.S. producers, 37 importers, and 45 purchasers provided responses to questions 1-2 which are presented in table D-1. The responses are discussed further in Part II.

Table D-1
PVLT tires: Firms' responses regarding categories in the U.S. market for PVLT tires

* * * * * * *

APPENDIX E

FOREIGN AND U.S. PRODUCERS' BRANDS AND PRIVATE LABELS

Table E-1
PVLT tires: U.S. producers' brands and private labels

* * * * * * *

Table E-2
PVLT tires: Foreign producers' brands and private labels

* * * * * * *

APPENDIX F

NONSUBJECT COUNTRY PRICE DATA

Three importers reported price data for PVLT tires from Korea, and one importer reported price data for PVLT tires from Canada. Nonsubject price data was reported for products 1-5. Importers did not report nonsubject price data for product 6. Price data reported by these firms accounted for 0.22 percent of U.S. shipments of imports from nonsubject countries in 2014. These price items and accompanying data are comparable to those presented in tables V-5 to V-9. Price and quantity data for Canada and Korea are shown in tables F-1 to F-5 and in figures F-1 to F-5 (with domestic and subject sources).

In comparing nonsubject country pricing data with U.S. producer pricing data, prices for PVLT tires imported from Canada were lower than prices for U.S.-produced PVLT tires in 4 of 5 instances. Prices for PVLT tires imported from Korea were lower than prices for U.S.-produced PVLT tires in 48 of 55 instances and higher in 7 of 55 instances. In comparing nonsubject country pricing data with subject country pricing data, prices for PVLT tires imported from Canada were higher than prices for PVLT tires imported from China in all 5 instances. Prices for PVLT tires imported from Korea were higher than prices for PVLT tires imported from China in 47 of 55 instances and lower in 8 of 55 instances. A summary of margins of underselling and overselling is presented in table F-6.

Table F-1

PVLT tires: Weighted-average f.o.b. prices and quantities of imported product 1[1] from nonsubject countries, by quarters, January 2012-December 2014

* * * * * * *

Table F-2

PVLT tires: Weighted-average f.o.b. prices and quantities of imported product 2[1] from nonsubject countries, by quarters, January 2012-December 2014

* * * * * * *

Table F-3

PVLT tires: Weighted-average f.o.b. prices and quantities of imported product 3[1] from nonsubject countries, by quarters, January 2012-December 2014

* * * * * * *

Table F-4

PVLT tires: Weighted-average f.o.b. prices and quantities of imported product 4[1] from nonsubject countries, by quarters, January 2012-December 2014

* * * * * * *

Table F-5

PVLT tires: Weighted-average f.o.b. prices and quantities of imported product 5[1] from nonsubject countries, by quarters, January 2012-December 2014

* * * * * * *

Figure F-1

PVLT tires: Weighted-average f.o.b. prices and quantities of domestic and imported product, by quarters, January 2012-December 2014

* * * * * * *

Figure F-2

PVLT tires: Weighted-average f.o.b. prices and quantities of domestic and imported product, by quarters, January 2012-December 2014

* * * * * * *

Figure F-3

PVLT tires: Weighted-average f.o.b. prices and quantities of domestic and imported product, by quarters, January 2012-December 2014

* * * * * * *

Figure F-4

PVLT tires: Weighted-average f.o.b. prices and quantities of domestic and imported product, by quarters, January 2012-December 2014

* * * * * * *

Figure F-5

PVLT tires: Weighted-average f.o.b. prices and quantities of domestic and imported product, by quarters, January 2012-December 2014

* * * * * * *

Table F-6

PVLT tires: Summary of underselling/(overselling) by China, by country, January 2012-December 2014

Country	United States vs. nonsubject countries			China vs. nonsubject countries		
	Number of comparisons	Underselling	Overselling	Number of comparisons	Underselling	Overselling
Canada	5	4	1	5	0	5
Korea	55	48	7	55	8	47
Total	60	52	8	60	8	52

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

APPENDIX G

FOREIGN PRODUCERS' REPORTED CHANGES IN OPERATIONS

Table G-1
PVLT tires: Foreign producers' reported changes in operations, 2012-14

* * * * * * *

Table G-2
PVLT tires: Foreign producers' reported anticipated changes in operations

* * * * * * *