HEARING BEFORE
THE U.S. INTERNATIONAL TRADE COMMISSION

TRUCK AND BUS TIRES FROM CHINA

INVESTIGATION NOS. 701-TA-556 AND 731-TA-1311 (FINAL)

January 24, 2017

TESTIMONY AND MATERIALS IN SUPPORT OF IMPOSITION OF
ANTIDUMPING AND COUNTERVAILING DUTY ORDERS

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INV. NOS. 701-TA-556 AND 731-TA-1311 (FINAL)

PUBLIC HEARING BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION

JANUARY 24, 2017

STATEMENT OF STAN JOHNSON
INTERNATIONAL SECRETARY-TREASURER
UNITED STEEL, PAPER AND FORESTRY, RUBBER, MANUFACTURING, ENERGY, ALLIED INDUSTRIAL AND SERVICE WORKERS INTERNATIONAL UNION

Good morning. My name is Stan Johnson, and I am the International Secretary-Treasurer of the United Steelworkers union. I also chair the Rubber and Plastics Industry Conference of the USW.

I have extensive experience in the tire industry. I worked at Armstrong's passenger and light truck tire plant in Madison, Tennessee, for more than 20 years. I left the plant to join the United Steelworkers after the Rubber Workers merged with the USW in 1996. As part of my responsibilities, I have been involved in major bargaining with the tire companies that employ USW members.

The USW represents workers at three companies and five plants that produce truck and bus tires in the United States, including Bridgestone's plants in La Vergne and Warren County, Tennessee, Goodyear's plants in Danville, Virginia and Topeka, Kansas, and Sumitomo's plant in Buffalo, New York. These five plants account for two thirds of the domestic industry's capacity to produce truck and bus tires.

It is on behalf of these members, which represent the majority of domestic production, that our union filed these petitions on truck and bus tires from China. As in so many other segments of the tire industry, China has aggressively targeted our market with dumped and subsidized tires over the last few years. These unfairly traded imports have taken shipments and market share from domestic producers, deeply undercut prices, and prevented our industry from participating in an extraordinary period of growth in domestic demand, meaning there have been fewer jobs, shorter hours, and lower wages for all workers in the industry than would have existed under conditions of fair trade. In short, Chinese truck and bus tires have materially injured the domestic industry, and they threaten further material injury if relief is not provided.

Based on the Commission's preliminary determination and staff report, as the economy recovered and commercial trucking activity increased, demand for truck and bus tires jumped significantly, by more than 20 percent, from 2013 to 2015. But the domestic industry was prevented from participating in almost any of this rapid demand growth. One would expect the domestic industry to reap significant benefits from such an upswing in the demand cycle – increased shipments, production, and employment. Indeed, the industry must maximize the benefits of rising demand to protect itself from inevitable downturns that will surely follow. The truck and bus tire business has struggled for significant parts of the last decade or so, and strong performance during a cyclical upturn is critical for the long-term health of the industry.

However, as your preliminary report shows, despite the significant increase in demand during the period, domestic shipments increased by just 2.5 percent. Further growth commensurate with demand was thwarted by the massive surge in unfairly traded imports from China, which ballooned by almost 42 percent. Chinese imports grew at a rate more than twice as rapid as the growth in demand. As China pumped an additional 2.6 million tires into the market, it seized over 58 percent of the increase in demand, while the domestic industry only got 6.5 percent.

As a result, China was able to significantly increase its share of a growing market, at the direct expense of domestic producers. In 2013, China had 29 percent of the U.S. market – by 2015, it had 34 percent. At the same time, domestic producers saw their market share plummet from 54 percent to 46 percent. While there were five Chinese tires sold for every ten domestic tires sold in 2013, by 2015 there were seven. If these trends are allowed to continue, China will soon easily have greater shipments and market share than domestic producers.

The way that Chinese producers were able to seize shipments and market share from domestic producers was through widespread price undercutting. The preliminary staff report shows that Chinese imports undersold domestic product in 55 out of 56 comparisons with an average margin of underselling of 40.5 percent. The record in these investigations shows that Chinese imports compete head-to-head against domestic tires. Price drives sales, and it is the low price of Chinese imports that have shifted so many customers to Chinese product, deprived the domestic industry of growth, and eroded domestic market share.

The USW has witnessed the impact of the surge in low-priced truck and bus tires first-hand in our plants. I am pleased to be joined by USW presidents from three of those plants today – Bridgestone's plant in Warren County, Tennessee, Goodyear's plant in Topeka, Kansas, and Sumitomo's plant in Buffalo, New York. These local presidents will explain the real-world impact of Chinese imports on our industry.

Despite a 21 percent increase in demand, production at these plants has remained largely flat or has fallen. And even as demand is projected to increase in the future, our employers are not increasing production tickets. Instead, production tickets were cut at each of the three plants in 2016 and will remain down in 2017 unless there is relief. The reason management has given for these reductions? Loss of market share to low-priced Chinese imports.

Our plants have also seen shifts no longer being used for production, days taken out of schedule, and cutbacks in the use of overtime. At each of these three plants, there is unused capacity and equipment that is idle. Some of our plants have also been starved of investment over the period. Our local presidents will testify to specific investment projects that have been discussed at their plants but put on hold as a result of Chinese imports eroding domestic shipments and market share. It is truly tragic that -- during such a dramatic increase in demand - the domestic industry has merely been treading water instead of re-investing in its future.

It is not just the USW that sees Chinese imports as the source of the domestic industry's problems. Management also discusses the import problem with us on a regular basis. During contract negotiations, at interim meetings, and at the local plant level, management is constantly bringing up Chinese imports, their low prices and rising volume, and the market share they are taking from domestic producers. The result has been delay in capital expenditures, reductions in daily production and fewer workers at the plants in communities across our country.

And this is despite our employers' efforts to maximize market share by expanding their lower-priced brands. Because of the rapid growth of low priced Chinese truck and bus tires, Goodyear, Bridgestone, and Michelin all introduced or expanded lower-priced product lines since 2013 to try to stem the loss of market share. Domestic producers typically have good/better/best offerings both within a brand and among a portfolio of brands. Bridgestone has the Bridgestone, Firestone, and Dayton brands. Goodyear has Goodyear, Dunlop, and Kelly. And Michelin has Michelin, BF Goodrich, and Uniroyal. Bridgestone and Goodyear produce the various brands in the same facilities on the same equipment with the same workers, and we believe the same is true for Michelin. At our plants, our employers have introduced and expanded the Dayton and Kelly lines specifically to try to stop market share loss. The only reason they did not succeed was the unfair competition from Chinese imports that has hurt all segments of their business.

Relief from these imports will create a significant opportunity for domestic producers and workers. As our local union presidents will testify, their three plants alone could quickly ramp up production by 1.5 million tires on existing equipment and with existing employees. At Goodyear's Topeka plant, for example, the company has not yet reduced the workforce despite significant production cuts in 2016. These workers and those at our other plants are available to ramp up production if orders are imposed. In addition, if planned investments which have been deferred are finally made, total annual production could increase by over 2.8 million tires above current levels within a year. These are massive opportunities for the industry and our members; but they also underscore the scale of potential production and investment that has been lost to Chinese imports.

This industry needs relief, and we have seen the benefits that relief can have. The orders on passenger vehicle and light truck tires are a case in point. Since the orders on passenger and light truck tires from China were imposed, imports from China and total imports are down, and domestic shipments are up, reversing a trend of dramatic contraction of domestic production.

Finally, imports threaten further injury if orders are not imposed. As in so many other industries, China has massive excess capacity in truck and bus tire production. It currently has the capacity to produce every single truck tire demanded in the entire world. And that capacity is still growing, fueled by large and distorting government subsidies. Just like in the steel and aluminum sectors, of which the Commission is well aware, the tire industry is yet another sector where Chinese government policies have resulted in global excess capacity of enormous proportions. These global problems created by China cost U.S. companies and their workers growth opportunities and too often have led to plant closures and layoffs as the costs of adjustment are born by the U.S. and other countries, their companies, and their workers.

The only way for Chinese producers to maintain production is to export their way out of the problem, and the U.S., with its large market, rising demand, and high prices, is the number one target for such exports. During the period of investigation, Chinese producers report that their exports to the U.S. grew by 30.9 percent, more than twice the 14.3 percent growth in Chinese exports to the rest of the world. Our imports from China continued to surge right up to the time of Commerce's preliminary countervailing duty determination. As other governments around the world have imposed antidumping orders on truck and bus tires from China, Chinese producers will only further intensify their focus on the U.S. market, and continue to undercut prices to gain market share.

A continued surge of low priced imports from China into a market where growth has slowed will cut the employment, hours, overtime and pay for the men and women who work in America's truck and bus tire plants. The result will be continuing injury to a domestic industry that has already been denied the opportunity to participate in the high growth of the past few years. And, if raw material prices continue to rise as forecast, the industry will be even less able to withstand significant pricing pressure from Chinese imports. The result will be less production, cutbacks in hours and jobs for our members, and a continued lack of needed investment in this important industry. That is why our union filed these petitions, and that is why I am here today to ask for an affirmative final injury determination.

Thank you.