

**TRUCK AND BUS TIRES FROM CHINA
INV. NOS. 701-TA-556 AND 731-TA-1311 (FINAL)**

**PUBLIC HEARING BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION**

JANUARY 24, 2017

**STATEMENT OF THOMAS O'SHEI
PRESIDENT, USW LOCAL 135
SUMITOMO PLANT IN BUFFALO, NEW YORK**

Good morning. My name is Thomas O'Shei. I am the President of USW Local 135.

Our local represents workers at the Sumitomo tire plant in Buffalo, New York.

I was hired at the plant in 1990 as a curing press operator in the truck department. I have also built passenger vehicle tires at the plant, and for the last 19 years I have been building medium radial truck tires. In addition to truck and bus tires, our plant also produces passenger vehicle, light truck, and motorcycle tires. Our plant makes truck and bus tires principally for the replacement market. We make tires under Goodyear's Dunlop and Kelly brands as well as Goodyear's name brand tires, with the vast majority of our production focused on Kelly branded tires. We make tires for all positions, including steer, drive, and trailer.

Our plant has been hard-hit by the rising tide of truck and bus tires from China. Our production of truck and bus tires peaked at 2,300 a day in 2014. In 2015, it fell nearly ten percent to 2,100 tires a day. Our production continued to fall in 2016 and was as low as 1,700 a day during the summer of last year, a 25 percent drop from 2014. In October of last year, our production began increasing again and we were back up to 2,000 a day by the end of the year, where it currently sits, still below 2014 levels.

As you know, our plant used to be run as a joint venture between Goodyear and Sumitomo. Goodyear exited that arrangement in October of last year, and the plant has reverted to Sumitomo ownership. Goodyear has an agreement to offtake a certain volume of truck and bus tires from Sumitomo for five years, but there is flexibility to reduce the volume or cease the agreement altogether. Currently, it is expected that Goodyear will reduce its purchases later this year and then we are not sure where we will be. If that occurs, any future production of truck and bus tires at our plant will depend on Sumitomo's confidence in the market and willingness to bring in its own brands for production. Without our truck and bus operations, our entire plant would cease to be viable.

Unfortunately, because of market conditions with rapidly increasing imports from China, our plant has received little investment in recent years. During the entire period from 2013 to 2015 we were not only denied investments in new equipment; Goodyear was not even making the investments needed to maintain our plant. This approach cut down on management's costs in the short-term, but it was not a viable strategy for our plant's survival in the long-term. While some of our tire building machines have been upgraded, the majority have not. Currently scheduled upgrades will depend on market conditions, which management has told me will be influenced by the outcome of this case.

Fortunately, the orders that were imposed on passenger vehicle and light truck tires from China are starting to benefit our plant. Sumitomo is already responding to the relief that has been provided from these Chinese imports. As part of a five-year plan to increase production of passenger vehicle and light truck tires it is planning to bring production of tires that are currently produced in Thailand to our plant. Last September, Sumitomo announced that it was investing \$87 million into the Buffalo plant. The investment is expected to more than triple PVL

production at the plant from 5,000 tires a day to 17,000 tires a day. These are all very positive developments that underscore the domestic industry's willingness and eagerness to ramp up production when unfair imports from China are disciplined.

And that's why relief from dumped and subsidized truck and bus tires is also so important to our plant. Even with the recent increase in our ticket after preliminary relief from imports was imposed, we are operating significantly below capacity. Our curing presses could be producing at least 2,300 tires a day. But with production at 2,000 tires a day, we currently have presses sitting idle. Our tire building machines could produce 3,000 tires a day, but many are shut down as our production is only at two-thirds of that amount. With the decline in production, we have also lost hours and overtime pay at our plant. We have one 8-hour shift a week where workers can earn time-and-a-half overtime pay. It can only be used for production if the demand is there. Over the past few years, that shift has been used a lot less.

This case will make all the difference to our plant. Just like the five-year plan for passenger vehicle and light truck tires that Sumitomo has launched with orders in place, they have expressed great optimism about our potential if orders are also imposed on truck and bus tires from China. They believe they could increase our production by as much as 30 percent above and beyond what we were producing at our peak in 2014. Our mixing department and existing tire building equipment already have enough unused capacity to reach this goal. Management has discussed bringing in additional curing presses to raise our curing capacity to 3,000 tires a day – the same capacity we currently have in our tire building equipment. We already have a pit dug that the presses could be placed in, and completing the project would take about 6 months to a year. The scheduled upgrade to our building machines would also increase our capacity. Management is also interested in bringing Sumitomo's Falcon brand to the plant

for production. But all of these plans – which would give a lifeline to our plant – depend on one thing: the outcome of this case.

Based on what management has told me, I believe production will remain well below capacity, hours will continue to fall, and investments will continue to be very difficult to justify if orders are not imposed. If orders are imposed, we can quickly ramp back up to the 2,300 tires we were producing in 2014 with existing employees and equipment, increasing our annual production by 140,000 tires. Plans to increase production even further to 3,000 tires a day could be implemented within 12 months, adding another 245,000 tires to our annual production.

Our plant and our members have been slowly starved of production and investment at a time when we should have experienced growth in line with healthy and rising domestic demand. Aggressively priced Chinese imports, which rose twice as fast as demand, pushed our tires out of the market and hurt our plant and our members. We are optimistic that our plant can recover and thrive. We are grateful that Sumitomo also has confidence in our plant's potential. But these hopes can only be realized if the playing field is level and competition is fair.

I am proud of our union for bringing these cases. Their outcome will make all the difference for our industry and for our members. We hope the Commission will vote in the affirmative.

Thank you.