UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:) **Investigation Nos.:**
TRUCK AND BUS TIRES FROM CHINA) **701-TA-556 AND 731-TA-1311 (PRELIMINARY)**

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IN THE MATTER OF:	) Investigation Nos.:
TRUCK AND BUS TIRES FROM CHINA	) 701-TA-556 AND
	) 731-TA-1311 (PRELIMINARY)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Friday, February 19, 2016

The meeting commenced pursuant to notice at 9:34 a.m., before the Investigative Staff of the United States International Trade Commission, Michael Anderson, Director of Investigations, presiding.

APPEARANCES:

Staff:

Bill Bishop, Supervisory Hearings and Information Officer

Sharon Bellamy, Program Support Specialist

Sonia Parveen, Intern

Michael Anderson, Director of Investigations

Elizabeth Haines, Supervisory Investigator

Nathanael Comly, Investigator

Raymond Cantrell, International Trade Analyst

Michele Breaux, Economist

Charles Yost, Accountant/Auditor

Courtney McNamara, Attorney/Advisor

APPEARANCES:

Opening Remarks:

Respondents (Ned H. Marshak, Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt LLP)

Petitioner (Terence P. Stewart, Stewart and Stewart)

In Opposition to the Imposition of Antidumping and Countervailing Duty Orders:

Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt LLP

Washington, DC

on behalf of

Institute of International Container Lessors, Ltd. ("IICL")

and

Guizhou Tyre Co., Ltd., Guizhou Tyre Import and Export Co., Ltd., GTC North America, Inc. Aeolus Tyre Co., Ltd., Tyres International Sub-Committee of Tire Producers of the China Chamber of Commerce Metals, Minerals & Chemical Importers and the China Rubber Industry Associations "Chinese Producer/Exporters")

Steve Blust, President, IICL

Dan Jackson, Senior Tire Manager, TRAC Intermodel

Bernie Vaughn, Chief Legal Officer and Executive Vice President of Administration, Flex-Van Leasing, Inc.

In Opposition to the Imposition of Antidumping and Countervailing Duty Orders (Continued):

Gregg F. Carpene, Executive Vice President & Chief Legal Officer, TRAC Intermodel

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 (the "USW")

Stan Johnson, International Secretary-Treasurer, USW

Billy Wright, President, USW Local 1155

Jody Juarez, President, USW Local 307

Thomas O'Shei, President Local 135

Katrina Pirner, Trade Consultant, Stewart and Stewart

Kenneth Button, Senior Vice President, Economic Consulting Service

Jennifer Lutz, Senior Economist, Economic Consulting Service

Emma Peterson, Staff Economist, Economic Consulting Service

In Support of the Imposition of Antidumping and Countervailing Duty Orders (Continued):

Terence P. Stewart, Elizabeth J. Drake, Philip A. Butler and Jennifer M. Smith - Of Counsel

Rebuttal/Closing Remarks:

Respondents (Ned H. Marshak, Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt LLP)

Petitioner (Elizabeth J. Drake, Stewart and Stewart)

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P R O C E E D I N G S

9:43 a.m.

MR. ANDERSON: Good morning and welcome to the U.S. International Trade Commission Conference in connection with the preliminary phase investigation Antidumping Countervailing Investigations No. 701-TA556 and 731-TA1311 concerning truck and bus tires from China. My name is Michael Anderson. I'm the Director of the Office of Investigations and I will preside over this conference.

Among those present here at the table from the Commission are from my far right: Elizabeth Haines, our Supervisory Investigator; Nathan Comly the Investigator and to my left Courtney McNamara our Attorney Advisor and to her left Michelle Breaux our Economist and our accountant Charles Yost and finally our Industry Analyst Ray Cantrell.

I understand that all parties are aware of the time allocations and I would remind all speakers not to refer to any business proprietary information and to speak directly into the microphone. We also ask that you state your name and affiliation for the record before beginning your presentation or in answering any questions for the benefit of the court reporter. All witnesses must be sworn in before presenting testimony.

I understand that parties are aware of the time allocations. Any questions regarding the allocations should

be addressed to the Secretary. Are there any questions? Mr. Secretary, are there any preliminary matters?

SECRETARY BISHOP: Yes, Mr. Chairman. With your permission, we will add to the Respondents Panel Greg F. Carpine Executive Vice President and Chief Legal Officer of TRAC Intermodal. I would also note that all witnesses for today's conference have been sworn in.

MR. ANDERSON: Thank you Mr. Secretary. Very well, let us proceed with opening remarks.

SECRETARY BISHOP: Opening remarks on behalf of the Respondents will be given by Ned H. Marshak, Grunfeld, Desiderio, Lebowitz, Silverman and Klestadt.

OPENING REMARKS OF NED MARSHAK

MR. MARSHAK: Good morning. I'm Ned Marshak of Grunfeld or GDLSK and I appear today with Andy Shutz of our law firm. We're here today wearing two hats. First, we represent the International Subcommittee of Tire Producers of the China Chamber of Commerce Metals, Minerals and Chemicals Importers and the Chinese Rubber Industry Association and Member Companies. On behalf of these Chinese Respondents we believe the ITC, which concluded there's no reasonable indication of material injury or threat thereof.

Second, we represent the Institute of International Container Lessors and its Companies who

purchase from China and this is important, I'll quote "ten times twenty bias ply tube type tires for use with two piece rims on a marine intermodal chassis." The IICL also believes that Domestic TBT Producers are not materially injured or threatened with material injury by Chinese imports, but if the Commission decides that a reasonable indication of material injury exists and the final decision should be deferred, the IICL asks the Commission to find that these specialized tires, which they purchase for use in marine intermodal chassis constitutes a specific and distinct like product which is not produced in the United States, not competitive with any tires produced in the United States for over twenty years and accordingly cannot injure the Domestic Industry.

The IICL will present a detailed analysis of this like-product issue. Chinese Respondents will not. Why? First, the Petition was filed on January 29th, shortly before the Chinese New Year Celebration. We have filed questionnaire responses for thirty-two Chinese producers. We have been able to prepare additional analysis over their New Year holiday.

Second and most importantly, we believe that participation in today's hearing should not be necessary for the Commission to reach a negative determination in this preliminary investigation. We reviewed the Petition. It

alleged nothing we did not know and did not anticipate. Yes, Chinese Imports have increased. Yes, the AUVs of Chinese Importers have declined. Yes, Chinese TBTs are sold at lower prices than TBTs made in the United States.

These facts cannot be disputed but they are not sufficient for the Commission to find a reasonable indication of material injury. Those facts are found in responses to Commissioner Questionnaires, all of which are confidential and cannot be discussed at this hearing. The Commission and Staff are knowledgeable with the tire industry and much more capable than us to compile questionnaire responses, analyze the data and understand the significance of the consolidated data. The statutory factors and critical questions are well-known and not really in dispute.

The Commission will look at Industry performance, profitability and investment, prices -- are they suppressed or depressed; capacity -- have imports increased because domestics are operating at full capacity; competition -- do the Domestic Producers Goodyear, Bridgestone, Michelin and Continental command a premium price for their products? The answer to these questions are in the responses to your questionnaires. After the review is complete, we believe the Commission should find that there is no reasonable indication of injury or threat thereof. Thank you.

SECRETARY BISHOP: Opening remarks on behalf of Petitioner will be given by Terrence P. Stewart, Stewart and Stewart.

OPENING REMARKS OF TERENCE P. STEWART

MR. STEWART: Good morning. These cases involve imports of pneumatic truck and bus tires from China, whether entering the United States unmounted or mounted although in the latter case only the tire is part of the Subject Merchandise. The USW represents workers at five of the nine U.S. Facilities producing truck and bus tires. These petitions have been filed to address the alleged dumping and subsidization of Chinese product which has resulted in none of the growth in the U.S. Market during the Period of Investigation going to Domestic Producers resulting in a lack of growth in domestic shipments and in employment that would have occurred but for the increased volume of dumped and subsidized imports from China.

In the Petitions we've indicated that the domestic-like product for these preliminary investigations should be coextensive with the scope of these investigations. Domestic companies produce tires that are the same in terms of types and applications as the Subject Imports. Truck and bus ties van be for steer, drive, trailer or all positions and such tires are both imported from China and produced by facilities here in the U.S.

These tires are produced in the same facilities by the same workers, are sold through the same channels of distribution and otherwise meet the like-product criteria traditionally employed by the Commission. Thus, there is a Domestic Industry that is coextensive with Subject Imports. The Commission in its questionnaire sought some information on re-treaded truck tires. Collection of such information presumably indicates an interest in whether the domestic-like product should be expanded beyond the scope to include retreaded tires.

While the USW has no members in retreaded facilities, we will highlight in our testimony today the facts as we understand them, identifying elements that support and elements that disfavor such expansion. As there are six hundred and eighty retread producers in the United States, if the Commission wishes to explore this issue a broader pool of producers would need to be contacted, presumably in a final questionnaire process.

Turning to the volume of imports, Imports from China are more than sixty percent of total imports that grew by more than forty percent by quantity during the Period of Investigation and expanded their market share of apparent consumption and increased relative to Domestic Production. As a result, such import volumes are obviously significant. In the petitions, the USW provided public information

showing there is substantial price underselling by imported Chinese tires at the retail level.

As you've heard, it's not really questioned that when the questionnaire data is compiled we will see significant underselling by Chinese products. The underselling has had one very obvious effect on the Domestic Industry. It has resulted in Domestic Producers losing significant market share to imports from China. The USW witnesses will testify to the fact that the facilities at which their members work had the ability to produce significant additional tires during the POI.

The USW is confident that the Domestic Producers questionnaire responses will show that the industry was held back in all or nearly all areas because of the surge of dumped and subsidized imports from China. So instead of significant increases in capacity, production, shipments, employment and the other factors in a period of significant growth and demand in the U.S., the Commission will likely find that there are minimal increases or declines as all of the upside in market growth was captured by imports; the vast majority by China.

The growth in imports from China have led various facilities to opt not to make capital expenditures needed to permit updating or to expand capacity in line with demand growth. Thus the record before the Commission supports a

preliminary affirmative determination in these cases. In addition, there's reasonable indication of a threat of additional material injury. Facilities where the USW represents workers have seen significant declines in production schedules since December of last year, declines of as much as thirteen percent in the first two months of 2016.

Domestic Producers face rising raw material costs in 2016 and 2017 thus cost of goods sold for Domestic Producers will be higher in 2016 than was true in 2015. China is export oriented with the U.S. being its number one destination market with exports to the U.S. expanding twice as fast as to the rest of the world. China has massive excess capacity declining domestic market demand growth, a series of export subsidies supporting the industry's exports, additional capacity additions underway, antidumping duty orders in a number of countries and higher prices for exports to the U.S. and to the rest of the world all indicating the continued rise in import levels in the immediate future.

Thus, the Commission should also make and affirmative preliminary determination of threat of material injury. Thank you very much.

SECRETARY BISHOP: Would the Panel in Opposition to the Imposition of Antidumping and Countervailing duty

orders please come forward and be seated?

MR. ANDERSON: Welcome Mr. Marshak and to the members of the Panel. When you're prepared, please proceed.

MR. MARSHAK: Good morning. You will now hear from the IICL and its members as to why ten times twenty bias ply tube-type tires for use on two-part rim on marine intermodal chassis constitute a separate and distinct like-product. These tires have not been produced in the United States for well over twenty years, are not competitive with any tires produced domestically and production will not return to the United States if dumping or countervailing duty orders are placed on Chinese tires.

You will hear first from Steve Blust, President of the IICL; then Bernard Joseph Vaugn of Flexi-Van leasing who has been involved in this industry for thirty years and finally our tire guy Dan Jackson of TRAC Intermodal.

STATEMENT OF STEVE BLUST

MR. BLUST: Thank you, Ned. There we go, thank you. Good morning. My name is Steven Blust. I am President of the Institute of International Container Lessors known as the IICL here in Washington D.C., the leading trade association of the International Container and Chassis Leasing Industry. The IICL's membership engages in leasing marine cargo containers and marine intermodal chassis to vessel operators, motor carriers and other organizations on

a broad international basis.

The movement of cargo in shipping containers has revolutionized transportation around the world as individual cargo packages are now able to be packed into a container at the shipper's origin and remain intact in the same container until delivered to the consignee. The uniform designs of the container as cargo-carrying components allow them to be transported on different modes of conveyances such as vessels, railcars and on marine intermodal chasses that are the equivalent of detached undercarriages in wheels of trailers.

Today there are approximately seven hundred and fifty-nine thousand chassis in the United States Intermodal Fleet. IICL members own or manage a significant portion of the U.S. leased container fleet with more than a ninety percent share of the U.S. Marine Intermodal Chassis Fleet that is focused on container sizes that regularly move on international container ships. Chassis are integral components of the road-based movement portion of supply chains utilizing shipping containers, connecting inland locations and destinations with water and rail transportation services.

Each container that moves in the U.S. is likely to use one more chassis then the progression through the supply chain. Chasses are operated in a marine in a very

harsh marine terminal operating environment with unique demands on tires used. Chassis regularly have forty thousand pound loaded containers set upon them not all is with the kid-glove treatment and are handled in and out of chassis stacks utilizing forklifts and are operated in confined spaces where the stress and damage to tires is significant. The largest single cost category for the IICL chassis members is the cost to replace and repair tires.

Today, we would like to address the very specific and unique tires that are primarily used by the IICL Chassis Members. Approximately ninety percent of the IICL Member Marine intermodal chassis are equipped with a ten hundred by twenty bias-ply tube type tires that are mounted on two part rims. These tires have served the chassis leasing industry well and while this type of tire dominates the marine intermodal chassis market, they have not been manufactured in the United States and offered by U.S. Manufacturers for sale in the U.S. for decades. There are no known like-products manufactured in the U.S. that can be substituted for the bias-ply tube type design. IICL Members therefore continue to rely solely on imported tires that are bias-ply to meet their current tire needs. We are unaware of any other significant users of this type of tire, therefore it is believed that this unique product should be treated as a separate like product to properly assess, to

see if there's any injury to an industry which does not manufacture this type of tire.

Any increase in costs will adversely impact chassis lessors operating costs ultimately resulting in higher costs to the U.S. Export Market which is currently experiencing severe competitive challenges and the U.S. Consumers who purchase items transported on marine intermodal chassis. That concludes my remarks. I would be happy to answer any questions. Thank you. I would like to turn the Panel over to Mr. Bernie on Flexi-Van Leasing.

STATEMENT OF BERNIE VAUGHN

MR. VAUGHN: Thanks Steve. Good morning. My name is Bernard Joseph Vaughn. I am the Chief Legal Officer and Executive Vice President of Administration at Flexi-Van Leasing headquartered in Kenilworth, New Jersey. I joined Flexi-Van in 1986 as Vice President, General Counsel and Court Secretary. In addition to my other functions I have direct responsibility for the Procurement and Technical Services Department as well as all maintenance and repair functions and repair facilities both at facilities owned by Flexi-Van in the United States and operated by third party vendors.

I appreciate the opportunity to present testimony before the International Trade Commission's Staff on behalf of Flexi-Van and the chassis leasing industry at large. A

marine intermodal chassis is a wheeled frame designed to move marine containers over land between ocean-going vessels, railroad terminals, warehouses and other delivery points served by trucks. The U.S. Marine intermodal chassis business is unique in the global marine transportation system and the intermodal bias-ply tube tire mounted on a two-piece rim is unique to our industry.

To the best of my knowledge, no one other than the chassis owners use this type of tire in the United States. There has not been any production of this type of tire in the United States since the early 1990's. Tubeless radial tires produced by the Domestic Industry require one piece rims and therefore they cannot be placed on marine intermodal chassis which have two piece rims.

Flexi-van is the second largest chassis lessor in the United States. The company started in 1955 and entered the chassis business at the very beginning of the industry in the early 1960's. Together with TRAC Intermodal which is the largest marine intermodal chassis lessor headquartered in Princeton, New Jersey; DCOI, the third largest chassis lessor headquartered in Charlotte, North Carolina and TAL headquartered in Purchase, New York. We own collectively more than ninety percent of the intermodal marine chassis in the United States and I note that we have all been longstanding members of the IICL.

The chassis leasing business is a rate-sensitive cyclical business that is impacted by economic and political events effecting world and regional trade. Flexi-van currently has chassis available for lease at over thirty-eight depots located in North America's principal commercial centers and marine ports. We lease chassis to shipping lines, railroads, freight forwarders, trucking companies, retailers, manufacturers and exporters.

Flexi-van and the other leasing companies provide equipment to their customers through long term, short term and per diem lease agreements. In addition, the leasing companies participate in chassis pools where chassis are shared amongst many users. Chassis are vital to the nation's transportation system and benefit from years of infrastructure investment that will require the use of chassis in the transportation of freight for many years to come.

Intermodal transportation is generally more efficient and safer than traditional bulk loading and unloading transportation methods. A marine intermodal chassis is a specialized rectangular wheel, steel frame, generally twenty-foot, forty foot or forty five feet in length, built specifically for the purpose of transporting containers. Once mounted, the chassis and the container are the functional equivalent of a trailer which can be trucked

to its final destination or to a railroad terminal or port for loading onto a railcar or ship.

Chassis have long economic lives typically lasting for forty years or more if remanufactured midlife. If the chassis is remanufactured, every part of the chassis is replaced with new parts except for the axle. Prices for new and remanufactured chassis vary depending on the location of the manufacturer and market demand. Demand for U.S. based intermodal equipment in general and containers and chassis specifically are driven by the volume of North American trade, both domestic and international.

From the early 1960's until early 1990, Flexi-Van and the other leasing companies purchased tires and rims for their chassis from various vendors which were in turn sourced from both domestic and foreign manufacturers. However, beginning in the early 1990's, U.S. Manufacturers ceased production of bias-ply tube tires for use in the marine intermodal chassis industry. Since then, Flexi-Van and the other leasing companies have had to purchase bias-ply tube tires sourced from foreign manufacturers located principally in China and to a limited extent Flexi-Van has also purchased bias-ply tube tires sourced from India.

As described above a chassis, while specialized is a pretty simple piece of equipment. A new chassis costs

between ten and an eleven thousand dollar with the rims and tires constituting more than ten percent of this cost. While a chassis is on term lease to a customer, the lessee customer has complete responsibility for maintenance and repair for the chassis including replacement of worn or damaged tires. At the end of the term lease, the lease agreement requires that the chassis be returned to the lessor in good working order less ordinary wear and tear.

It is my understanding that our customers are starkly principally ocean carriers sourced replacement tires from the same vendors that the leasing companies used. It is common for tires to be changed on a chassis often, not because they are worn out but rather because they have been subject to impact damage or abuse while in service. For example, terminal damage, run skid flat tires, curb damage or excessive wear due to under-inflation of the tire.

Therefore it is highly likely that a chassis will require numerous tire changes during its lease term and it is uncommon for a chassis to be returned after a term lease expired with all eight original tires still intact on the chassis.

MR. VAUGHN: -- level of tire replacement of course varies by chassis and the operating environment in which the chassis are subject to.

In the chassis pool environment, the equipment

owner such as Flex-Van and not the user is responsible for chassis maintenance and repair including tire damage. Maintenance and repair is by far the largest expense for an equipment pool and tire cost is by far the largest component of pool MNR expenditures.

By way of example, chassis in the Los Angeles, Long Beach pool area have on average five tires replaced a year.

In addition to the tire costs, tire work is often done at marine terminals with a labor rate approaching $150 per hour. The intermodal biased ply tube tire mounted on a two-piece rim remains the standard for the entire U.S. marine intermodal chassis fleet. This has been the case since the beginning of this industry in the early 1960s.

Chinese manufacturers are virtually the sole suppliers of these tires in the world since the U.S. manufacturers completely exited the business in the 1990s. It is our full expectation that the current bias ply tire mounted on a two-piece rim will continue to be the tire of choice for many years to come.

The next panelist, Mr. Dan Jackson, to my right, will discuss the operating benefits of a bias ply tire compared to a tubeless radial tire particularly in the marine terminal operating environment.

If circumstances force the chassis leasing

industry to immediately switch over to tubeless radial tires, this would have dire financial consequences for our industry and the shipping public. It would result in a material disruption to chassis availability and the efficient flow of container cargo in the United States. In order to switch over to radial tires, all eight existing tires must be removed from the chassis.

In addition, all two-piece rims would have to be replaced with single piece rims since tubeless radial tires cannot be used on two-piece rims.

Based on the existing chassis fleet equipped with two biased ply tires this unnecessary change out using marine terminal union labor would cost the industry in excess of $1.1 billion.

This would not only be a huge financial expenditure but would force the industry to discard valuable, functioning assets.

Such a wholesale change out would require many thousands of chassis to be taken out of service. This would cause an operational nightmare for repair vendors and marine and rail terminals as well as for the terminal operators themselves, where most chassis now reside while they are not in active service.

The tube-bias ply intermodal tire has demonstrated its efficacy for more than five decades in the

U.S. intermodal marine chassis industry. This tire is a very specialized segment of the Chinese tire manufacturing industry. There is no existing domestic manufacturing capability and we do not expect that any of the U.S. manufacturers intend or would even want to reenter this market.

For the above reasons, we request that intermodal bias ply, tube tires of the 10, 20 size mounted on a two-piece rim be designated a separate like product distinct from the current scope of this case and found not to be injuring to the domestic industry.

Thank you again for the opportunity to present these comments. I am happy to answer any questions that the staff may have.

Thank you.

STATEMENT OF DAN JACKSON

MR. JACKSON: Good morning. Hello, my name is Dan Jackson. I am the senior tire manager for Trac Intermodal. I have held this position for the past two and a half years. In my capacity as a senior tire manager I oversee all tire operations for Trac with respect to purchasing, quality control and inventory control.

For the 18 years previous to Trac, I had worked at Hunting Shipping Company where I was the maintenance repair manager for the Americas overseeing all maintenance

and repair activities for Hungins International Shipping Containers and Marine Intermodal Chassis Fleet.

Maintenance and repair is the single largest cost incurred in owning chassis with respect to maintenance and repair. Tires make up the biggest cost component. Today I'm here to discuss the tire which is used by the Marine Intermodal Chassis fleets of which Trac is a member and highlight some of the unique physical attributes of the tire.

I would like to also illustrate why this is a specialized tire that is unique to the marine intermodal chassis leasing industry and why it is a tire that provides the best service to this industry.

In our marine intermodal chassis business, virtually all the tires we utilize are 10 hundred 20 bias tube type tires also known as the 1020.

A 1020 tube tire is a tire with a nominal section width of 10 inches and rim diameter of 20 inches. It is estimated that more than 90 percent of the countries' marine intermodal chassis fleet is operated on a 1020 bias tube tire and has been since the inception of the marine intermodal chassis leasing industry in the 1960s.

The 1020 bias-ply tube tire is unique for multiple reasons. First the bias-ply tire has body and tread plies that are made of nylon cording versus that of

the more common radial tire which is steel cords. Because of this difference in construction between the two ply types, the bias and radial tires operate and react quite differently than one another, with respect to flex and movement of the sidewalls and tread area also known as the contact patch while being operated on the road. Because of this difference, these two tire types cannot be operated on the same chassis at the same time.

Unlike most TBTs, the 1020 tire we utilize requires the use of an inner tube to hold and maintain its air pressure. Most all other TBTs do not require the use of an inner tube. These types of tires also referred to as tubeless tires rely on the tires inner liner to hold and maintain air pressure.

Because the 1020 bias tube type tire does require the use of a tube, it also requires the use of a two-piece rim and lock ring wheel assembly which is a very unique rim. Tubeless TBTs cannot use a two-piece rim assembly but instead must be used and installed on a single-piece rim. This is an extremely important issue. Based on my research there is no other tire -- type of tire manufactured in the U.S. that can be placed on a two-piece rim assembly used by our chassis.

Further, the 1020 bias type tire is also unique in that the rim diameter requires a 20-inch rim, whereby

most all other commercial truck and trailer tires are utilizing a 22 and a half inch rim. This is important to note because a tire that requires a 22 and a half inch rim cannot be installed on a 20-inch rim or vice versa.

Also important to note bias ply tires are more forgiving when it comes to sidewall impact. This difference is important because of the high extent of sidewall impact incurred in our industry. Because bias ply tires have a more forgiving casing or sidewall on flex we do not experience the same rate of sidewall damage as seen with steel ply as used in radials.

The bias ply tire can withstand a greater percentage of the impacts than a radial without being removed from service which is an operational benefit in our industry. Bias ply tires can also withstand cuts to sidewalls and tire bead areas without being permanently removed from service.

When the nylon core material of a bias ply tire is exposed and not cut, these tires can be patched and repaired and returned to service unlike the radial tire. Once a steel ply is exposed, the likelihood that a radial tire will have to be removed from service permanently and scrapped higher than that of a bias. Steel ply is exposed to water and/or the atmosphere can rust, weaken, and thus presenting a potential tire and/or safety issue. This

factor is important to note because in the intermodal industry we have to replace tires more frequently as a result of damage rather than normal wear and tear.

Lastly, an inherent problem in our industry is air pressure. Intermodal marine chassis owners primarily rely on third-party vendors to check and maintain airing of tires and struggle to enforce proper airing. Because of this issue radial tires may incur a higher percentage of degradation to the sidewall plies versus that of the bias tire which is more forgiving when being run on lower air pressures.

I raise these unique physical characteristics in order to note that the 1020 tire we are and have been using is a tire that suits the operational needs for our industry and not a tire that is simply interchangeable with other tires that may be available.

Thank you.

MR. MARSHAK: I'd just like a brief summary. So here's the question. Are there sufficient clear dividing lines between the 1020 bias ply tube type tires used on two-piece rims on marine intermodal chassis purchased by our clients and other truck tires for the Commission to find that we have a distinct like product? We believe we do.

Let's look at the six factors. First physical characteristics and uses. This is the real key in this

case. These tires are used with two-piece rims on marine intermodal chassis specialized -- with specialized physical characteristics. As far as we know, there's no other known use for these tires.

Second, manufacturing facilities and production employees. These tires are not made in the USA. They're not made by USA workers.

Next interchangeability. Absolutely not. You cannot put another type of tire on the two-piece rims. Once you change the tire -- one tire on these rims, you have to change all eight tires for the chassis at a prohibitive cost to IHCL members.

Next, channels of distribution. These tires are sold in comparatively small quantities to IHCL members. They're unique. These members use these tires for a very unique application in their terminal use.

Customer and producer perceptions. These are special built tires for the unique purpose. They are sold to a discrete class of customers. The chassis lessors we have here today.

Price. Price isn't really an issue in this case. These are the type of tires used on the two-piece rims on the chassis that our clients use in marine chassis -- marine terminal operations. There is no additional tire that could be used in its place.

So what if the Commission votes to assess antidumping duties and countervailing duties on truck tires from China. What will happen?

For our industry there will not be a single additional tire made in the United States and there will not be a single additional American employed in the tire industry. Our clients will be between a rock and a hard place. We can pass on all the cost to our customers which benefits nobody and injures the U.S. economy. Or we can try to find new sources of supply in India and other third countries. What we cannot do is to reconfigure the chassis fleet to buy radial tires made in the USA. It would cost a billion dollars.

The tires that we use now work. The cost for a total turnover to radials would be prohibitive. For all of these reasons, we ask the Commission to find that this distinct class of goods, 10 by 20 biased ply tube type tires for two-piece rims used in marine intermodal chassis constitutes a separate and distinct like product that is not injurious to tires made in the USA.

Finally, and we realize it's a preliminary investigation, if the Commission believes there is insufficient data on the record at this time, we urge the Commission to send out a very simple supplemental questionnaire to domestic producers. Just ask them, do you

produce these tires in the United States? And if you ever did, when did you stop?

Thank you.

MR. ANDERSON: Thank you, Mr. Marshak and I want to thank the panel for being here today and for your testimony.

We'd now like to turn to the team here to ask a few questions and we'll start with our investigator, Mr. Comly.

MR. COMLY: My name is Nate Comly, for the record. I am the investigator on this case. I would like to thank all the witnesses and the counsel for coming today.

Most of my questions will be directed at the council. I have a few questions specific to your separate-like product. Can you tell me approximately the size of the U.S. demand for this product in say last year, 2015, approximately?

MR. MARSHAK: The member companies of the RICL imported approximately 175,000 tires in 2015. And we could give you the data in our post-hearing brief of the imports in the last three years which we obtained from the members. And we believe that's the vast majority of these tires that are imported into the United States and are used in the United States.

MR. COMLY: And I think you said this in your

testimony, but the vast majority of those are imported from China too; correct?

MR. MARSHAK: Yes. I think all tires are from China right now.

MR. COMLY: Okay. And then looking at the Chinese producers, do all the Chinese producers produce this or are there a very select few Chinese producers that produce this tire?

MR. VAUGHN: It's a very limited market in terms of production and historically they had sort of euphemistically tier one factories and tier two factories and tier three in terms of quality and production capability. And we saw several years ago that the tier one factories were moving away from the bias ply tire in order to produce higher-value, like for the growing domestic Chinese car industry. So places where we used to be able to source tires have exited the business. It's a challenge.

MR. COMLY: Maybe in your post-conference brief you can supply some specific names of Chinese manufacturers, that would be great.

MR. MARSHAK: Yes. We have -- we have the names of the major vendors who sell the tires to the importers who sell the tires to our clients here. We will submit that in our post-hearing brief.

MR. VAUGHN: We have that information. Not only

the -- the leasing companies do not buy directly from that Chinese factories. We buy from American companies such as like New Pride and Oakland and Tires International and so we can give you all of that information and I also note that we have a very, very active retreading program for these tires. They're very suitable for retreading and that business is a U.S.-based business, the retreaders. Because what they do is they'll go to the marine terminal or depot, they'll get used tires that are flat or have been damaged, but the casing is still good enough and they'll grade the casings and you're luck to get like a 45, 50 percent recap rate and they'll recap the tires and redeliver them to the rail or marine terminal or depot. But that's an intrinsically domestic business.

MR. COMLY: So the firms you purchase these tires from, do they also sell other types of truck and bus tires; do you know?

MR. VAUGHN: It varies. But -- and they sell -- they really focus -- the ones that we use really focus on the intermodal business but they do have other tire customers. But I would suggest that the three leasing companies, Trac, DCLI, and Flexi where we buy we're oftentimes the top customer or certainly the top three.

MR. MARSHAK: We will also submit in our post-hearing brief the names of the importers that these

clients here buy tires from. So we'll give you the names of the mills and the names of the importers.

MR. COMLY: Thank you. That would be very helpful.

And then for the retreaders, is it the same -- do they specialize in this particular tire or they do other retreading?

MR. VAUGHN: They almost exclusively do retreading because it's a function of the molds and their purpose built for this. There is some limited retreading capability for radials. But you take, for example, New Pride probably 95 percent of their business, 98 percent of their business is the bias ply with MVT tire another producer in New York. I'd say 97 percent is the bias ply tire.

MR. COMLY: And when you say "bias ply tire" you mean specifically this type tire?

MR. VAUGHN: This tire.

MR. COMLY: Not other bias ply?

MR. VAUGHN: Correct.

MR. COMLY: Thank you.

I'm going to direct some questions at the council now to get after some of the Chinese information et cetera.

Can you comment on the Commission's coverage in terms of U.S. imports represented by U.S. importer

questionnaire? I don't know if you've had a chance to look at that.

MR. MARSHAK: No, we have not.

MR. COMLY: Okay.

MR. MARSHAK: We really have no comment on that. And at this point, to be frank, we're not sure if we're going to be putting in a post-hearing brief or not.

MR. COMLY: Okay. Can you address the import statistics on the two specific HGS numbers, whether those are good representations of imports or is that --

MR. MARSHAK: They cover this class or kind of merchandise. Whether there's other tires coming in in other categories I'm not sure. But I'm assuming that these are the trends, the radial and the bias and you see the dramatic difference between, again, the radial imports and the very, very, very small quantity of biased imports compared to the radial imports.

MR. COMLY: And for this specific type of tire that you're looking for a separate-like product on, can you provide the specific HGS number? And if goes all the way down to a statistical reporting number, that would be greatly appreciated.

MR. MARSHAK: Yes, it's within the ten-digit number and there may be other tires in that number because that's bias tires and it includes tube and tubeless. But we

will provide you, you know, with the HGS number and you see the import statistics in that HGS number and you also -- we'll give you the import statistics, the purchases from our clients, and you'll see the differences.

MR. VAUGHN: Just a little clarification. There is a tubeless bias ply also that requires a different rim, a one-piece rim.

MR. COMLY: And what is that used for, do you know?

MR. VAUGHN: It has some use in the intermodal industry, but very little.

MR. CARPENE: But that cannot be interchanged or used with the biased tube type. I'm sorry. Greg Carpene with Trac Intermodal. I'm the chief legal officer.

The tire that Bernie mentioned, the tubeless biased ply tire cannot be used along with the tubeless biased ply tire.

MR. VAUGHN: Dimensionally you can't mix and match. You can't put a radial with a biased ply tubeless tire and you can't put a radial or a biased ply with a -- one like for like. So if you wanted to switch the radials, you couldn't switch out four, you would have to take every -- do the switch out including the rims.

MR. COMLY: Thank you.

MR. BLUST: If I may just for clarification. The

tubeless biased ply is a 22 and a half inch tire; is that correct?

PARTICIPANT: That's correct.

MR. BLUST: It's not a 20-inch -- the 10 hundred 20 is a 20-inch rim which is tubed. The tubeless is a 22 and a half inch rim. And therefore, that's why the compatibility of both on one piece of equipment doesn't work. It's a mismatch.

MR. COMLY: Thank you for that clarification.

Can you comment on our coverage of the U.S. producers?

MR. MARSHAK: We really don't know. I mean we know what we read, and we assume you're going to get everybody--we don't know.

MR. COMLY: Okay. Let's go back to something you probably know more about, the Chinese producers. For the questionnaires that you submitted, how much of the Chinese production of truck and bus tires do they represent? And also, how much of the exports to the U.S. do they represent, approximately?

MR. MARSHAK: That we will try to get you the information in the post-hearing, because we understand the importance of that question.

MR. COMLY: Okay.

MR. MARSHAK: And that--we're the ones who have

that information. So we will go back to the Chinese and we will ask them for the coverage. We believe it's a large coverage, but we'll find out, to the best of our ability, how much it is.

MR. COMLY: Okay. Thank you.

Do you know of any plants in China that have opened during the 2013-2015, and any that are opening in the next near future?

MR. MARSHAK: I think in the questionnaire responses you have a question on what has opened up, and the companies have told you, you know, any new openings, any new equipment in that time. And again, we'll ask if there's anything in the future. We've also projected in the questionnaire responses the 2'16--2016 and 2017 shipments.

MR. COMLY: That's all the questions I have right now. Thank you.

MR. ANDERSON: Okay. Thank you, Mr. Comly. And we'll turn the microphone now over to Ms. McNamara.

MS. McNAMARA: Thank you all for coming.

I have a couple of quick questions, and I think, Mr. Marshak, if I understand it, you are--I just want to make sure I am directing the questions in the right, to the right person.

So you will be filing a post-conference brief on behalf of the Chinese producers and exporters? Or is that

still up in the air?

MR. MARSHAK: That's still up in the air.

MS. McNAMARA: That's still up in the air.

MR. MARSHAK: We definitely will be filing a brief on behalf of this group that's here today on this domestic like-product issue. As far as filing on behalf of the Chinese Respondents, we just don't know yet.

MS. McNAMARA: Okay. I may ask some questions that maybe you can answer maybe if you file a post-conference brief on behalf of those Chinese producers and exporters and you can address the questions in that context.

But first I want to go--I want to discuss this domestic like-product issue that you've raised. And I understand that you're saying that this particular product is not produced in the U.S. So if we're charged by statute to find the most similar product to define the domestic like-product as most similar, if we don't have like, we have most-similar, what would that be?

MR. MARSHAK: The most similar product to this would be all other truck or bus tires--

MS. McNAMARA: All bust or truck tires?

MR. MARSHAK: --produced in the United States.

MS. McNAMARA: Okay.

MR. MARSHAK: And you'd look at the import, the

exports of our product, and whether they have an impact on the domestic industry making all other truck and bus tires. And we believe there would be zero impact.

MS. McNAMARA: Okay. And so then if the most-similar is all other truck and bus tires, then the domestic industry you would just define it as those that produce all others, for purposes of--

MR. MARSHAK: For the purposes of this analysis, we've come here with what we believe to be a very distinct, unique product, and everything else, you know, we have not done the same type of analysis to all other truck and bus tires. So as far as we're concerned, let's treat that as the domestic industry, and we're a very distinct product.

That's how we would ask you to look a this case.

MS. McNAMARA: Okay. If you in your post-hearing brief can just address those legal issues about defining the domestic like-product and the domestic industry in the context of your arguments so that we comply with what we're supposed to look at through the statute. But if you can just be mindful of addressing that from a legal standpoint, not just the factual, that would be helpful as well.

MR. MARSHAK: We understand. Yes, we will.

MS. McNAMARA: Okay. So--and this question is going to go--and I apologize. Some of my questions will be--you all may be able to answer, but some of them may be

something that would go to the other Chinese producers and the more general issues.

And I'm just kind of trying to understand how this market--and obviously your market, you gentlemen, your claiming it's very specialized. And so how would--I'm trying to understand and get a sense of how, say you gentlemen, or just typical fleet owners, how they purchase products as opposed to how somebody who is a passenger tire. So what's the differences? Or is there any difference in how you all purchase, or how truck fleet owners purchase tires, versus say a consumer in passenger tires?

MR. JACKSON: For us, for purchasing the product that we use, it's a very limited number of suppliers, very limited. And we can only go pretty much to these particular suppliers. Unlike a passenger car tire, it's readily available everywhere and most--there's many, many dealers. There's many, many providers. The network is much larger, much more vast, than what we see in our industry that's very limited and very unique and, I guess you could say, kind of specialized.

We have no choice but to go to these particular providers. And as Mr. Vaughn was saying earlier, it's very limited. It seems to be shrinking further even in China. Very, very few producers. And I would add to the comment, I think the reason for this is it's always been a lower cost

product, not very attractive to manufacture.

We've talked in the past to large manufacturers through our contacts with companies such as Bridgestone Bandag, or Goodyear, and even Hankook in the past, and we had talked to them to see about possibly making this particular product. And at that time, or at those times, they've expressed zero interest.

As Mr. Vaughn also noted, I don't know if you're familiar with Tier One, Tier Two, Tier Three type tires, but most folks are gearing towards Tier One/Tier Two, and my understanding is for profitability. There's greater profit margins. It's just there's not that profit margin in this particular tire.

MR. VAUGHN: I think there are no more than five or six vendors who market this tire in the United States, and we give 90 percent of our business to. This is an extraordinarily competitive industry, and without getting into confidential information, we would do a term lease for say 100 chassis for three years and lose a deal for 3 cents in the rate a day. That's how price sensitive that is.

And that's why it is so essential that we watch the cost side of the equation. And as a number of us had said, maintenance and repair vastly exceeds capital costs in terms of the pricing model. And tires eat up a very, very large percentage of the maintenance and repair budget.

MS. McNAMARA: So you are describing this market where you're going to certain limited suppliers. Are those all located in China? Are they all Chinese producers?

MR. VAUGHN: All the vendors are U.S.-based.

MS. McNAMARA: The vendors are U.S.-based, but selling through Chinese--

MR. VAUGHN: They source--they source from China.

MS. McNAMARA: Okay. Is it produced anywhere else, do you know?

MR. VAUGHN: The tires?

MS. McNAMARA: Yes.

MR. VAUGHN: There was historically some limited production in India, but to the best of my knowledge they're no longer in the market.

MR. JACKSON: Not that I'm aware of--sorry. Not that I'm aware of in India anymore. Everything, as far as we know of, is sole source through China only at this time.

MR. VAUGHN: And in addition, factories that we dealt with a decade ago, you know, through these vendors, have exited this business subsequently.

MS. McNAMARA: So if these Chinese producers kind of have this market cornered, how does that affect the price for you all? Is there price competition among these?

MR. VAUGHN: It's like a Coke/Pepsi model. There is extreme price competition within the vendor group.

MS. McNAMARA: Okay. So would you say price is the most important factor for purchasing for your specialized tire?

MR. VAUGHN: Well number one, it's the quality of the tire. Who cares what it costs if it's a piece of garbage. That's why we talk about this Tier One/Tier Two. And we require things like Smithers testing, and things like that. But having said that, amongst the people that provide us with acceptable quality tire, then it's really price driven.

MR. MARSHAK: I just want to add one more comment. The key here is availability. There are just not that many tire mills that are making these bias tube tires. So the first criteria is finding a mill that makes the tire. And if I'm correct, there are just not many mills left who are willing to make these particular tires. None in the United States. And in China, a very limited number.

MR. VAUGHN: Yes. We gave this data to Ned. It's roughly a half dozen factories.

MS. McNAMARA: And if these, if this industry is kind of shrinking and producers are exiting, where is that going to leave you? I mean, do you think this is something that they are going to continue to produce? I'm just--

MR. JACKSON: I do think there are still going to be some producers. They still see options for this, so it

can fill space in the factories. Nowadays there's a lot of competition. There seems to be, you know, so many factories in China that there's always open space, so to speak.

So they backfill this space, much like what happens in the retreading market. When retreaders in our industry, we pay a fairly competitive price on retreading. So when you look at a lot of the retreaders, larger retreaders, their retreading business and profitability comes from higher-end products, over-the-road type products, or demolition type tires, dump trucks, et cetera.

But there's always backfill space, and that's what these factories do typically, is they fill that back-end space with this particular product, is what we see, because there's still open capacity. So when you fill that little bit of open capacity, it helps with overhead, et cetera, with factories.

So there's still the potential to continue with this production, but it is very limited.

MS. McNAMARA: Okay. And it's primarily larger companies that produce this as a subset of their product? Is that--

MR. JACKSON: Actually, from what I know, I'll try and give you the best information I can, there's very limited of the large companies. The largest company I am aware of that does this production is ZC Rubber, Zebra

Charlie Rubber, also known as Hangzhou Rubber. I believe they're the largest Chinese manufacturer. And it's still very surprising to us that they're willing to produce this product, but they do.

Most of the other factories are, I would estimate at this time--we could find out more detail--that they are smaller to moderate in size. One of the companies that Mr. Vaughn mentioned, New Pride, is with a very, very small plant. So it's not a large production plant.

MS. McNAMARA: Okay. You mentioned Tiers. And can you explain to me how Tiers work in this specialized product versus in the larger tire market?

MR. JACKSON: Sure. When we talk about Tiers, obviously a Tier One is your top-of-the-line steer, axle type tires, et cetera. Our particular product doesn't fall into that category. It's really manufactured more or less for trailers. Specifically it is an Intermodal trailer chassis that the tire is manufactured for.

If we were to classify this tire, it would probably in a Tier Three, or potentially even lower than a Tier Three, an entry-level type tire.

MS. McNAMARA: Okay. So your product doesn't have its own Tier product--

MR. JACKSON: Not that I'm aware of, no.

MS. McNAMARA: Okay. But if you were placing it

in the larger tire market, you would say this is a Tier Three?

MR. JACKSON: Tier Three, yeah.

MS. McNAMARA: Tier Three?

MR. JACKSON: Yes.

MS. McNAMARA: Okay. And what would you base that on? Why would you characterize it as a Tier Three product?

MR. JACKSON: When you look at let's say your Tier One type tires, or Tier Two, the quality and engineering into a tire of that type is very high level. The materials used, et cetera, is very high end. It's a much more higher cost components going into that tire, much more engineering that goes into that tire to produce a tire that's going to be much more resistant and capable of withstanding a lot more forces, longevity, et cetera.

In our particular tire, or in our industry, to try and look at using a tire of that quality would not make sense. As we mentioned, we lose a tremendous amount of our tires due to damage. And there is potential, and we know that there's also theft in our industry, because the way we operate we're in a day-lease industry where a chassis could be leased several times in one day with many, many users.

Our clientele is many, many thousands of customers. It's all independent truckers. So we are also concerned with theft. So when you start to put a higher

quality product, people will recognize eventually and those products will be stolen.

We don't have the controls in our industry to prevent that. It just does not exist in marine terminals, the rail yards, et cetera,

So we have to be cognizant of the fact that you have to produce and operate a tire that will meet our needs, and this particular tire does. But it's of no value to let's say truckers who want to take a tire and utilize on large over-the-road hauls this tire designed for more or less short hauls, short distances. But It provides the use, and it's a lower cost particular tire. So the up-front cost is not major to purchase this particular product, but it does meet all the needs, including, you know, it's ability to resist the damage which is very high in our industry, and yet's not very desirable for things such as theft.

MS. McNAMARA: If this is a specialized industry-- and I don't mean to, I'm not trying to make light of this-- but who is stealing the tires, then? If you all--

MR. JACKSON: Truckers.

MS. McNAMARA: Truckers?

MR. VAUGHN: It is a huge, huge problem in this industry.

MS. McNAMARA: So truckers can use your product--

MR. VAUGHN: They'll put it on their truck. To be clear, an intermodal bias ply tire is not suitable, and in fact is not safe to use as a drive steer tire. And what happens is, they'll have 10 chassis. They'll have a flat, and they'll steal a tire from the chassis next to it.

We run a pool--people who aren't in this industry don't believe it. I just spent three weeks in California doing audits of 40,000 chassis fleet. Last month we put 34,000 lights that were missing or broken on our chassis. It is staggering the amount of money that we spend for stolen, damaged tires.

I will give you an example. I referred to Skid Flat in the testimony. Chassis, when it's at rest, has a breaking system that works off the tractor trailer. It has two breaking systems, a parking break so when the air is disconnected the parking break is on. When the trucker comes, he hooks up the air and the electric power from his unit, but you generally have to wait a minute or two to charge the air system on the tractor. And when sufficient air pressure is achieved, it releases the parking brake. And then the trucker can engage the service brake when he's moving.

Yard hustlers, which are marine terminal and rail--they're not leasing company employees; we have no control over a lot of this--they're always moving equipment

in the terminal. They'll come in a yard hustler, hook up, not care about letting the air system charge, and they'll drag. All the time you'll see chassis like bumping because the parking brake is on and they'll destroy eight brand-new tires because there will be a piece of it that's skid flat.

It's a huge problem. We've put tattle caps on, which will show that a tire has been changed. We have branded our tires with the FEL, Flexi-Van Leasing, to help limit theft.

MS. McNAMARA: So the truckers will put those on their tires. And I think you mentioned that that's not--or I'm just trying to understand it. Do they put them on their, the truckers put them on their--

MR. VAUGHN: No. They'll lease a Chassis, and if they destroy two tires they'll take two off another Chassis so that when they return it they don't get dinged with the cost.

MS. McNAMARA: Okay. Okay, I understand now, I think.

And then, Mr. Marshak, just in terms of the conditions of competition of the bus and truck tire market as a whole, not just specialized, do you have any comments on tiers for branding?

MR. MARSHAK: We just got finished with a passenger tire case, and we talked about tiers, and branding

over, and over, and over, and we're in the Court of International Trade on an issue. We see the same domestic manufacturers, Goodyear, Bridgestone, Michelin, Continental, making tires in the United States. We don't know as much about the importance of tiers and branding in the truck market as we do in the passenger market.

We assume it's very similar. I believe there's some answers in the questionnaire responses, and we would hope that a majority of Commissioners would agree with us that the domestic manufacturers are making tires and selling tires at a different tier than the tires that are coming in from China. But that's, you know, just a tremendous issue that we have not tackled yet.

MS. McNAMARA: Okay. So I'll just kind of cut to the chase. So you are contending there's some attenuated competition here between the Chinese product and the domestic product?

MR. MARSHAK: Overall?

MS. McNAMARA: Yes.

MR. MARSHAK: Yes, but again--

MS. McNAMARA: Yes, so--

MR. MARSHAK: --we have not quantified it in the same way that we submitted thousands and thousands of pages and documents in the PBLT case. So I believe there's going to be attenuated competition, yes.

MS. McNAMARA: Okay, if you do file a post-conference brief and you do want to argue attenuated competition, maybe you can just address that.

And also, if you are going to argue attenuated competition, then how do you explain the shift in market share? And also some of the exhibits that the Petitioners attached showing the tires kind of side by side, and then the double coin that lines them up. If you are going to argue attenuated competition in a post-conference brief, it would be helpful if you would address that as well.

MR. MARSHAK: We understand. Again, we haven't decided what we'll be doing in this preliminary phase, but, you know, again this is a major issue.

MS. McNAMARA: Okay. So again I think this question goes more towards the market in general. And I'm just curious as to how subject imports participate in the OEM and replacement market, if there's any divide.

MR. MARSHAK: Again, we don't have that information right now.

MS. McNAMARA: Okay.

MS. McNAMARA: So I also want to talk about, you all talked about retreading with your product that you use. So can you explain to me a little bit about who does that retreading, and how that affects--are all the tires you bought retreadable, that you buy on this?

MR. VAUGHN: Yes. And the question becomes, as Mr. Jackson said, oftentimes our tires don't wear out. They have a premature existence because of damage, whether it's cut the cord curb damage, skid flat.

So when a tire, either through treat depth or damage is no longer suitable for road service, a vendor will come to the marine terminal at our behest, or a rail terminal, or a depot, say they'll pick up for example 200 tires, and then they'll drop off hopefully 200 tires.

They'll take those 200 back. They do an examination, and they grade the casing. Is the casing, you know, the bones of the tire, still sufficient quality to do retreading? And each leasing company establishes its own standard. You know, how many holes can be in it, that kind of thing. It's a technical thing that Mr. Jackson can explain in better detail than I.

And you'll be able--if you're lucky, you can get 50, 60 percent of your tires that are suitable for retreading, that's a pretty good percentage. The rest will be scrapped. And then they'll retread either a mold-cure process, or a precure process. They'll put them in a mold and the tire, when it's fixed, or it's suitable is virtually as good as a new tire. And then they'll redeliver them to us and supplement our needs to the extent necessary with new OEM bias ply tube tires.

MS. McNAMARA: And so the company that's doing the retreading, does it specialize in this particular tire? Or do they do retreading across the broader bus and truck tire market?

MR. JACKSON: I can address that for you. As Mr. Vaughn said before, there are several retreaders that we utilize that concentrate in the Intermodal industry. However, for Trac Intermodal we do use some very large retreaders that are, for example, Bridgestone Bandag, which happens to be the world's largest retreading company.

We utilize Bandag now. Now Bandag, this is a small segment for them. Bandag can retread probably, I imagine, almost any tire available. But we use a mixture. We happen to use a company called Dupride who is specializing in this industry. I think, like Mr. Vaughn said, I couldn't tell you for sure but I think that probably 95 to 98 percent of their business is with the Intermodal carriers, Intermodal Chassis owners. But then there is again a few companies that we use that are much more expansive in what they can retread, and what they do retread.

MS. McNAMARA: Yeah I know, and this may again go to the large bus and truck market, but can you explain a little bit about how fleet service programs work? I mean do you all have anything similar to that?

MR. VAUGHN: What are you referring to?

MS. McNAMARA: A fleet service program. I'm trying to understand what those are, and Mr. Marshak you may be able to, if that's something that did larger --

MR. MARSHAK: We are not able to address that issue.

MS. McNAMARA: Okay. And again, I'm going to direct this to kind of a larger market, and you may not know, but do Buy American policies come into purchases of either your product of tires or truck and bus tires as a whole?

MR. VAUGHN: Even if I wanted to, I couldn't buy --

MS. McNAMARA: Oh, I'm sorry yeah. That's absolutely -- I'm sorry, I apologize for that one. But I'll direct that to the larger. If you don't have --

MR. MARSHAK: We don't know.

MS. McNAMARA: Okay. How would characterize U.S. demand for truck and bus tires over the Period of Investigation?

MR. MARSHAK: We have no comment. Generally, the answers are going to be in the questionnaire responses. I think they're responding to that.

MS. McNAMARA: Okay. So do you have any

information on raw material costs and how they've affected pricing?

MR. MARSHAK: Again, I'm sure that's going to be in the questionnaire responses. You'll see the raw material costs.

MS. McNAMARA: What about -- can you speak to non-subject imports in this market?

MR. MARSHAK: Again, we're going to rely on the questionnaire responses here for our answers.

MS. McNAMARA: Okay. If you file a post-conference brief, if again you could just be sure to also address the factors that the Commission traditionally considers in determination of threat, and also if you do file a brief and are claiming that the domestic industry is not injured, if you could -- if you could explain that, bearing in mind that just because an industry is profitable does not preclude a finding of injury that would be helpful.

MR. MARSHAK: We understand the new law. We think they're -- you know, even with the new law there are certain limitations. If an industry is incredibly profitable, the Commission has to take that into consideration, even though we know it's not the end-all and be-all of the decision. But it's still, we believe, a very important factor, the profitability of an industry.

MS. McNAMARA: Okay. Thank you very much.

MR. ANDERSON: Okay. Thank you, Ms. McNamara. Now I'll turn the microphone over to Ms. Breaux.

MS. BREAUX: Good morning, and thank you for coming out to testify. I just have a few questions for you all. First one involves purchasing decisions. I know you have a very limited amount of suppliers from what we've been told, but I want to know if there are any other factors other than price that you consider when making a purchasing decision?

MR. JACKSON: Yes, I'll address. There is. Mr. Vaughn mentioned Smithers Laboratories. I would imagine maybe some folks here have heard of Smithers. Smithers is a testing -- for those who haven't heard of Smithers, let me explain a little bit.

Smithers Laboratories does testing on many products, but they also specialize in tire testing. So when we look at buying a tire, we don't want it from just any supplier. We need to make sure that it is going to operate properly, it's going to meet the needs of what we need. It's going to be able to handle the harsh environment and operate as a good quality tire.

So we do look -- one of the first basis points in looking to purchase a tire is to ensure the quality is

there, and suitable enough for our industry. So we rely on Smithers to do testing and provide some results through tests such as endurance, clee to wheel, some ozone testing, some other things of that nature and some of our initial decisions are based on that.

We then do some trials with some of the products to ensure that they do operate, and then if we know that it is operating and functioning well and meeting our needs, we then can say this is a supplier we can work with. As again we mentioned earlier, it becomes more difficult when you have a limited factory base.

MR. VAUGHN: Let me just add to that. We've been in this business since the early 60's. We have been dealing with vendors sometimes for, you know, 30 years. We value our vendor relationships. But as the chief legal officer for the company, I've put in a policy that in virtually all markets, I want at least two suppliers for competitive reasons.

You know, if you have someone who's -- MDT Tire in New York, because of the trucking costs, they're not going to sell me tires in California. So there's -- in different regions of the United States, we have suppliers. A company like New Pride is national in scope. So we have a mix of large companies like New Pride and more mom and pop places.

In addition to the tire quality, you're very interested in service in reliability, because they also deal with the transport, the delivery and pickup of tires. So do they have good quality control and casing assessment? You know, there's other factors. But at the end of the day, pricing is very important to us.

MS. BREAUX: My next question deals with supply constraints. Has there -- again within your industry, I understand that there are only a few suppliers, but have those suppliers ever faced any constraints in getting the actual product to the United States, or within any certain region?

MR. VAUGHN: The answer is yes. There was a major, major disruption to the ports on the West Coast due to very contentious labor negotiations between the marine terminals and the ILWU, which is the union that works the marine terminals, and it resulted in work stoppages, a back up of ships, vessel rotation problems.

It was a nightmare and actually I think the President got involved with his representatives to step in and end that. I think Mr. Blust may have more data. But I think the adverse impact to the GDP, the economy over the whole was reflected as a consequence of those problems. That was last year.

MR. MARSHAK: Were there any supply problems with the manufacturers in China?

MR. JACKSON: There has been at times. For example the company I'll use, New Pride as an example, they happen to have been with a manufacturer, if I recall correctly, that did other tires and they had, I believe, a contract for space that was leased within that factory to produce this particular tire.

I don't know the specific details, but my understanding is they just had an issue with the fact that the factory did not want to produce this tire any longer. They wanted to move more towards higher profit margin type tires, and therefore New Pride did have some production issues for a while.

Eventually I believe they ended up going to a factory that was -- had open available space, and worked out an agreement to lease space there with their own molds and setting up their own production capacity within that plant. So that's just another example of some things that do happen.

MS. BREAUX: And my last question, besides the 100 by 20 tires that you all specifically mentioned, are there -- are you aware of any other types of tire, truck and bus tires that are only produced in either the United States

or China that we can't get here? Sorry. Are you aware of any other brands or model of truck and bus tires that are only produced in China and that we cannot produce in the United States?

MR. JACKSON: I am not aware.

MR. VAUGHN: I think that there is a very small market for tubeless, bias-plied Mr. Blust talked about on a larger-sized rim. They produce them in China also right, the tubeless?

MP Yes, correct, the 11225.

MR. VAUGHN: Yeah, the 11225. They're also produced in China.

MS. BREAUX: All right. Thank you very much. That ends my questioning.

MR. ANDERSON: Okay, thank you. Mr. Yost.

MR. YOST: Thank you very much. I listened to your testimony with great interest. In a former life, I was -- I worked in a trading company and was involved in the containerization, so to speak, in the 1970's. So I've seen this industry develop and prosper. Are you guys ready for the new Panamex plus size container ships?

MR. VAUGHN: That question's better addressed to the marine terminal operators.

MR. CARPENE: Well, I'll say though that our

company actually serviced the Benjamin Franklin that come into LA-Long Beach back in December, which is the 18,000 TEU ship, and you're right. I mean it's an issue that the terminal operators but also the chassis providers need to be ready for, need to be able to supply.

MR. VAUGHN: Yeah, in the pool environment, it creates tremendous logistical challenges, because as Greg said, you not only have these larger ships, and you take of the Port of LA-Long Beach where -- that's where the trans-Pacific trade is, where those larger ships are being deployed. They really can't come to many East Coast ports because of drayage concerns and draft of the ship.

MR. YOST: Right. I understand they're dredging a number of East Coast ports right now --

MR. VAUGHN: Yeah, to get these --

MR. YOST: Savannah for one.

MR. VAUGHN: Yeah. Savannah will probably -- Savannah and Charleston will, in my opinion, benefit the most from the post-Panamex ships. But we run into a logistical problem because you'll have seven marine terminals within two miles of each other. But the shipping lines are under tremendous competitive pressure now.

So they form these alliances. So Week 1, the ship will go into Terminal A. The next rotation, the ship

will go into Terminal B and we'll have to move 1,100 chassis from Terminal A, deadhead them, basically stack them, deadhead them, you know, two miles down the road. So it is a very challenging environment for us.

MR. YOST: Do you lease the containers as well as the chassis at the same time or typically make --

MR. VAUGHN: Well, Flexivent was the second largest container leasing company. When I joined in '86, my job was in part to buy another leasing company. Trac had Interpool, a very large company. So it started what were called the Seven Sisters, and there was an awful lot of consolidation. So the chassis companies that remained used to be really principally container companies.

MR. YOST: I see. So the chassis are leased separately from the containers?

MR. BLUST: Yes. We have, for example, the IACL has 12 members. Three of the members only lease chassis. Eight of the members only lease containers, and one company leases containers and chassis. But they're probably -- it's unlikely that there would be a coordinated lease of containers and chassis.

Like my belief is they would be separately processed at maybe the same customer. But it's not a bundle. In the old days they used to do bundles of

containers and chassis and outfit a carrier with a fleet of containers and chassis to set up an operation.

Today, most of the chassis are leased to truckers by and large, while the containers are leased to ocean carriers. So the market has changed over the course of the evolution of containerization.

MR. VAUGHN: Yeah the market -- there's been two sea changes in recent years. Number one, it used to be 50 percent of the chassis were owned by ocean carriers and 50 percent were owned by leasing companies. Starting about seven-eight years ago, the ocean carriers decided en masse to exit the chassis-owning business, and the leasing companies, including TRAC and Flexivent, and actually DCLI was actually the mirror shipping line fleet, and they just spun off a leasing company.

So you had that sea change, and then the second change is the whole change in intermodalism and the development of these equipment pools, where to the maximum extent possible some shipping lines are trying to exit the business of providing and paying for a chassis. So when I got in the business, a shipping line would go to the factory, shoe factory outside of Milan and take care of that through bill of lading and get those shoes to the Nieman Marcus store in Dallas. Now, it's moving back to more 17th

century port to port.

MR. YOST: I see. Has the size of the chassis fleet expanded over time?

MR. VAUGHN: No, it hasn't. It's actually gone down, and it's gone down principally because of increased efficiency, meaning years ago, and that's not good for us by the way, years ago each -- ten shipping lines would come into the Port of New York. They would have ten fleets of say 1,000 chassis each to service their ships.

With these equipment pools, the chassis becomes vanilla, an interchangeable, interoperable piece of equipment. So you may be able to service those ships with 6,000 instead of 10,000.

MR. YOST: I see.

(Simultaneous speaking.)

MR. YOST: So consolidation has in effect decreased demand for replacement tires?

MR. VAUGHN: No, a very good question. Unfortunately, almost the reverse is true because with that smaller fleet, it's being used much more actively.

MR. YOST: Okay.

MR. VAUGHN: So whereas a chassis would take two trips a month when the vessel came in, two to three day trips, it's being used four times a day.

MR. YOST: Understand. Do all the chassis use the same tire, this ten hundred by twenty?

MR. VAUGHN: The vast majority. There are specialized fleets, private fleets. There is some use of radial tires. By way of example my terminal is Dole and it's super high value cargo, perishable. We land the bananas in Wilmington, Delaware but we'll go as far as Montreal and Toronto.

So it's long haul, private fleet, enclosed fleet which we control. So we do things like use airing systems. We talked about under-inflation. We use hobometers, you know. It's a Rolls Royce chassis, you know.

MR. YOST: Okay, and presumably nobody steals the tire or nobody's allowed to steal the tires on that particular ground chassis?

MR. VAUGHN: We actually have more control. We operate the terminal, but I cannot tell you that that doesn't happen from time to time.

MR. YOST: Understand, understand. What's the significance of the two-part rims? Is that something only for the bias-ply tubed tires?

MR. JACKSON: Yeah, I'll answer that for you. Yes. You know, when you look at all their TBTs that utilize a one-piece wheel, in order to use a tire that does use a

tube and also what's called a flap, which is a protective rubber, piece of rubber that's in between a tube and then the rim. In order to mount that tire, you really can't mount it on a single piece wheel because your tube needs to be aligned.

As you mount, you know, we can move out of position, out of place. So by using the two-piece system, the ring itself is off of the rim, and you can easily slide the entire assembly of the tube, I'm sorry, the tire, the tube and flap you can slide into position easily without disturbing the positioning of your flap and your tube, and then your ring gets mated on top of the one side of your rim and becomes a second flange.

So you have your rim, which has one flange already. On the other side is a ring that acts as a flange which is removable. So when you take the tube-type tire, you slide onto your rim. You take your ring, apply that on top and you have a nice assembly where everything is lined up properly.

MR. YOST: I understand, and who makes the rims?

MR. JACKSON: That's a good question too. There used to be a U.S. company such as REDCO or Accuride who did make these rims. But again, it's a very small niche specialized fleet. So a lot of these guys have stopped

making it and if you had to buy new today, there may be a few Chinese suppliers or other suppliers.

But we do -- we do have enough supply of our own. We have some of our older equipment that when we decide to dispose of the older equipment, we take the old tires and rims off of there to help us replace anything that needs to be replaced moving forward.

MR. VAUGHN: And we also have a very -- excuse me. We also have very active reconditioning rim program, where we're sandblast and powder coat the rims to extend their useful life.

MR. YOST: Okay, and these tires and rims are only used on marine chassis?

MR. JACKSON: As far as we know, yes.

MR. YOST: For containers?

MR. JACKSON: Yes.

MR. VAUGHN: Yes.

MR. YOST: So they don't compete with truck, bus and trailer?

MR. JACKSON: Not that we're aware of, no, no.

MR. VAUGHN: Correct. This is a very, very simple but specialized piece of equipment, single purpose, you know, to transport marine containers.

MR. YOST: Now you've testified that this is a

-- well, a lower cost, low profit margin, not very attractive. So but why did the U.S. companies exit this business, as you say, in the 1990's?

MR. JACKSON: Well, it's our speculation in talking with a few of the manufacturers -- again, I deal quite a bit with Bridgestone Bandag. We've had some representatives in from Goodyear and I'll give you my best. Probably my best example is a few years ago, we had even talked to Hankook Corporate and we had asked them. You know look, we're trying to see if we could find something that has slightly higher quality value, and we would like to know if you'd be interested in manufacturing this particular product.

I was told flatly at the time that we really have no interest. Our business is in the radial market. I asked him, I said well, I don't understand. We could probably give you a lot of volume. You could open up another plant and produce this particular product.

I was told listen Mr. Jackson, if we open another plant, it's going to be for radial. It won't be for bias. So I assume in our talking with all the people, the feedback we get is that the radial market provides a higher profit tire. You know, as again, when you talk about a steel axle tire, it commands a very high value. So the

profit margin I assume is greater there.

MR. YOST: I see, okay. Also earlier testimony was there's about 175,000 new tires purchased per year for this industry. In your post-conference, if you could put a value on those purchases?

MR. MARSHAK: Yes, we will.

MR. YOST: Okay. I have no further questions. Thank you.

MR. ANDERSON: Thank you, Mr. Yost. Mr. Cantrell.

MR. CANTRELL: Thank you. Ray Cantrell. I'm the industry analyst on staff here. I'm kind of the tire guy, technical. Although you can see my colleagues have asked many technical questions. But I get into description and uses of tires, the production methods and so forth, and I'm not too familiar with your industry and was wondering when you speak of chassis, are you talking a truck bed or what?

MR. VAUGHN: I'll just elaborate a little bit on our -- my testimony and in the post-trial brief we're going to submit pictures of chassis. They'll only be Flexivent chassis, not TRAC chassis. So but it's really a steel ladder frame with bolsters and most importantly twist locks, because -- and it's made to match the size of the container.

The container ships are cell-guide ships, and they take either a 20 foot container or a 40 foot container, and then some years later on on-deck carriage, they would take a 45, 45 foot container. So you have an undercarriage, which is generally two axles. We make some tri-axle, three axle chassis.

That's for generally carrying heavy overloaded or not overloaded, heavier 20 foot containers. So the axle, the bogie extends. So you can be in compliance with the bridge laws. It's not that the chassis can't take the weight; it's that the bridge laws require, you know, the extendability.

So with the two axles, you'll have eight tires. You have a braking system and a light system. There's no mode of power on the chassis. It gets -- it's air supply to run the brakes and it's electrical supply to run the lights from the tractor-trailer that it's attached to.

When a 40 foot container is put on top of a 40 foot chassis, to a layman, you know, it's going over the highway. It looks essentially like a tractor-trailer van.

MR. CANTRELL: Okay. So I mean these are -- the containers are then offloaded onto these chassis that sit on the port, is that right? I mean they aren't on the ship?

MR. VAUGHN: No. Well, you could put it on a rollo ship, you know, roll on/roll off ship, but the vast

majority of these chassis are used -- it's sort of what we call the first mile and the last mile. It comes off the ship. I'll give an example in Los Angeles.

The container comes off the ship. It's either going to be delivered locally for a large consumption area in Southern California, it's going to go the railhead, either the B end at Hobart or the Union Pacific at the ICTF, which is about four miles, five miles from the marine terminal, and then the box will be lifted off the chassis, put onto a double-stacked train car and head to say Chicago, and then the train will be unloaded. There will be chassis there, and then it will go to its end destination.

Then there some more minimal -- you wouldn't take a box in LA and put it on a chassis and drive it to Chicago. You may drive it to Nevada, you know. You wouldn't drive it to San Francisco because the ship's next stop is going to be Oakland. So it's used on both end of the intermodal move. We always call it the first mile and the last mile.

MR. CANTRELL: Oh okay, thanks. The tires that you bring in, are they mounted or unmounted?

MR. VAUGHN: Well, we don't import them. Our vendor imports them and to answer your question it really varies. They come unmounted almost always, and then a

vendor will either map the tires and deliver them to us mounted, or in some places it gets delivered to a third party depot and they do the tire work, or because of union work rules, the tires will be sent to the marine terminal, which is unionized labor and the union tire mechanics will do the mounting and then put the tire on the chassis. It all depends on the environment.

(Off mic comment.)

MR. VAUGHN: There are times, yeah. We supply the rim and the tire.

MR. CANTRELL: So they're not coming in mounted?

MR. VAUGHN: No. In the container, they're not mounted.

MR. CANTRELL: Oh okay. Are these -- all right. Mr. Blust.

MR. BLUST: Mr. Cantrell, if I could maybe just clarify what Bernie was saying. The tires are mounted on the leasing company's or the chassis owner's rims in the United States. The tires do not come in with rims. It's not a preset arrangement.

The rims aren't being imported. The tires are coming in. Then they're mounted. The rims are provided by the chassis owners. The tires are mounted on the chassis owners either at the owner's site or at a remote site. So

they're brought back either as a package or individually and mounted at the terminal. So but they're coming in as a container load of tires to whoever the importer is.

Just a containerload of tires come in, are sold to the vendor. The vendor then resells the tires and they may provide the service of mounting the tires on the rims and then delivering the package or -- to the owner with the owner's rims. But they're normally not supplied with new rims.

MR. JACKSON: Yeah. The leasing company is not the importer of record. We're buying from U.S.-based distributors like New Pride.

MR. CANTRELL: Oh okay. Now these chassis when they have the container on them, lifted on them, I mean I guess they can carry multiple containers?

MR. VAUGHN: No.

MR. CANTRELL: One container per chassis?

MR. VAUGHN: A 20 foot chassis will transport a 20 foot box. A 40 foot, you know, 40 foot container because the twist locks ^^^^ on the bolsters there are twist locks, and there are -- in the corner castings of the container for safety and security when it's put on the chassis with the ship crane or a gantry crane, the trucker or longshoreman goes around and closes, connects those twist locks and it

locks down, it locks down the chassis.

Now there are some special purpose-built chassis that may be built to take -- and it's usually empties, shuffling empty 20's. So it will be a larger chassis and it will support two empty 20 footers.

MR. VAUGHN: You'll see that over the road. Occasionally, you'll see two 20 foot containers on a 40 foot chassis. It's traditionally called combo chassis. You can put one 40 on this 40 foot long chassis, one 40 foot container sitting on or two 20's, but they're normally not loaded because you'd exceed the weight limits on the road.

That was the wisdom in the creation of the containers is this modular style on the international market. 20 foot container and a 40, you would -- for a 20 foot you would take 20 foot slot on the ship. You could stack 20's up on the ship, which is why the cargo body came off of the wheels. In a truck/trailer concept, you take the cargo cabin and take it off of the wheels, leave the wheels behind and load that on a ship.

Then you're able to stack on the ship multiple cargo bodies, and that was -- because if you put them on the wheels there would be one tier horizontal and it would -- you couldn't get the economies of filling up a ship with multiple containers stacked on each other.

A 40 foot will actually sit on top of two 20's in a cell, or substitute 40's all the way up. 20's on the bottom, 40's on top and it gave a lot of flexibility in work on the ship and cargo capabilities. Light cargo goes into 40's, heavy cargo goes into 20's. So you gain a lot of flexibility in the process, which is why we have 20's in the fleet, 40's in the fleet and then an oddball 45 foot that goes up on top, because you get an extra five linear feet of cargo space for really light cargo. But they do have some operating constraints.

So you will see that in some of the numbers that we put out. You'll see 45 foot chassis, 40 foot chassis and chassis for 20 foot containers. But the 45's have 40 foot positions for stacking. So they can sit on top of a 40 foot stack and be able to build up your cargo on the ship in that manner.

It's different than the 53's that you dealt with on another case, where they are essentially suited to domestic trade, and the 20's, 40's and 45's are suited to the international container trades, because of the way that they're stacked on the ship.

MR. CANTRELL: Okay. So I'll try to get back to the tires a little bit. Are these tires, are they suitable for long haul or are they only -- do they only -- are they only used for short haul?

MR. JACKSON: Typically, they're really not meant for long haul. They're really suited for long haul, excuse me, short haul. When you looked at the industry when it first developed, that was the premise, that most of this cargo, most of the containerization was pretty much local drayage, truck drayage. In our industry and in modal, Mr. Vaughn touched on this before, if you're going to be receiving cargo in New York or Baltimore or Virginia and you need to bring that cargo into the Midwest regions, it typically loads the train, cargo trains in those particular areas and it's transited via rail into inland destination points. The same thing goes for West Coast.

And Mr. Vaughn, as he mentioned before, it does happen occasionally where folks will run cargo inland on a chassis. But most of the reason is not because that's just the way things work; it's because it's a hot cargo move. It's something that's on a deadline. But it's very, very rare.

MR. CANTRELL: Do the tires that come in, I mean there are DOT regulations, specifications, sidewall specifications and so forth.

MR. JACKSON: Yes, yes.

MR. CANTRELL: So they're all DOT certified tires?

MR. JACKSON: Absolutely, yes sir.

MR. CANTRELL: Are there any other special markings on them like regroovable or retreadable or anything like that that you might -- that the tires are marked with?

MR. JACKSON: There are at times on certain tires. On ours, I don't believe have any special markings like regroovable. My personal feeling is I'm not one that believes in regrooving. If you've utilized and worn that tire down to your two/32nds, you really should be looking at retreading. To regroove, we're not a fan of that. But no. Most of the other markings are just your DOT, your normal DOT markings.

MR. VAUGHN: And we do not regroove.

MR. CANTRELL: Okay. So let me check my notes here. One thing that Mr. Yost brought up about the rims, two piece. Could in post-conference here could you provide maybe a diagram of how that's -- of how that goes together?

MR. JACKSON: Yes sir, no problem.

MR. CANTRELL: Okay. On the speed rating on these tires, I know you can, you know, there are some that are 50, 55 miles per hour up to 75. Some of the 18-wheelers and everything may have speed ratings over 75. It seems to me these may be lower speed rating type tires.

MR. JACKSON: You are correct. They typically

are ^^^^ I want to say many of them do fall into a speed rating of 55. But I'd have to tell you I'm not 100 percent sure of all of them have that particular speed rating. It's something I would have to look at. There may be some whose speed rating is greater than 55.

MR. CANTRELL: In the load range on those, I mean are they seven or eight thousand pounds or five thousand or --

MR. JACKSON: Yeah. They're in the 5,000 to 6,000 pound load range and they'll tell you whether it's run in a single or dual application. There's two different load range ratings on it, and both of them are typically in the 5,000 range. I think a few might be around a 6,000, slightly above.

MR. CANTRELL: And are they -- are they aired up say over 100 pounds most of the tires?

MR. JACKSON: No sir, 90 psi.

MR. CANTRELL: Ninety?

MR. JACKSON: Yes sir.

MR. CANTRELL: So these chassis, they aren't like a straddled carrier, which is a straddled carrier being an off the road type tire?

MR. JACKSON: That's correct. You're absolutely right.

MR. CANTRELL: So if they have the DOT rating, they're on road commercial tires?

MR. JACKSON: Correct.

MR. CANTRELL: We're kind of entering a new era here in studying commercial on the road tires. This is our first case. We've had off the road consumer tires. So this is an interesting area to study.

I had one other question, if you had any information on this about. What percentage of the Chinese tires that are coming in are bias-ply? Do you have any sense of what that might be?

MR. MARSHAK: Just looking at the import statistics, and this was used by Petitioner, you have the radial tires are in one HDS category, 400120, 1015 and all the others including the bias are in 4011205, 020. 2015, the quantity from China of the radials are 8,412,999. Of the other, the non-radial are 494,000.

So it's, you know, very, very limited numbers of these tires coming in from China compared to the radials, and as we've said before, none of these tires are made in the United States.

MR. CARPENE: Plus those numbers, I believe, include bias tubeless as well. So the number of biased tubed tires is even lower than the number that Need has

mentioned.

MR. MARSHAK: Right, the D. Yeah, the HTS is not differentiated, and we're going to give you, you know, the data from this group right here as to exactly the quantity that has come in of this particular product for this particular group.

MR. CANTRELL: Mr. Jackson, I think you mentioned the ZC Company in China. Do they produce radials also there?

MR. JACKSON: As far as I know yes, most definitely.

MR. CANTRELL: And probably ship some to the United States?

MR. JACKSON: I would believe so. I couldn't comment 100 percent if they are shipping their radials to the U.S., but I would believe so. One main brand that they do produce is something called a Westlake.

I'm definitely not an expert in knowing all the different products they produce, but I do know they produce a Westlake and there was even a passenger tire I think that they produce also named Westlake readily available in the passenger tire segment.

MR. CANTRELL: Now the tires that you all are talking about, I mean they are produced with an inner liner

aren't they, an impervious inner liner?

MR. JACKSON: The tube-type tire, it does have a liner, but its liner, its inner liner is not that of the radial. It's not meant to hold back air like a radial tires with a liner is designed to do.

MR. CANTRELL: And are you aware in China? I mean can you produce, on say a drum that you build a tire on, can you do a -- produce both a radial and a bias ply on the same type of drum, you know, in the same factory with the same given number of employees?

MR. JACKSON: That I couldn't tell you as far as the same number of employees or the number of employees that it would take to produce let's say a single bias tire, versus a single standard over the road radial. Whether I would believe, and again I'm not an expert in this area, but I would believe the equipment is definitely going to be different between the bias production or needed for bias production versus that of radial production.

I have only limited experience with the plants. It's pretty much limited to visiting plants here in the U.S. such as Michelin, and their equipment is much more designed for that of the radial. There's very specific things that that equipment must do, and I would imagine the answer to that would be you would have to have different equipment.

But I'm not 100 percent sure.

MR. MARSHAK: We'll try to find that out for the post-hearing brief.

MR. CANTRELL: Okay, thank you. And let me -- I'm kind of a diagram type person. I like to include diagrams in my report. If you have anything on the sidewalls. It's interesting the consumer sector, you know, DOT and NHTSA and all that. I've been in touch with them and they have a lot of different diagrams on consumer tires.

But it's been a zero response on truck/bus. So you know, so they don't -- I can't find any sidewall diagrams specific to truck/bus, and it seems like maybe the various different producers, maybe Mr. Stewart can chime in on this later. But it seems that from what I've heard, that the various producers of truck/bus have their own -- have maybe different sets of standards for how they market tires, other than what's required by DOT.

MR. JACKSON: I would guess that that is probably a correct statement. Yeah the -- and they're usually brought up on diagrams regarding TBTs. I think what happens, and again this is my speculation. My speculation is that in the TBT world, you have so many various types of tires needed for the various applications, weight ratings, sizes of vehicles etcetera, compared to that of normal

passenger tires, where it can be a little bit more refined, the development of the types and the technology in using these tires, that the technology differentials are much greater in the TBT world.

So but I do know that there are diagrams and things, and we can provide that in the post-hearing.

MR. CANTRELL: Okay. I certainly appreciate it. Thank you very much. You're welcome.

MR. ANDERSON: Thank you, Mr. Cantrell. I'm going to visibly poll my colleagues here to see if there are any follow-up questions. I want to thank you very much for your testimony. I just had two quick -- a couple of quick follow-up questions. My colleagues have hit on many great questions here and I appreciate your responses.

On Mr. Cantrell's question about the DOT markings on your tires, could you just clarify either now or in the post-hearing brief what that marking is? I assume that's TR, but if you could just specify, and then also if this particular sized tire that you're using that you have testified here that you're asking for separate like product for, if that's listed in the tire and rim listing and where it is in there.

Mr. Marshak, I have a question for you about pricing. I heard as you were talking about the six factors

for like product tests, you talked about pricing. But I know you're going to supply us with, and we appreciate that, information on the unit values and the values.

But could you also give us the commercial, you know, first arms-length transaction price for this particular type of tire? We weren't able to collect pricing information, you know, on the questionnaires. So anything you can provide in a post-conference brief, because it will probably be confidential, what that commercial price is or that wholesale price?

MR. MARSHAK: Are you looking to price from the importer to the users here or the price from the mill to the importer or both?

MR. ANDERSON: Both would be helpful. We'll get the values from your information at the, you know, land duty paid or whatever. But we'd like to have the commercial prices.

MR. MARSHAK: Price that these guys pay.

MR. ANDERSON: Yes.

MR. MARSHAK: Yes.

MR. ANDERSON: That would be helpful, and again in a post-conference brief, because it's confidential.

MR. MARSHAK: Yes.

MR. ANDERSON: My last question has to do with

production demand in China. Are you aware or can you address in your post-conference brief demand for these tires, truck and bus tires generally, what the demand's like in China during the Period of Investigation?

Then also, Mr. Cantrell asked this question but I just wanted to follow up a little more succinctly on whether the producers in China for the particular tire that you're purchasing and asking for separate like product, if those facilities in China also produce other truck and bus tires, if they produce those in the same production facilities.

MR. MARSHAK: Yes, we'll get that information.

MR. ANDERSON: Great, thank you. That's all we have, and I really appreciate. On behalf of the staff here, we really appreciate your comments, your answers to our questions and thank you very much for being here today. I think now we'll recess for about 15 minutes. We'll come back at noon according to the big clock on the wall there, and then we'll proceed with the next panel. So thank you.

MR. JACKSON: Thank you.

MR. BISHOP: Will the room please come to order.

MR. ANDERSON: Mr. Stewart, welcome to your panel and to the guests here today. Thank you for appearing before us and I'll turn the time over to you now.

MR. STEWART: Thanks very much, Mr. Anderson.

I'm going to turn the testimony over first to Stan Johnson.

STATEMENT OF STAN JOHNSON

MR. JOHNSON: Good morning. It's a much nicer day than it was the last time I was here. I'm sure we're all happy about that. My name is Stan Johnson. I'm the International Secretary-Treasurer of the United Steel Worker's Union. I also chair the Rubber and Plastics Industry Conference for the Union. I have extensive industry experience.

I worked at Armstrong Pirelli Tire plant, light truck and tractor tire plant in Madison, Tennessee, for more than twenty years. I left the plant to join the USW after the rubber workers merged with the USW in 1996. As part of my responsibilities, I have been involved with major bargaining with the tire companies that employ USW members.

USW represents workers at three tire companies in five plants that produce, truck/bus tires in the U.S. USW represents workers at 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 plants account for two-thirds of the domestic industry's capacity to produce truck/bus radial tires.

It is on behalf of these members, which represent the majority of domestic production, that our

Union filed a petition on truck/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 several years.

These unfairly traded imports have taken shipments and market share away from domestic producers, deeply undercut pricing and prevented our industry from participating in what has been an extraordinary period of growth in domestic demand. In short, Chinese truck and bus tires have injured the domestic industry and they threaten further injury if relief is not imposed.

From 2013 to 2015, as the economy recovered and commercial trucking activity increased, demand for truck and bus tires jumped by more than 17%, but the domestic industry was prevented from participating in any of this demand growth.

One would expect that the domestic industry to reach significant benefits from such an upswing in the demand cycle through increased shipments, production, employment, indeed, you know, every industry must maximize the benefits of rising demand to protect itself in the event of the inevitable downturns that will occur.

Instead, the domestic industry actually saw shipments fall by 5.7% as demand was rising. The one reason for the decline -- the massive surge in unfairly traded

imports from China.

From 2013 to 2015, imports from China ballooned by 41%, growing at a rate more than twice as rapid as growth in demand. Indeed, China pumped an additional 2.6 million tires into the market and seized over 70% of the increase in demand, while the domestic industry got none.

As a result, China was able to significantly increase its market share of a growing market at the direct expense of domestic producers. In 2013, China had 30% of the U.S. market. By 2015, it had 36%. At the same time domestic producers saw their market share plummet from 50.7% in 2013 to just 40.7% in 2015.

While there were six Chinese tires sold for every ten domestic tires sold in 2013, very quickly by 2015, there were nine Chinese tires sold for every ten domestic tires sold. If these trends are allowed to continue, China will easily overtake domestic producers in terms of shipments and market share by the end of this year, and maybe even sooner.

The way the Chinese producers were able to seize shipments and market share from domestic producers was through wide-spread price undercutting. As our petition shows, retail prices for Chinese and U.S. tires across a broad range of tires, show universal underselling in thirty out of thirty comparisons.

The margins of underselling are significant, ranging from 9% to nearly 50% and averaging over 29%. As industry materials explain, almost all independent dealers carry truck or bus tires from China, alongside domestic product, because of significantly lower prices of Chinese tires. And it is the customers that use Chinese tires instead of U.S. tires simply because of price that drove the loss of shipments and market share to the Chinese over the period.

USW has witnessed the impact of surge and low-price truck and bus tires firsthand at our plants. I am really pleased today to be joined by USW local presidents from three of those plants, 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 17% increase in demand, production at these plants has remained largely flat and even as demand has predicted to increase in the future, our employers are not increasing plant production tickets. Instead, the production tickets have been cut at each of the three plants, beginning late in 2015. The reason management gave the production cuts? Loss of market share to low-price Chinese products.

Our plants have also seen shifts no longer being used for production, days taken out of schedules and cutbacks in the use of overtime. At each of these three plants, there is unused capacity and equipment that is sitting idle.

Some of our plants have also been starved of investment over the period. Our presence will testify to specific investment projects that have been discussed at their plants, but put on hold as a result of the Chinese eroding the domestic shipments and market share. It is really truly tragic, during such a dramatic increase in demand, that our employers have been merely treading water instead of investing into the future.

It is not just USW that sees Chinese imports as the source of domestic industry's problems. Management also discusses the import problem with all of us on a daily basis, on a regular basis. During contract negotiations, at what we refer to as interim meetings, meeting in between contract years and at the plant level, management is constantly bringing up Chinese imports, their low prices, their rising volume, the market share they are taking from them as domestic producers.

Our employers, like most profit-maximizing companies, are laser focused on market share, so they pay real close attention to what's going on. They launch new

products constantly, update product features and engage in many other efforts to grow their presence in the market. They are especially eager to introduce more offerings under brands such as Kelly, Dunlop, Firestone, Dayton, and Michelin's even started -- has shown significant interest by launching new product lines in the Uniroyal brand tires.

The only reason these were not able to help them gain market share in the past three years was unfair competition from Chinese imports. If those imports are disciplined, there's a significant opportunity for domestic producers.

As our local presence will testify, their plants could quickly and easily ramp up annual production by 1.3 million tires on existing equipment and with existing employees. In addition, if plant investments which have been deferred are finally made at each plant, total annual production could increase by over two and a half million tires above current levels and within a year.

In short, production volumes at these plants could quickly increase by 25% without any new investment and production could go up by almost half if shelved investments are made. These are massive opportunities for the industry and our members, but they also underscore the scale of potential production investment that has been already lost to Chinese imports.

Finally, I want to briefly address the threat of material injury if orders are not imposed. As in so many industries, China has a massive overcapacity in truck/bus production. In fact, China currently has a capacity to produce every single truck and bus tire demanded in the entire world. And that capacity's still growing, fueled by massive and distorting government subsidies.

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 share, rising demands, relatively high prices, is always the number one target. As other governments around the world have imposed anti-dumping orders on truck/bus tires from China, Chinese producers will only further intensify their focus on the U.S. market and continue to undercut prices and gain market share.

The result will be continuing injury to a domestic injury that's already been denied the benefits of rising growth over the last few years. In addition, as the raw material's price increase is imminent in the future, the industry will be even less able to withstand price pressure from Chinese imports.

The result will be less production, cutbacks in hours, and jobs for our members, and a continued lack of investment in what is a very important industry. That's why we filed the petitions and that's why we are here today to

ask for an affirmative preliminary determination. Thank you all.

STATEMENT OF THOMAS O'SHEI

MR. O'SHEI: Good afternoon. My name is Thomas O'Shei. I'm 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 nineteen years, I've been building medium truck radial tires.

In addition to truck and bus tires, our plant also produces passenger vehicle, light truck and motorcycle tires. Our truck and bus tire operations are separate from our passenger vehicle and light truck operations. Passenger vehicle and light truck tires are built on dedicated lines with their own equipment and employees. And truck and bus tires are built on their own lines on separate equipment with different employees.

Our members do not frequently switch from producing one kind of tire to the other. When I switched from building passenger car tires to building truck tires, for example, I had to go through significant additional training to operate our truck tire-building machines. Our motorcycle production is also completely separate from the

rest of our tire production.

Our plant makes truck and bus tires principally for the replacement market, though we also make some tires for original equipment manufacturers. We make Goodyear branded tires, as well as a lot of Kelly 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 twenty-three hundred a day in 2014. In 2015 it fell nearly 10% to twenty-one hundred tires a day. Our production has continued to fall this year. This month we are only producing nineteen hundred tires a day and management expects that could fall to as low as seventeen hundred tires a day by this summer.

This means we could lose more than 25% of our production volume from 2014 to the middle of this year. If these trends do not change and our production stays at seventeen hundred tires, later this year I fear the management will have to consider layoffs.

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 back 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.

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, if any, needed investment in recent years. Although almost all of our tire-building machines are need of upgrading and it is the same with our curing presses. During the period being investigated by the Commission in these cases, Goodyear did not invest in new equipment for our plant.

Fortunately, with relief made available from injurious imports of PVLT tires, our new owner has made new investments in that part of the business and we believe will certainly do so for the truck and bus portion of the plant if the unfairly traded imports from China are addressed in these cases.

In the passenger vehicle and light truck tire segment, for example, Sumitomo is already responding to the relief that has been provided from Chinese imports. They have put in place a five-year plan to invest in that part of

the plant, increase passenger vehicle and light truck tire production and even bring production to Buffalo are tires that are currently being made in Thailand.

These are all very positive developments that underscore the domestic industry's willingness and eagerness to ramp up production when unfair trade from Chinese tires is disciplined. And that is why relief from truck and bus tires is also so important to our plant.

Right now, with the decline in truck and bus tire production since 2014, we are operating significantly below capacity. Our curing presses could be producing at least twenty-three hundred tires a day, but with production at nineteen hundred tires a day, we have presses sitting idle.

Our tire-building machines could produce three thousand tires a day, but many are shut down as production is less than two-thirds of that amount. With the decline in production, we have also lost hours and overtime pay at our plant.

We have one eight-hour shift a week that can be used for production if the demand is there. We used to regularly run this shift and the workers who were on shift earned time and a half overtime pay. Now that shift is run much less often and our members' take-home pay has suffered as a result.

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, we are confident about our potential if orders are also imposed on truck and bus tires from China.

We have had discussions about the possibility of increasing production by as much as 30% 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 three thousand tires a day. The same capacity we currently have in our tire-building equipment. We have already had the pit dug that presses could be placed in and completing the project would take about six months to a year.

They also discussed implementing upgrades to our tire-building machines to increase their capacity. Management is also interested in bringing Sumitomo truck and bus tire brands to the plant for production. But all of these plans, which would give a life-line to our plant, depend on one thing. The outcome of this case.

If orders are not imposed, production will continue to decrease, hours will continue to fall, and investments will continue to be very difficult to justify.

If orders are imposed, we can quickly ramp back up to the twenty-three hundred tires we were producing in 2014 with existing employees and equipment, increasing our annual production by a hundred forty thousand tires.

Plans to increase production even further to three thousand tires a day could be implemented within twelve months, adding another two hundred forty-five thousand 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 the 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'm proud of our Union for bringing these cases. Their outcome will make all the difference for our industry and our members. We hope the Commission will vote in the affirmative. Thank you.

STATEMENT OF BILLY WRIGHT

MR. WRIGHT: Good afternoon, my name is Billy Wright. I'm the president of the USW Local 1155. We represent

workers at Bridgestone Plant in Warren County, Tennessee. I've worked there for more than twenty-one years at the plant. I've held positions in the banbury and mixing sections of the plant and through my Union positions, I have gained familiarity with other sections of the plant as well.

Our plant is dedicated to the production of truck and bus tires, and we are Bridgestone's largest truck and bus tire plant in the United States. Our plant makes the full range of truck and bus tires for all positions and we produce tires for original equipment manufacturers, as well as the replacement market.

We make truck and bus tires sold under the Bridgestone brand, as well as Firestone and Dayton tires. While the recipe and construction of a particular tire may differ depending on its application, all the truck and bus tires we produce are made through the same basic process, on the same equipment and by the same employees. And even with some variations in the rubber mixture, compounds, chemicals and construction, many of the truck and bus tires are very similar and may be very difficult to distinguish with the naked eye.

Though demand for truck and bus tires has increased significantly in recent years, our plant has not seen any benefit in terms of similar increases in production, employment or investment. Our daily production

ticket was nine thousand tires a day in 2013, and it stayed level through that last year.

On existing equipment our plant could make up to ten thousand tires a day if we had significant rubber supply. Because of the inability to make sales, Bridgestone's been building inventories, both at its million tire warehouse in Lebanon, Tennessee, and the hundred fifty thousand tire warehouse at our plant, these inventory buildups are now forcing Bridgestone to cut production.

In December of 2015, management told us we were going to have to reduce production to eighty-nine hundred tires a day in January of this year. We fell even further to eighty-eight hundred tires a day in February of this year. Our sister plant in La Vergne, Tennessee has also been forced to reduce its daily ticket in 2016.

When we asked management why we were cutting production, they told us the Chinese tires were killing the market and the sales just simply weren't there for the company. Last year management also added two days to our Christmas shutdown, and those days were taken without pay.

In addition, there's now less overtime available to our members, which is important source of additional income for their families. Instead of overtime, we're now in the situation where members who finish work early just simply go home.

Unless Bridgestone can increase sales and work down its inventories, we will likely see further reductions to production in coming months. And if trends do not reverse this year, taking days out of the schedule and reducing overtime will not be enough. At some point, layoffs will be inevitable. It will be on the table.

Our plant has also been forced to forego capital investments because of unfair competition from Chinese imports. Our plant could produce as much as twelve thousand tires a day if we added some additional banbury mixer to increase our internal rubber supply, as well as some additional tire-building equipment.

This is a project we discussed many times with management and at one point it was slated to go forward in 2015. In a market where demand rose quickly from 2013 to 2015, it was only logical to make an investment that would let us increase production by about 15% in order to keep up our market share.

But in August of 2015, when the Bridgestone CEO came to visit our plant, he told us this new investment would be put off indefinitely. He told us the investment will not happen until the company's sales pick up. He said that it was already -- we had already produced more tires than we could sell and the company's losing market share to cheap, imported tires.

If orders are imposed on dump and subsidized tires from China, it will have an important benefit for our plant. We could easily increase, easily and quickly increase daily production to ninety-two hundred to ninety-three hundred tires a day on existing equipment and with existing employees.

We routinely source rubber from our sister plant in La Vergne, Tennessee, and with additional rubber supply from that plant, we can increase production to ten thousand tires a day on existing equipment. That's an additional four hundred and twenty thousand tires a year with no new equipment.

In addition, if the project to add a banbury and other equipment were finally given the go-ahead, we could be making twelve thousand tires a day or more within a year, raising our annual production to another seven hundred thousand tires a year.

MR. WRIGHT: Such increases in production would help our members get overtime work and overtime pay, giving a significant boost to family income. Adding production would also help us add positions, hire new employees, and give more members of our local community what we have been so fortunate to have: high-skilled, high-wage union jobs and with good benefits.

If Chinese imports are not stopped, we will only

see more of the same: more lost hours, additional cuts in production, more opportunities for our plant and our community unrealized and put on the shelf.

Ultimately, if Chinese imports keep increasing at the rate they have, I'm afraid the outcome will be even more dire: Steeper production cuts, shifts taken out of schedule, and layoffs for our members.

I am here today on behalf of those members to ask the Commission to help give us a fair shot by making an affirmative preliminary determination in this case.

Thank you.

STATEMENT OF JODY JUAREZ

MR. JUAREZ: Good afternoon. My name is Jody Juarez. I am the president of USW Local 307, which represents the Goodyear plant in Topeka, Kansas.

I have been working at the Topeka for 30 years. I have experienced building bias tires and in component processing. I now work in the plant's Bamberry and mixing operations.

In addition to the truck and bus tires, our plant also makes a small amount of light truck tires and some large off-the-road earth mover tires. Our bus and truck tire operations are completely separate from off-the-road tire operations, and the two types of tires are made on different equipment and by different employees.

Our bus and truck tire operations are also largely separate from our light-truck operations, which we make bus and truck tires under the Goodyear brand, as well as some Kelly and Dunlop Brand tires.

We also make tires for both the original equipment market and the replacement market. An OE and replacement tire for the same vehicle will be on the same tire, built on the same machine.

Our plant also makes truck and bus tires for all positions: steer, drive, trailer, and those tires are made on the same machines and by the same workers.

Production of truck and bias tires at Goodyear's Topeka plant is suffering due to unfair competition from imports from China. From 2013 to 2015, truck and bus tire production at our plant was flat to declining, despite the large increase in demand for truck and bus tires over the period.

We had a daily ticket that ranged from 5300 to 5700 in 2015. In December of 2015, management started a series of reductions on the daily ticket. This year we are only producing 4100 tires a day. This lackluster production led management to take two days out of the schedule for Christmas last year, even though we were supposed to work full.

Now they have informed us that they are going to

take out more days around holidays this year, including four more days at 4th of July, three more days at Christmas. These are times we would normally be working around the clock.

The Component Prep section of the plant is also not operating on full shifts. And just last week management informed us that they were going to stop accepting new applicants to the hiring pool, which means we will soon see positions lost through attrition.

If our plant's much lower production levels do not reverse this year, I am concerned that the next step will be layoffs. We have not been operating at full capacity since 2013, a situation that is even worse today.

A couple of our Bamberry mixers are currently shut down. A number of our tire-building machines are being cleaned or sitting idle instead of producing tires.

With the current labor in our tire room and full equipment utilization, we could be producing 7,000 tires a day, significantly above the 5,700 tires made in 2015, and far more than the 4,100 tires we are making today.

Our current equipment concurrently cure 6,200 tires a day, also above our current and prior production levels. With some additional investment in new curing lines and new tire-building equipment, we could easily produce 7,000 tires a day or more.

In fact, our plant has sought two new curing lines from Goodyear in order to take full advantage of our tire-building capacity and enable us to hit 7,000 tires a day. But the company will not commit the funds needed to make the investment.

We were also expecting to get a new mixer in 2014, but the investment was not made in our plant. In short, there has been no new equipment added to our plant at all since 2013. Management's explanation for the drop in production and failure to invest in new equipment is that there are fewer tires being ordered and Goodyear has lost market share.

It is remarkable to me that in a market where overall demand is high and growing, a company like Goodyear is losing sales and market share. It is distressing that right at the time when the market is high and we would expect the best for our company, we are unable to get any equipment in our plant to improve our capacity utilization and to increase production and employment.

Instead, our production has been cut repeatedly. Our equipment is sitting idle, and our workers are under-used. The reason for the problems our plant is experiencing is the rapid growth in low-priced tires from China.

Management has confirmed this. In interim

meetings they have specifically discussed their concerns about competition from cheaper tires from China entering into the market.

The downward spiral our plant is on is unsustainable in a capital-intensive industry like tire making. When demand is high is when our plant needs to be running full out, when new investment should be made, and when our members should be working full shifts, earning overtime and training new hires.

Instead, the opposite has occurred, all because of the surge in dumped and subsidized tires from China. If Orders are imposed on these imports, our plant can react immediately. We have the raw materials, the labor, and the equipment to start producing more tires tomorrow, and to keep producing more tires in the days and months after that.

We can ramp up from 4,100 to 6,200 tires a day with no new equipment, raising our annual production by 735,000 tires. If the addition of two new curing lines were allowed to go forward, it could bring us to 7,000 tires within a year, raising our annual production by an additional 280,000 tires.

We hope the Commission will vote in the affirmative to give us the opportunity to compete. Thank you.

MR. STEWART: We would now like to turn to the

PowerPoint presentation, and I will start. This is Terry Stewart. And we'll start with the Domestic Like Product.

(PowerPoint presentation follows:)

In this first slide, the scope of the investigations is new pneumatic truck and bus tires. Truck and bus tires are designed for vehicles with a given vehicle weight of 10,000 pounds or more, and here are some examples of the types of vehicles and equipment that they're used on.

The Petition proposes a Domestic Like Product that is co-extensive with scope. Both imports and domestics have the same basic physical characteristics and are used on buses and trucks with no clear dividing lines. Tires of the same size with the same features can be used interchangeably in the same applications. All sizes and types are available both to OEMs and through the aftermarket.

All types of bus and truck tires are made through the same basic process at common facilities on the same equipment and by the same employees.

Customers and producers perceive all truck and bus tires as products with the same basic physical properties and essential function, and they are governed by the same safety regulations.

Truck and bus tires are offered at a range of price points depending on their size, end-use application, and characteristics.

The Commission's questionnaire seeking information on retreaded tires from domestic producers of new tires. The USW does not represent workers at retreaders, and hence has limited direct familiarity with Like Produce issues as they pertain to retreaded tires.

However, there is some public data that is available on the size of retread production which is reported at 14.8 million tires in 2015. Dealers are understood to offer both the sale of retreaded tires and the option of applying a new tread to a customer's existing casing referred to as "capping."

And obviously these same dealers sell new tires. So the same dealers will sell retreaded tires and will also sell new tires.

It is known that there is limited use of retreaded tires in the steer position on trucks, and that by regulation they are prohibited to be used on buses. Retreaded tires are produced in different facilities and by different workers than those that produce new tires.

As I mentioned in my opening statement, the information we have is that there are 680 retreaders in the United States.

Retreaded tires are understood to be entirely in the aftermarket channel, although dealers offer both retreaded and new tires. The price of retreaded tires is

lower than new tires. Retreaded tires have the same casing as new tires and treads are produced by some of the same companies that produce new tires, though in different facilities.

Retread technologies can be Smart Wave verified, as can new tires. Retreaded tires are subject to marking and safety regulations, and retreaders must get a DOT code like new-tire plants. So there are both similarities, things that would say extension makes sense, and there are differences where the Commission, based on its analysis, might say that there is a basis not to extend the product line.

If the Commission views the issue of inclusion of retreaded tires in the Domestic Like Product to be potentially important to its analysis, it will need to collect additional information on retreaded tires in the final phase of the investigation.

As I have stated, there are an estimated 680 retreaders in the United States. Modern Tire Dealers' list of top commercial tire dealers includes operations that also have retread operations as part of them.

Press accounts indicate concern by retread operations regarding the volume and low prices of new Chinese tires in the markets causing them difficulty. So if they're causing difficulties to the producers of new tires

and they're causing difficulties to the producers of retread tires, so it's kind of a double whammy for the single import.

Turning to conditions of competition, based on public information that we used in the Petition, and updated through the end of 2015, apparent consumption rose by 17.4 percent, an extraordinarily rapid increase when you take a look at the overall rate of GDP growth in the United States over that same two-year time period.

So rapid rate of apparent consumption growth of 17.4 percent.

There are nine U.S. plants that produce truck and bus tires in the estimated combined capacity of 54,000 tires a day, which works out to an annual capacity of 18.9 million, which says there's a lot of excess capacity in the domestic market throughout the Period of Investigation.

The biggest growth in supply over the period was from China, with subject imports increasing by 2.6 million tires, or 41.3 percent. Nonsubject imports have also grown, but China has consistently been more than 60 percent of total imports. And these are of the two categories of unmounted. There are also mounted tire categories where we believe tires are coming in.

Your questionnaire to foreign producers in particular requests the information as to whether they ship

some portion of their tires mounted. We will supply in our post-conference brief what that number is. We believe you will find that it is an interesting number.

Truck and bus tires from the U.S. and China are highly substitutable and we believe you will find that to be true based on the questionnaire responses. The public information that we provided, such as industry publications, indicate that both the present and the OEM replacement market, Chinese and domestic tires are available from all positions on trucks and buses. Major dealers offer U.S. and Chinese tires for the same range of applications side by side.

Both U.S. and Chinese tires are Smart Wave verified and both U.S. and Chinese tires have warranties, including casing warranties.

Here is a slide (indicating) that looks at a number of the major Chinese companies, or Chinese importers--or U.S. importers in the United States, showing that they in fact offer tires that would meet all of the utilization positions for bus and truck tires.

The next slide (indicating) reviews--and the handout is incorrect. The U.S. brands is 11 not 110. But it is the case that there's at least 120 Chinese brands that have received Smart Wave verification. So there's a lot of products that qualify by the EPA as being environmentally

friendly, having reduced low rolling resistance, et cetera, which is an important selling feature to many purchasers.

Publicly available information on the top 25 commercial tire dealers show that at least 23 of them carry both domestic and Chinese brands. These dealers collectively have just about 1,200 outlets across the country, and sales in the truck and bus tires of close to $4 billion in 2014.

This next slide shows what is listed as the largest commercial dealer of truck and bus tires. It is also a retreader. It is the Southern Tire Mart, and it shows the brands that they offer. Amongst those brands are four Chinese brands: Duraturn, Double Coin, Gladiator, and Road One.

The next page, we looked at their web page, looked at the four ITC pricing products, and looked to see how many offerings they had. And what you see is they had between 26 and 32 offerings for each of the four products, and 8 or 9 of those offerings were Chinese products, which shows the level of involvement in the market of both domestic and the Chinese products at each of the major dealers.

On fleet services, these are obviously offered by domestic companies, but they are also offered by major Chinese producers such as Double Coin, Jeddy, and a major

importer from China, Cooper Tire in the Roadmaster Service.

It is also the case that even where the Chinese producers themselves don't offer fleet services, that many of the dealers that offer Chinese tires offer fleet services for any of the tires, including the Chinese tires, that they offer.

Finally, on warranties, there are many, many Chinese companies that sell their bus and truck tires with warranties, including with casing warranties just like the domestic producers do. The casing warranty is simply a guaranty that if the tire comes back and is in decent shape, that it can be retreaded one or more times, and data that we've seen from surveys that have been done say nobody retreads more than three times. And whether you retread one, two, or three times really depends on the condition of the casing that you have.

The next slide under Conditions of Competition shows that while it may be the case that tires are an important element in the operating cost of trucks and buses, that overall the cost is roughly 2 percent of their operating cost, or 4.1 cents per mile versus a total cost for trucking companies.

We turn next to the Volume of Imports. At 8.9 million tires in 2015, the volume of subject imports is significant absolutely. Imports increased by 2.6 million,

or 41.3 percent over the POI.

On public data, they show a 36.6 percent market share up from 30 percent in two years. They are also significant relative to domestic consumption. You will see that subject imports increased more than twice as quickly as consumption did, which obviously tells you that market share was increasing during that time period.

The next slide gives you a visual to show what happened between 2013 and 2015, which is a massive shift in market share from domestic producers to subject imports.

And where they tried to gain 6.2 percentage points while domestics lost 10. And when you look at what Chinese imports are compared to U.S. production, what we had available publicly was domestic shipments. We used domestic shipments as a proxy for domestic production and it went from 60 percent to 90 percent over a two-year time period, which is a pretty extraordinary increase.

STATEMENT OF ELIZABETH DRAKE

MS. DRAKE: Elizabeth Drake for Petitioner from Stewart and Stewart.

Turning next to price effects, subject imports from China have also had significant adverse price effects. Underselling was already conceded by Respondents this morning. The public data in our Petition shows universal underselling at margins getting close to 50 percent, and

averaging 29 percent.

Anecdotal information from industry publications repeatedly cites Chinese imports as a reason for declines in domestic prices. A 2014 article says that because all of the dealers deal in Chinese as well as U.S. tires, these Chinese imports will continue to put downward pressure on pricing.

A quote from a tire dealer says, "We sell Chinese tires because we have to. It just makes it difficult to compete when Chinese tires are so much less and anybody can get their hands on anything inexpensive."

A 2016 article quoted another distributor saying that "Chinese imports continue to drive the price margins down in North America" and that this will continue to be a major problem as we enter 2016.

As a result of the increase in volume and widespread adverse price effects of subject imports, the domestic industry has suffered material injury over the period of investigation.

The starkest indicator of material injury is the loss of market share that the domestic industry has suffered, with market share declining from a little bit over 50 percent to barely 40 percent. Also, subject imports grew from 30 percent to over 36 percent over the same period.

As a result, domestic producers have lost

shipments and participated in none of the demand growth over the period. Again, this is based on the public data that was available regarding domestic shipments which showed a nearly 6 percent decline in domestic shipments while demand was increasing by 17 percent and subject imports were increasing by 41 percent.

As subject imports deprived the domestic industry of shipments and broadly undersold prices, there were various indicators of injury. Not only were domestic shipments flat, but that meant also that production was basically flat and employment, hours, and wages likely saw no meaningful increase despite the increase in demand.

As the U.S. witnesses have testified this afternoon, their plants were also deprived of an investment over the period and have had needed capital improvements postponed just at a period of high demand where one would expect those investments to be made.

The domestic industry has also had significant unused capacity throughout the period. At the USW plants represented here today, there are shifts without production, unused overtime, days taken out of schedule, idle machines and equipment, and the ability to quickly add equipment in capacity in existing plants if deferred investments were given the go-ahead.

The only reason these plants have not increased

production commensurate with demand since 2013 is unfair import competition.

Turning to threat, the situation for domestic producers has deteriorated rapidly since December of 2015, and if relief is not imposed further material is imminently threatened to the domestic industry.

As our witnesses testified this afternoon, production has already been cut back dramatically at each of their plants since 2015, with reductions totaling nearly 13 percent of 2015 production already being taken out just in the first few months of 2016 at the plants represented here today.

The threat of further injury is also imminent given the number of countries that have imposed antidumping orders on truck and bus tires from China, and the likelihood that product will be diverted from these markets to the U.S. market, and the recency of some of these orders only underscores the scale of the threat.

You've got the Eurasian Economic Union with a number of countries, of course Russia being the largest. You've got Brazil, Egypt, Colombia, India, and Turkey all maintaining antidumping orders on truck and bus tires from China.

Another indication of imminent threat is the imposition of orders on PVLT tires and OTR tires from China,

unmounted OTR tires from China for the moment. That creates another incentive for producers to shift production in exports to truck and bus tires.

A 2015 item from the Tire Business Website stated that although the tariffs levied on Chinese passenger car tires were for passenger tires and not truck tires, since the Chinese cannot sell passenger tires as cheaply in the U.S. anymore they turned to truck tires to export to the U.S.

And though of course these are made on different equipment, they are made by some of--many of the same producers, and in some cases the same facilities. One of those producers is Double Coin.

A 2015 article noted that Double Coin had already been deeply impacted by the tariffs on OTR tires and on PVLT tires, but said that now Double Coin is making a change and planning to expand its truck and bus tire production by 1.5 million tires, but noted that if there were a tariff on truck tires it would be disastrous for the company.

MS. DRAKE: Another indication of the imminency and the severity of the threat facing the domestic industry is the enormous capacity in China and the fact that that capacity is growing. China has the capacity to produce every single truck tire that the world needs. It has an 150 million truck and bus tire capacity. That's enough to serve

the entire U.S. market over six times over.

And this overcapacity is only going to increase in the imminent future. There are a number of expansions identified in our petition, including one in 2014 and three in 2015 that will add a significant amount of capacity already on top of capacity that is more than enough to serve the entire world market.

These capacity expansions will be fueled by massive government subsidies in China, including an array of export subsidies which are especially pernicious, as they only further encourage Chinese producers to offload their excess production on export markets.

With massive excess capacity, a large number of export subsidies and softening domestic demand/growth in China, the industry has been and will continue to be highly export orientation. China's export numbers include light truck tires with truck and bus tires, and couldn't be broken out. So this table includes light truck. You can see growth to the U.S. has been strong over the period. Massive amounts of exports overall topping $7 billion in 2015.

The U.S. is by far the top destination for these exports, and China's exports to the U.S. have gone twice as fast as its exports to the rest of the world over the POI. This is in kilograms, where you can see exports to the U.S. growing by more than 30 percent, and exports to the rest of

the world growing by less than 15 percent, yet again demonstrating the attractiveness of the U.S. market to Chinese truck and bus tire producers.

One reason for this attractiveness is the higher average unit values, higher prices available in the U.S. market. This is a comparison of the average unit values of Chinese exports to the U.S. and the rest of the world, which shows the price premium for exports to the U.S. Again, if we were able to isolate light truck tires, this would probably look even more dramatic than it does here.

The attractiveness of the U.S. market is further confirmed by the large number of new Chinese truck and bus tire plants that have acquired DOT plant codes since 2013. A new plant needs a DOT code in order to be able to sell into the United States. There's at least 12 that have acquired these codes specifically for truck and bus tires since 2013, and we don't yet have 2015 data but that should be available shortly. So this is just in two years of the period.

U.S. plants have already seen production cuts starting in late 2015. Hours are already being taken out of the schedule. Shifts are being taken out of production, overtime is being reduced and equipment is being idled. Together, these trends will result in higher per unit labor costs and higher per unit other factory costs in 2016, thus

posing of course a financial threat to the domestic industry.

It is also expected that raw material costs will be increasing, and here I'd like to turn to Dr. Button to discuss that issue.

STATEMENT OF KENNETH BUTTON

DR. BUTTON: Good afternoon. I'm Kenneth Button, Senior Vice President of Economic Consulting Services LLC, appearing on behalf of Petitioner. I'm accompanied by my colleagues Jennifer Lutz and Emma Peterson.

A significant condition of competition for the U.S. truck and bus tire industry is the volatility of the raw material input costs. The primary tire raw materials for tires are listed in Slide 38 that you have. The tires are approximately 40 percent rubber by weight, with natural rubber accounting for about three-fourths of that rubber, and the synthetic rubber accounting for the remaining one-fourth of the rubber.

Carbon black accounts for about 30 percent of the weight of the tire, and steel tire cord accounts for roughly 20 percent of the weight of the tire. From the relatively high levels during the post-Recession 2011-2012 period, the prices of the key raw material inputs for tire production have fallen. However, any future reversal of

these past declining cost trends would necessarily have a negative impact on the U.S. industry's financial performance.

Indeed, the international futures markets are predicting that these tire raw material costs are going to increase. For example, Slide 39 presents the Singapore Commodity Exchange futures prices for natural rubber as of February 11th, 2016, providing the prevailing future delivery price for natural rubber on a range of dates extending through January 2017.

Across this approximately one year period, the market expects the natural rubber price decline to stop and to be replaced by an increase of about 4.5 percent during the coming year. Similarly, Slide 40 addresses the likely future cost of synthetic rubber and for carbon black, whose primary input material is crude oil.

The slide indicates that the futures market is predicting that crude oil prices will increase by about 48 percent from February 2016 to December 2017. Slide 41 provides a different look at this same crude oil issue, as it presents the Congressional Budget Office's recently-published expectation that crude oil prices will increase by about 32 percent from the first quarter of 2016 to fourth quarter 2017.

Finally, as an indicator of the cost of steel

cord inputs to the tires, Slide 42 provides data from the New York Mercantile Exchange for U.S. steel coil. It indicates a market expectation of an increase of approximately six percent in steel prices from February 2016 through December 2017.

It's important to keep in mind that it is not relevant whether the raw material costs return to the high levels that existed in the beginning of Period of Investigation for these cases. What is relevant is that starting from where the U.S. producers are, any such increases in raw materials will reduce the producers' financial performance going forward, and makes them more vulnerable to the continuing negative pressure on heir revenues coming from the low prices of the subject imports. Thank you.

MS. DRAKE: Thank you, Dr. Button. So just to recap on the issue of threat, we have a foreign industry in China that has massive amounts of overcapacity that are growing. We have an industry that's highly export oriented and the U.S. is its first, most attractive target market for exports, has been over the Period of Investigation and will be even more so in the imminent future as orders are imposed in other countries.

We have a foreign industry that has demonstrated its ability to rapidly seize market share in the U.S. market

through aggressive price undercutting. That will continue and enable them to seize more market share in the imminent future. When this happens, declining shipments and prices will increase the financial pressure on the domestic industry, particularly as raw material costs increase and as unit labor and other factory costs increase due to reduced production.

As testified by the USW witnesses, capital expenditures and we believe also R&D have been adversely affected already during the POI, and will continue to be so absent relief. For all these reasons, effective relief from dumped and subsidized truck and bus tires from China is the only way to prevent imminent further material injury to the domestic industry and its workers. Thank you.

MR. STEWART: Mr. Anderson, I'd like to go back to one slide on threat, just to provide perhaps a clarification. There is a slide that looked at Chinese exports of truck and bus tires, and as my partner reviewed it, the Chinese data includes all truck and bus, which means it includes light truck. It actually shows a decline in weight between 2014 and 2015.

That is entirely due to the orders and pendency of the case on light truck and passenger vehicle tires. That is reflected in the fact that you see a 30 percent increase here, whereas the imports into the United States of

bus and truck, unmounted, increased 41.3 percent.

So I'd just provide that as clarification, because it might not be obvious from the slide itself. With that, we conclude our direct presentation.

MR. ANDERSON: Thank you, Mr. Stewart and I want to thank the panelists for your detailed testimonies and thank you for being here. We'll now turn to staff for questions and we'll start with Mr. Comly.

MR. COMLY: Good afternoon. I'll ask a few questions and then let my colleagues ask some more detailed ones, and then I'll probably have some follow-ups I'm sure. But let me start with just some basic coverage questions. I don't know if you've had a chance to look at the importer questionnaires, but what's the coverage of those?

MR. STEWART: Yeah. We would say the importer questionnaires has a very poor coverage. We would say that on the foreign producer questionnaires, that once you factor out mounted tires from the volume that they show, that you have moderate coverage. And on the domestic producers, based not only on the questionnaire responses but some of the correspondence, it appears that you have quite complete coverage.

MR. COMLY: When you say "quite complete" from the U.S. industry, are we missing anybody?

MR. STEWART: Well, we will put -- we'll put

some comments in the post conference. Because it's based off of correspondence that you received, I think I should respond in confidence.

MR. COMLY: Sounds good. So given the fact that the import questionnaire coverage is poor, should we be using the import statistics like you did in the petition?

MR. STEWART: You should be using the import statistics as modified by the mounted percentage that is identified by the import, by the foreign producer community. The foreign producer community shows the distinction, and it's a significant enough number where you need some, some representation of that in the data I believe.

MR. COMLY: Okay, and just to clarify, to make sure, the statistical reporting numbers should be the two that you had, you relied on in the petition; correct?

MR. STEWART: Those are the two unmounted categories.

MR. COMLY: Yes.

MR. STEWART: We also identified a number of categories that would likely have mounted tires in them. We assume that that's where most of the tires that are listed as being mounted by foreign producers would have come in, but of course we don't know that because HTS numbers were not requested in the questionnaire.

We have a high degree of confidence that the two

HTS numbers give you a good count on what entered as unmounted, unless it was misclassified, and we don't have any reason to believe that there's misclassification. On the mounted portion, you have for the first time some reasonably good information in the foreign producer questionnaires, and because what is shown is not an insignificant number, we believe somehow you need to reflect that in your data.

Since you only asked for one year, you would either apply it against the basket categories or you would simply make a note.

MR. COMLY: Okay, thank you. Looking at some of your slides, which actually are a reflection of the U.S. import statistics, there's a rapid increase in imports -- I say rapid, but there was a larger increase in imports in 2014 compared to 2015. Why was that?

MR. STEWART: I don't know that we have a good sense as to whether you simply had a slowdown in 2015, whether it was a build-up of inventory in 2014. So I can't -- I can't tell you.

MS. DRAKE: I do think there was some anecdotal information and some press articles about a slowdown in demand in the second half of 2015. So that might have tempered growth somewhat.

MR. COMLY: Do you know if that slowdown

continued into 2016?

MS. DRAKE: I do not.

MR. STEWART: The testimony that was provided from the local presidents is at least from at the domestic side, the domestic companies are either experiencing buildup in inventories, such as was the experience at Bridgestone, which is resulting in production cutbacks, or the companies have cut back dramatically. The Goodyear cutback in the Topeka facility is like a 25 percent cutback between mid-2015 and January-February of 2016.

Those are significant cutbacks. I suggest that they're seeing a slowdown in the market, or that there is a further increase in imports that we -- since we don't have January-February data we can't speculate on.

MR. COMLY: Okay, thank you. Was there any plant closings in the U.S. during the 2013-2015 period?

MR. STEWART: We are not aware of any. We will provide some comments in the post-conference based on some of the correspondence that was received.

MR. COMLY: And could you talk about the new plants that are online or coming online specifically Yokohama?

MR. STEWART: Sure. In the PVLT case, we had the experience of an announcement of a plant, and these plants take multiple years to develop. Continental just

earlier this year, in the last couple of weeks, announced a significant truck and bus tire plant that they intend to open in Mississippi.

It has a completion date when they plan to start producing of late 2019. So I assume for purposes of the Commission's analysis of the imminent future, if you're in a threat, it doesn't yet come into that. Whether that plant, you know, for much of the time period within which that would have been being planned and negotiated, the value of the dollar was quite weak and, you know, whether that plant ever gets built, I would say probably it depends on a number of factors.

We obviously are not in consultation with Continental, and it's been announced. But it's been announced and it's like a four year project to get it to completion. The Yokohama plant was announced in 2012, and came on board in the fourth quarter of 2015, and your correspondence that you have from them identifies what they anticipate their volume would be in 2016 and I believe in 2017.

You know, in Yokohama's case, they really did not have a domestic footprint. They are a major global player and you can understand that from the union's point of view, we're always happy to see companies decide to produce domestically. We wish more of them would produce with USW

labor, but we're obviously pleased to see people who decide to bring some of the volume that they are importing from offshore into a domestic facility.

So it is a new facility. It is a new announcement. I think if you look at the -- at the announcements that these three plant managers or local presidents talked about, that you can put into comparison how significant that new plant is versus things that these plants, which are just three of the five that the USW has members in, can do and are not doing because of the Chinese imports.

MR. COMLY: I'm not sure if you have this information, but you may have an idea of it. In the PVLT case, there was the U.S. producers imported product into the U.S. Is that the same situation here with truck and bus tires?

MR. STEWART: Well you have -- we will give you a definite answer, but sure there is -- from public data, the automated manifest system, one can see that the tire companies import some product into the United States, and you have questionnaires from the companies, and if they're importing also importer questionnaires. So you have -- you have hard data from them as to what it is and where it's coming from.

MR. COMLY: Do you have any ideas as to why they

are bringing it in? If they have all this excess capacity, why are they bringing in imports? Any ideas?

MR. STEWART: Yeah. I think when you ask the workers, they always want to know why that's the case. So I don't have a specific answer. Normally, normally when you're a multi-plant kind of operation, if you have a particular product that's being built that has, for example, if there are European trucks and buses on the roads, it may be that the specific tires they use are being made in large volume out of European facilities.

So you would export (sic) those versus creating the molds and producing them in smaller quantities here in the United States. I mean that would be a typical -- that would be a typical reason why a multi-national company would supply from various locations. If you look at it, there are also not insignificant exports that the United States has in bus and truck tires.

So whether they are importing more than they're exporting, you'd have to look at the questionnaires to decide.

MR. COMLY: Thank you. I think you've answered some of this. Can you talk about whether or not U.S. manufacturers produce bias tires?

MR. STEWART: Well, collectively they produce bias tires in some areas. My understanding is is that they

no longer produce bias tires in truck and bus, but let me just confirm. That at least has been what's in the public domain. If you look at Modern Tire Dealer, if you get data from the Rubber Manufacturers Association, they do not show any non-radial tires in the bus and truck category being produced.

Our client agrees with that assessment. As you know from the OTR case, you still have a predominance of product that is produced that are bias tires. So the selection of bias versus radial really is a question of the characteristics and the demand and what gives better performance for the particular needs.

But at the moment, we're not at least aware of any domestic producer that is producing bias truck and bus tires.

MR. COMLY: And how much demand is there for bias tires, for specifically truck and bus bias tires in the U.S.?

MR. STEWART: Well, I think if you look at the U.S. import stats, I believe that China is 80, 90, maybe more than 90 percent of the total imports, and it is a declining volume. In a country like China where you have large parts of the country that historically had poor roads, there was a higher interest, higher demand for bias tires simply because of their wearability.

I think the earlier panel talked about some of the characteristics, and you see that in OTR when we had the OTR discussion as to the qualifications of the tires, and why people would buy biased tires for some of those applications. We don't have the situation were we have large amounts of roadways that -- where bias tires make a lot of sense, so the demand for that has basically dissipated.

And if you look at the total demand for new tires bus and truck, which has been in the neighborhood of 20 -- what is it Elizabeth, 24? 24 million tires -- you know, I think total imports of biased tires in 2015 were maybe 500,000-550,000 tires.

So it's a declining -- it's a declining trend, and if you look at part of China's subsidy programs that they've had for many years, they have had a major program for the last 10 or 15 years to get the tire industry to switch to radial. So I have no doubt that the prior panel will be having increasing problems, because China is making great strides in terms of eliminating or drastically reducing the percentage of the tires that they produce which are bias.

MR. COMLY: That's a good segue into my next question on -- do you have any idea of how much of the Chinese capacity, and specifically I'd like to know -- I'm

not sure if you would know but we could find out, how much of the reported Chinese producers capacity is bias, bias tires, because that is included in the scope?

MR. STEWART: Yeah, that's right. It's totally included in the scope, and it's included in the scope because you have kind of, in our view, a continuum of products, and there is the capability of substitution. That's not an individual location, but you could choose to run a vehicle with bias tires. You wouldn't do bias and radial unless you're kind of looking for problems.

But assuming that you didn't do that, you would have those kinds of options. I don't know that we're aware of public statistics that show that differential. But we'll check. If we are aware of any, we'll obviously put it in a post-conference.

MR. COMLY: And then how easy is it to switch -- can you switch between producing bias tires and producing radial tires, and since the U.S. producers don't do it anymore, this is probably more towards the Chinese production.

MR. STEWART: Yeah, and I will ask our clients in just a second. But in discussing the issue during the break, the understanding I had was it really depends on whether you are producing product in large lot sizes and hence have more automatic kind of construction equipment

versus whether you're doing much smaller sizes.

During the OTR, preliminary conference, Titan's witnesses testified to the fact that in their OTR plants, their tire-building equipment can be used to produce bias and radial and they shift back and forth on the same equipment. And speaking to Mr. Johnson during the break, he indicated that you wouldn't expect to see that in a bus and truck plant simply because you'll be producing tires in large volumes, and so the equipment would be more dedicated, but we'll look at that.

MR. JOHNSON: It has to do with the equipment in volume, but it also has to do with the speed rating of the tire and the ability -- if you're doing OTR tires, their ability to move from radial to bias would be much less exacting. If you're building a truck/bus radial tire, where you're going to have interstate speeds of seventy, seventy-five, eighty miles an hour, then it's far more exacting and typically there is no interchangeability from bias to radial once you get into page or light truck, until you get to large OTR, ag, mining, etcetera.

MR. COMLY: Thank you. That's all the questions I have for now.

MR. ANDERSON: Thank you, Mr. Comly. And now, Ms. McNamara.

MS. MCNAMARA: Thank you all for coming. We

really appreciate all the time that you take to give us this information, to participate in these proceedings. I first just want to just ask you. Do you agree that there should be a separate like product for the bias tires?

MR. STEWART: Obviously we don't agree or we wouldn't have included them in the case since there's no -- we're not aware of any domestic production.

Our understanding of Commission precedent is that the issue, in terms of like product, is not whether there's a domestic producer who produces the exact item. It's a question of the characteristics of a product line and whether it's more of a continuum or not and so the identity -- every item is produced in the United States -- is not the condition precedent.

We heard what the comments were of the prior panel and our clients will be looking at the issue and we will comment on it in the post conference. If we were to agree that we did not have an interest in that product, and I don't know that that will be the case, because there's always a slippery slope when you start to get lots of exclusion requests, everybody stands up and says, I have something, I have something.

We would believe the correct approach would not be to have a separate like product classification, but rather to have a scope exclusion over at Commerce, and if

our client was amenable, felt that that was the correct approach, then we would file such a request or would work with respondents' counsel to come up with such a request and get it filed at Commerce.

But we do not agree that it's appropriate to seek a separate like product here at the Commission and believe that the arguments that were made are contrary to Commission's well-established case law, that whether a product is made in the U.S. or not, an individual item is not what is the key to whether you have a separate like product.

MS. MCNAMARA: Thank you. I appreciate that you'll address that. The other thing is, with respect to expanding the domestic like product to include retreaded, do you -- and I very much appreciate all the information that you came and the different sides you laid out for us -- do you have an opinion as to whether it should be expanded or not at this point?

MR. STEWART: Well, you know -- unrelated to the case, we were approached by people that are involved with retreaders who were talking about what a desperate situation they were facing because of the problem, so as a trade lawyer, not wanting to see domestic operations handicapped, I can understand why that would be the case and why expanding it could make sense. I don't think you have

enough of a record to probably make that decision and because our client is not involved in producing retreads.

There are lots of the criteria where one would say, well, it looks like maybe that would support not extending it. But there clearly are some factors where I could make the argument that there's a basis to extending it. So I think it's one of those issues where you could either way. And we will try to provide any additional information we can in the post conference if there's specific information that would be helpful.

But our -- the new tire part of the market has clearly been losing market share, unlike a lot of the discussion in PVLT where there were questions of, had the domestic industry abandoned some portion of the market because prices were too low, you have in this industry the domestic producers introducing lines of what they consider their "good" tire, their good, better, best, in an effort to try to prevent the erosion of market share that has been going on.

This is a critical part of the tire industry overall. And our client(s) and their workers are very concerned that we are not able to participate in market expansion, and that's what's happening -- we're now possibly going into a downturn. If that happens, we haven't gotten the lift that we should have gotten to be in a better

position and we've lost a lot of market share. And all those things are very problematic to us.

MS. MCNAMARA: Can you -- and I have some familiarity with the PVLT tires case. Can you explain whether there's a difference, given that these tires are in a commercial context versus ones that are predominantly for personal use. Is there a difference in how they're marketed or sold?

MR. STEWART: Well, I think you'll find that most of the commercial -- first of all, you have an OEM market which appears to be about 25% of apparent consumption of new tires. It drops down significantly if you include retreads. If you include retreads, it's probably closer to 12 % or maybe 15%, but it's a much smaller part of the market if you include retreads. If you don't include retreads, if it's just new tires, then the split OEM aftermarket looks to be very similar to what you saw in PVLT, where it's one-quarter or three-quarters.

I would say that the distinction that exists is that those of us who buy passenger cars by-and-large don't live in our car and aren't traveling hundreds of thousands of miles on a regular basis in an annual capacity, whereas truck and bus tires are obviously designed and used on equipment that is intended to be used for long periods of time.

And so you, while the dealers in the aftermarket, who sell replacement tires, are often the very same people, there are a whole host of other elements that become important because, unlike you and me as consumers, somebody who owns a truck fleet is concerned about operating costs down to a very fine level, and is always looking for ways to reduce those operating costs, and tires are a part of that, even if it's a small part in fact.

And so you have things like the services, you have the need by regulation to have tires changed when you get to a tread depth that is, on the front tires or the steer tires, a 4/32nds is when you need to change them, and for the rest of the tires, whether they be drive or trailer, you can keep the tires until they're down to 2/32nds. So you've got different tread depths that you have to be worried about.

How quickly you go through the tires depends on what kind of attention you pay to inflation and other things. And so you find commercial tire dealers often operating in conjunction with arms of tire companies who are offering range of services to help the user, the fleet owner, the truck driver, etcetera, get better performance from the items that they are doing.

And because the carcass, what is the correct term for the tire? The casing. Because the casing of the

tire, in fact, can go beyond the wear down of the tread, whether or not you can reuse your casing is something that matters to a lot of purchasers and that market is complicated by the fact that, if I'm a truck owner or fleet owner and I bring my own casings, I get a price for retread that is minus the casing. If the tire blows or it's been retread too many times and so I need to buy a new retreaded tire and I'm not bringing a casing, then I'm paying a different price.

And there's a different competition as we understand it, in the marketplace, depending on whether I've got my casing and I'm going to get it capped, or whether I'm looking to buy a retreaded tire where I'm not bringing the casing to the game.

So we've got a lot of issues that go into how the product is marketed and how it is serviced, etcetera, and there's some position such as the steer position where new tires either are always the case or mainly the case, a steer tire that is -- where you get down the tread limit -- often will be put onto a drive position or could be put onto a trailer position or will be retreaded and put back in one of those positions, so you hear people talk about moving it from steer to drive to trailer on subsequent retreads if they do it that way.

So there's just a lot of issues that go, in

terms of an expanded domestic like product, but also in terms, there's differences in terms -- so the warranty is not just a warranty on the tire. There's also often a warranty on the casing, because if you're buying the tire, I'm paying the price, it makes a difference to me whether I get a sixty dollar reusable product that reduces my cost, the sixty dollars if I'm going to retread.

MS. MCNAMARA: So does the retreadability of a tire affect the price -- does that generally command a higher price?

MR. STEWART: I don't know that we have enough data to be able to tell you that, but it obviously would make sense that that would be the case. Not all tires that get used, even if they have a warranty, will be retreaded because they may have a puncture, they may get damaged and hence the casing may not be viewed by the retreading operation as capable of being retreaded.

So there's some portion -- I think the prior panel talked about their experience being something that is perhaps as high as 40% that weren't retreadable, but they sounded like an unusually difficult environment in which things are working. Some percentage is not going to happen, but certainly the fact that companies put a retreadability warranty means that there is value to the purchaser.

And so one would expect that if somebody comes

with no warranty and if the product was not retreadable, that there would be a lower value and the lower value would be presumably the value of the casing. And the casing, as we understand it, has a value that's in the sixty, sixty-five, some cases lower.

MS. DRAKE: Yeah, and I think the materials that we've seen, as to the retreadability issue, are both -- that U.S. and Chinese producers offer the casing warranty, the warranty that it will be retreadable, one or two or more times. And also materials that the retreadability in fact of Chinese casings is just as good as U.S. casings, and you'll see that from Chinese producers themselves, saying, you know, I've talked to the biggest retreader in the U.S. and he says Chinese casings are retreaded at the same level as U.S. casings, and also the retreaders will have inspection processes that they do of the casing to insure that it's retreadable, so it's not just the warranty itself, but actually the retreadability. In fact, from what we see, seems to be equal for both.

MR. BUTTON: Ms. McNamara, you began the question asking about differences between the marketing in the PVLT case, in this case. And I think what you've heard here is a very good description of some fundamental differences in a consumer product, you've heard a lot about the concept of brand, impression, things of that nature.

Here we're dealing with products where they're being purchased, not by individual consumers, families, but by businesses largely, who are making economic decisions based on a variety of complex business issues. And price, obviously is there, but so, too, is the total economic cost dealing with warranty, casing quality, ability to retread, things of this nature.

So we would caution that one not transfer concepts of brand that you're going to find in a consumer product and obviously it can be much more, much stronger, like, be it food product or something that you and I would buy at a store, concept. Transfer that concept to here where functionalities are much more important and the overall cost effects they have for the business that buys them are important.

And it's in this respect that you're finding here and I think the evidence will show that the Chinese product provides increasingly that same functionality, that same warranty ability, the same retreadability, that you're gonna find with the U.S. product.

MS. MCNAMARA: One thing going to the warranties, I saw in the Exhibit 122 that when I read those, those appeared to be replacement warranties, as opposed to --

Is there some distinction between those or --

MS. DRAKE: You'll see warranties that are replacement warranties that may have a -- you'll see a combination -- a total warranty that'll include replacement and casing. I think some of those were just replacement warranties. Sometimes you'll see a separate casing warranty, but we can provide more examples post conference from both U.S. and Chinese manufacturers showing both replacement warranty for the tire during its, you know, first part of its service and then the warranty on the casing when it goes to the first retread or second retread.

MS. MCNAMARA: Okay. So the replacement on the casing or the warranty on the casing would be the same type of retreading warranty.

MS. DRAKE: That's right. That's what --

MS. MCNAMARA: Okay.

MS. DRAKE: -- the casing -- that's what the warranty on the casing is for. They're warranting that you will be able to retread.

MS. MCNAMARA: Great. Thank you. I'd appreciate that. And then -- one thing I want to just touch on real quickly. I saw in the article in 124 that it discussed private brands and it said that those are, for the most part, produced in China?

MR. STEWART: If you look at the -- this kinda takes me back to PVLT. We identified on the SmartWay slide

that there were -- we identified a hundred and twenty Chinese brands that were SmartWay verified.

Now, if you or I were to look at those hundred and twenty brands and say, how many of them strike a chord with us as to being companies that we know? My guess would be very few. Private brands, at the end of the day, are simply brands for major distributors or major companies, right?

So it -- we had been involved in the uncoated paper case and Xerox used to have its own paper manufacturing or least it subcontracted because it wanted to maintain Xerox brand. So you can have that in tires, where Coca-Cola, if they wanted to have their own tire and because they have lots of trucks, perhaps they would say, gee, we'd like to have a Coca-Cola tire, could do that.

So we've never viewed private labels as significant or significantly different. They tend to be done by distributors who want to have their own control of the margins. So they find a company that will sell them, put their own label on it, so that they don't feel they're in competition with somebody down the street who is selling a Dunlop or a Dayton or a Goodrich tire.

And so we have not seen a lot written about it in the context of commercial truck tires, but I'm sure that there are some distributors who look to have their brand as

well on that.

MS. MCNAMARA: So are you saying that the domestic industry is capable of producing private labels or it does produce?

MR. STEWART: Well, as far as I know, we're not aware that there is the same interest in private labels on the commercial truck, and at least in talking to the USW members, in terms of their plants, the labels they're talking about are the labels which are the various brands within the company, so I don't know the answer, whether there's any domestic who produces private label in the commercial truck. I don't see that there being the same interest in that.

MS. MCNAMARA: Now I know that the issue of product categories good, better, best, tiers 1, 2 and 3 come up. Is there any difference in that type of product categories in this market versus the PVLT market?

MR. STEWART: Well, in the PVLT market you had people who had all kinds of permutations as to where things fit. At the moment, if you look at your questionnaires, I think you will find that you continue to have people will describe it lots of ways. What is clear is for the major companies, they will have their flagship brand, they will have a second flagship brand that is probably their better, not what they would describe as their best, and then they

have what they would consider to be their starter brand, and so in the case of Goodyear, that's probably Kelly, Dunlap, Goodyear. All right? Goodyear the best, Dunlap the middle and Kelly is the one that is intended to be the "price sensitive" brand for people who are primarily interested in price.

So if you look at your -- and that was true in passenger car and light truck tires. It's not that tire companies don't try to cover the waterfront. They always do, and the question is, do you create new classifications of that just so you can say we don't compete? Right.

And if you take a look at a company like Double Coin, which is well respected in the truck and bus area, you will see that their own literature, they show themselves not competing against Kelly tires, not competing against Goodyear tires, not competing against Uniroyal tires, but competing against Michelin tires, not compete against Dayton or Firestone, but against Bridgestone tires.

So if you're looking at what happens in the real world, you've got a wide spectrum of products, oftentimes those products overlap. When we did the PVLT case, if you looked at the characteristics of tires from any of the major national brands that are produced here, you would've found that their best and their better and their good had products that overlapped each other. There were never clear lines

between good, better, best anyway.

And you would find that the same thing is true here. I mean if you take a look just even at this Southern Tire Mart, and you see -- what you'll see is -- is that there's a whole host of tires that meet this specific specification that was in the ITC pricing request. And there's a bunch of them that are from four different Chinese companies. There's a bunch of them that are from different brands of Bridgestone and different brands within Continental.

MS. MCNAMARA: So, do you, or could you respond to the allegations of the prior panel that the domestics command a premium price?

MR. STEWART: I have no doubt that the quality of domestic product and the amount of money that goes into advertising, etcetera, obviously on your good, better, best scenario, it's -- you have a good, better, best scenario in the hopes that you will get more money for your best than you'll get for your better than you'll get for your good. And so obviously that's true.

MS. DRAKE: I think what you'll see here as Mr. Johnson testified, is that in the commercial sector in the truck and bus tire sector, the domestic producers have been very focused on expanding offerings of what wouldn't be characterized by others as being a Tier 1 brand in terms of

looking at Kelly or Uniroyal or others, so there is a strong aggressive interest on the part of the domestic industry in terms of maintaining market share throughout the market, and not just focusing on one piece of it that they hope may have a little bit of a brand premium or may be marketed being more of a premium tire. There's interest from the domestics across the market and I think has been, in fact, a particular focus when you talk to your employers about where they want to see increased production and increased market share.

MR. JOHNSON: Every domestic manufacturer that we deal with has a full line of tires that compete at all levels and at all positions on a truck/bus. So it's not like anyone has decided not to do that. So they have intentionally put themselves in a position to compete literally, at all levels and in all positions.

So whether you recognize the date and as a brand or don't recognize a date as a brand is, you know, most people probably would not. So you know that -- but they have intentionally entered the market with different names to indeed compete directly against China and others.

MS. McNAMARA: Thank you. Can you explain a little bit more about fleet service programs and what those are? I saw the Exhibit 122 that has the advertising material from Double Coin's fleet service program. That

looks to be that it's describing a purchase program rather than a services program. Is there some -- I noted that it said that it was an alternative to major brand fleet programs. So I'm just trying to understand what, if these are different types of programs, are fleet services --

MS. DRAKE: There are different kinds of fleet services that are available. A lot of it is with the fleets themselves not wanting to do a lot of the internal monitoring and maintenance, to make sure they're getting the most of their tires throughout the tire's life and throughout the vehicle's life.

So both manufacturers and dealers offer a range of services, and we can put in additional examples from both Chinese producers and from dealers who sell Chinese tires about the kind of services they provide. Some of it might be roadside assistance; some of it might be monitoring tread depth to make sure, you know, that those are correct; or monitoring inflation pressure.

Some of it is offering sort of informational tools, data tools, and those can also be obtained independently, not from a manufacturer or a dealer, that help fleets monitor mileage and basically just to manage the data, to maximize their tires and lower their costs.

So there are a range of services that are available from different providers, but our understanding is

that the vast majority of fleets purchase their tires from dealers, not directly from manufacturers.

So many of those services are being provided by the dealers, and there it's not necessarily related to the brand of tire that you buy or the origin of the tire, but simply who that dealer is. Of course, the vast majority of dealers deal in both Chinese and U.S. tires.

MS. McNAMARA: Are those typically -- in terms of purchasing that, do you purchase the program, or is that ever built into the price of the tire, that you might somehow get something that's linked with the tire?

MR. STEWART: At least some of the programs that we're seen, literature and again, because we don't represent anybody in the retread part, this really goes to the service after purchase. We're giving you our best information, not being participants in the thing.

But some of the services are offered free, and what I would say is if you look at it from a supplier's point of view, what it would basically be is if I can supply information, a user, that will keep you better informed as to when your tire has gotten to the point that it should be turned in, that helps maybe because you're to go either buy a new tire or possibly get a retread service or whatever that may be.

And so a lot of these things are offered that

way, and we found that a lot of dealers who may be part of a program, like Goodyear has a program that has a lot of dealers across the country. But those same dealers will offer similar services to customers, whether they're part of a national program or one of the big chains or not, just as they do with retreading.

You know, you don't have -- if I'm a Bridgestone retreader, you can bring me a Double Coin casing and I'll -- if it's a good casing, I will retread it, right.

MS. McNAMARA: Can you also -- do you know about any -- how the domestic producers and the subject imports participate in the OEM versus replacement market? Any information on how that's provided in both?

MR. STEWART: If we could take just a minute, we have a number of additional handouts. Because we thought this would be a question, we put together a few slides. Probably would be easiest just to do them in the -- would you hand out all of the handouts, so that they're all done? You've got the OE one? Do we have copies for -- I'm not talking for staff, but for --

(Off mic comments.)

MS. DRAKE: On OEM versus after-market, as Mr. Stewart said, the public data indicate that about 75 percent of domestic consumption is after-market. So therefore a majority of both Chinese tires and domestically produced

tires we believe are competing directly with each other in the after-market.

In the 25 percent of the market that is OEM, obviously you will have some information in your questionnaire responses regarding imports that are sold to the OEM channel, though the low coverage rate of those importer questionnaire responses, we believe, would mean that that information is necessarily less than complete.

But public information that we've seen shows that there has been acceptance by OEMs of truck and bus tires from China, and that's been one of the reasons for the increase in imports. The next slide shows that in earliest 2007, major truck OEMs, international truck and IC Corp, which are both Navistar companies, had selected Double Coin as the provider of tires to its Class 4 and 8 vehicles, and said that those tires were of excellent quality in overall performance, and they were very pleased with their warranty coverage and retreadability. So of course that was long before the POI that we started to see Chinese tires in the OEM segment.

The next slide also shows another OEM, Landoll, that began using Double Coin tires as early as 2011 as standard tires for their trailers in a number of tire sizes. So that it was the quality that it wanted to give its customers, that it was the reason it was choosing Chinese

tires as an OEM tire.

We also see when we go to Chinese producers' websites, Guizhou Tyre, excuse me for the pronunciation or lack thereof, so that it states that it's an OE supplier to some famous equipment manufacturers including truck and bus. Double Coin also states that its products include truck and bus that enjoy OEM fitments at major North American transportation equipment manufacturers, and again other industry publications during the POI indicating increased acceptance by OEMs of Chinese tires.

So we do believe that there's direct competition, both at the OEM level and of course in the after-market.

MS. McNAMARA: Now do Buy American policies factor into this market?

MS. DRAKE: We don't know the extent of it, but we believe it's possible, given the fact that you would have things like school buses or city buses, perhaps the UPS -- or not UPS excuse me, the Postal Service fleet that would need to follow Buy American policies. But we can see if we can find more about that post-conference.

MS. McNAMARA: I'd appreciate that. Thank you. Now I saw in your Exhibit 1-24 that it had a Chart 15, and that chart talked about the brand -- the brand percentages in the replacement truck market for 2014, and it identified

Michelin, Bridgestone and Goodyear as making that 48 percent of that truck market, which seems to be inconsistent with --

So I was just wondering if you have any comment on that or any thoughts? I mean I understand you may not know which --

MR. STEWART: Well, I suppose it is possible if -- and your questionnaires would show what their imports might be, and if there were large imports from non-subject countries, it's possible that those numbers would be correct.

But it's also the case that our experience over time has been that the stats that are there, there are reasonable guesses but not necessarily terribly accurate. I looked awfully hard to find where the 36 percent Chinese product was and I couldn't pull it together.

MS. McNAMARA: Could you talk a little bit about non-subject imports in the U.S. truck and bus market?

MR. STEWART: They have been less than 40 percent of the total imports. They're higher value, typically significantly, and so just looking at the import stats and the countries that they're coming from, from the public domain I would guess that they are often product from some of the majors, you know.

You have a number of Japanese tire companies that are major players. You have Michelin that's obviously

a major European company that has facilities here, and that would go to the comment that Mr. Comly and I were going through, that if people are supplying part of their product line from offshore because it -- for whatever reason that's what they choose to do.

So I'm assuming that that's mainly what it is. The product is much differently priced than the product coming from China, much higher-priced.

MS. McNAMARA: Much higher-priced?

MR. STEWART: Yes.

MS. McNAMARA: I noticed -- well first of all, let me just back up. Do they also participate in that OEM and replacement market?

MR. STEWART: Yes, as far as we know they do. That works on the assumption that they're in fact coming into the major companies who participate in both of those markets.

MS. McNAMARA: Now on page 117 of the petition, your market share calculations show that the subject imports appear to have lost market share to the domestic industry and subject imports in 2013, but then gained it back in 2014. So do you have any sense as to why the subject imports are gaining back market share or how they're --

MR. STEWART: For non-subject?

MS. McNAMARA: For non-subject, how they're

gaining?

MR. STEWART: I can't tell you. We had in the petition 2012 to 2014 in the first three quarters. As I recall, the Commission chose to limit the period to 2013 to 2015. So I haven't looked back at the petition, so I'm not -- off the top of my head, I can't tell you. If we have an answer, we'll provide something post-conference for you.

MS. McNAMARA: I'd appreciate that, and also if you could just explain why you don't believe any injury is attributable to non-subject imports in the post-conference, I'd appreciate that as well. So are the domestic producers able to supply the entire U.S. market?

MR. STEWART: The answer to that is probably no at this point. But were they during the Period of Investigation able to supply a lot more product and not have lost any market share? The answer to that is absolutely yes.

MS. McNAMARA: On page 125 of the petition, you compared the average U.S. market price with the U.S. export AUV, and I'm just wondering is there some reason why the prices are lower for the exports?

MR. STEWART: I think the answer is is that the price -- remember, since we don't represent the managements of any of the companies, we are limited to public data. So the data we were using was data from retail, and I think

that the issue there was that the best information we had was retail prices on one hand, and FAS export prices on the other.

So you have in the questionnaires the answers with regard to export prices from the companies, and that will clarify whatever the situation is.

MS. McNAMARA: Thank you. Okay. Now turning now to the issue of threat, if there's any additional and updated information you could provide about the capacity expansions in China. I know that you had talked about some 2014 articles and some early 2015 articles. If you have any updated information, that would be appreciated.

Also, could you address how in the article in 1-20 or some of the articles in -- the article in Exhibit 1-20, excuse me, and some of the articles in Exhibit 1-29 were talking about consolidation going on in the Chinese market, and also in Exhibit 1-29, there was some discussion about companies being on the brink and failing and including one that was apparently doing very well and then surprisingly declared bankruptcy. If you could address kind of that apparent volatility in the Chinese market?

MR. STEWART: Let me just a give quick opening, but we'll address it in post-conference. It has been quite common in China in industries that are characterized by hundreds of companies, where there is massive amounts of

excess capacity, for the Chinese government to try to set up programs to consolidate the assets of those companies to provide world leaders, if you will, their market leaders.

So I assume that part of what you're reading probably refers to that being applied in the tire sector, because clearly the tire sector has grown very rapidly, has I believe literally hundreds of companies and China has been very interested in forcing consolidation, as they have done in other industries. So I assume that's the case, but we'll look at it post-conference.

MS. McNAMARA: Thank you very much. I don't have anything further now.

MR. ANDERSON: Thank you, Ms. McNamara. Ms. Breaux.

MS. BREAUX: Good afternoon and thank you for coming over here and testifying. So I have some questions, and we're going to start out with questions about raw materials. So in the presentation, we got a pretty good picture from you all that the prices for particularly rubber are increasing, and for the future are predicted to increase.

I wanted to know how have rubber prices trended over the period of investigation, particularly between 2013 and 2015, and has that had any effect on price.

MR. STEWART: Well, I will repeat the comment

of distinguished counsel for the Respondents this morning. Of course, you have that information in the questionnaire, questionnaires.

What we know has happened is that raw material costs have declined over the 2013-2015 time period. You had most of that time period in the PVLT case, and there were significant declines in raw materials, and of course in 2014-2015 there were dramatic declines in petroleum cost.

So you would expect that that would translate into carbon black and into synthetic rubber. There has been weakness in the Chinese economy. That has led to weakness in some of the other, some of the other prices. So we have no doubt that the questionnaire responses will show that there has been some significant decline in raw material cost during the POI.

And we also know, based on what's in the public record, that there have been declines in domestic prices. Whether those prices have declined more quickly than cost of goods sold or slower than cost of goods sold, the questionnaire. We will certainly analyze that in the post-conference.

But in PVLT, it was -- it was, as I recall, prices declined slower, which is not uncommon in downturns where you have large players, where I think we called it what, the stickiness, the stickiness factor. So whether

that happened in this case or not will be evident, I think, from the questionnaire responses.

MS. BREAUX: To the extent that you can provide any public information on the prices of raw materials over -- between 2013 and 2015 on a monthly basis, that would be great. My next question dealing with raw materials, while testifying, I think it was Mr. Wright mentioned that the plants could increase production, particularly in tires, if they -- if there was a sufficient supply of rubber.

My question would be a two-parter. Where is the rubber sourced for the tire plants, and has there been any experiences of shortages over the Period of Investigation, so from 2013 onwards.

MR. WRIGHT: To explain, we don't have the mixing capability at our plant for the 10,000 tires. We have a sister plant right up the road from us within the same state, and that plant has more than enough capability. Not that we don't have the raw rubber or the raw materials; we just don't have the mixing capability.

We actually transfer material back and forth quite often between our two plants, because we both make TVR or truck or bus radial. We both make the same thing. So that was kind of what I was trying to get at through my statement.

MR. STEWART: Stated different, they expect

that they could easily get the material from their sister plant.

MR. WRIGHT: Yes.

MR. STEWART: But they don't -- they wouldn't get it internally from their own plant.

MS. BREAUX: All right, thank you. My next questions deal with demand. What particular indicators do you look for in trying to analyze the demand for truck and bus tires in the United States?

DR. BUTTON: The demand on the OEM side would be demand for trucks and certainly, just as a general matter, on freight miles and cargo hauled and general activity in the world economy.

MS. BREAUX: My next question is that do truck and bus tires, I know we asked this in the questionnaire, but I wanted to know if there was anything public. But is there any -- are truck and bus tires, is that market subject to any business cycle other than the general economy-wide conditions?

MR. STEWART: I think that there have been in the past, I haven't given a lot of thought to the question since we -- since our client wasn't asked to fill out a questionnaire, for obvious reasons. But in the past, there have been some regulations which have led to some major purchases of trucks. So you could have some OEM bumps.

But I otherwise would think that the -- that other than possible seasonal patterns, which would probably be reflected in the questionnaire responses if they exist, I can't think of what else it would be.

MS. BREAUX: All right. My last question deals with purchasing factors. Are there any factors other than price that your customers would consider in making their decision?

MR. STEWART: None of the people here are purchasers, but I think from your questionnaires you will probably get a pretty rich array of issues. One would think, since this is -- since these are business purchases versus personal purchases, that there would be a lot of analysis of your OM cost based on your expected mileage, expected turnover, expected issues like that.

So that it would probably be a more sophisticated analysis by many purchasers. Not all, but by many purchasers than would be true of other products. That's part of the reason why you see such a robust retread business and why casing retread issue is a big issue for purchasers, because it's a significant reduction in the cost of getting a tire for X number of miles.

And if you look at what the companies have tried do, they have tried to do things that extend the life and provide services that reduce the amount of down time the

companies have or the length of time that somebody's down if there's a blowout or some other problem. So all of those things kind go to saying that purchasers undoubtedly have their own economic model that would say what they're looking for, and net price on a per mile basis or something else is likely to be a significant part of it.

(Off mic comments.)

MS. DRAKE: There has been a survey of fleets about what services they think are important to get from their dealers, and most of the purchases are from dealers, as we discussed. And on the survey for 2015, 82 percent of the fleet owners said that the requirement that they definitely imposed on their dealers was low prices, and that was higher than any other factor, whether it was the availability of a brand or any of the fleet services or other sort of auxiliary issues that Mr. Stewart discussed.

So while obviously, you know, it's a sophisticated market with sophisticated commercial purchasers, 82 percent of the fleets say that low price is the thing that they really focus on in terms of really working with their dealers.

MS. DRAKE: We'll put that in post-conference in terms of the source.

MS. BREAUX: Those are all the questions I have.

MR. ANDERSON: Thank you, Ms. Breaux. And now we

will turn to Mr. Yost.

MR. YOST: Thank you very much. I join with my co-workers and colleagues in welcoming you this afternoon. I found the testimony very, very interesting.

I have one question, and by way of introducing that question I was looking at some of the company websites, and it looks like there are tire lease programs. I was wondering if you could comment on the extent to which producers lease tires to companies, whether this is specific to a sector, for example municipal bus lines?

MR. STEWART: I'm not sure that at the moment we're prepared to answer because it's not a question we had thought of. So we will try to answer that in post-conference, if that's okay. Otherwise, I don't have any information.

MR. YOST: Okay. I appreciate it. Thank you very much, and I have no further questions.

MR. ANDERSON: Thank you. Mr. Cantrell?

MR. CANTRELL: Thank you, and welcome to everyone again. The testimony has been very interesting, and especially for me from the production side technology from the three gentlemen that provided testimony here from the plants, and Mr. Johnson and Dr. Button, and everyone else included.

One theme that came out in the testimony from the

three gentlemen from the various plants is that the truck-bus production sections are separated from the say passenger, from the consumer side. In other words, the commercial truck/bus are separated from the consumer truck/bus.

So last night while I was trying to transition from OTRs to Tbs, and also thinking about PVLTs, I had this profound idea that I wrote down. It says: Commercial tires intuitively must be designed to support heavier platforms.

And by that I'm thinking, well, perhaps there's a different way of producing these products, commercial products, compared to the consumer products.

So I don't know if anyone is in a position to comment on that here today, or would like to do that in post-conference, but...

MR. JOHNSON: I think your intuition is correct. They are indeed designed for behavior platforms. Their construction is significantly above and beyond what one would traditionally see in either a passenger vehicle or light-truck tire, more plies, full steel plies all the way around through the sidewalls, so the overall construction is indeed beefed up. Tread depth, tread patterns, the whole thing is indeed built to withstand that, as you said, heavier platform.

MR. CANTRELL: What is the major difference in the

equipment that's used for the truck/bus, as compared to consumer passenger and light-truck tires? I mean, I know probably the mixing and so forth is probably similar, but I was wondering about the tire building process--the drums that are used and so forth?

MR. JOHNSON: The tire machines would be similar. And to the untrained eye, but for size differentiation and the ability for multiple ply letoffs to accommodate for the number of plies that were coming into a truck/bus radial machine.

Another significant difference in build would be in the curing process where it takes much, much larger mold capacity to accommodate the 22-1/2 to 24-inch rim diameters, and the extended height of the tires as they go to cure, and the cure times that are required, simply because of the size, weight, and scale of the tires.

MR. CANTRELL: So most of the tires, as I understand it, have steel ply instead of a textile cord type ply arrangement in the body construction?

MR. JOHNSON: Truck/bus radials typically do have full steel ply that encompasses both the cap or tread area and the sidewalls where passenger and light-truck tires typically only have a steel cap underneath the tread.

MR. CANTRELL: And I mean I have noticed some of the information from the various companies, you know, that

produce truck/bus data books and things like that. Then of course the weight is quite, quite up there compared to-- quite a bit higher than the consumer tires, you know, like 150 pounds to nearer 200 pounds for some of the tires. Maybe some of them even larger, I don't know.

But is there any difference in, or specific differences between producing a steer tire, a drive tire, a truck tire, an all-position tire? Or fundamentally are they all about the same?

MR. JOHNSON: They are--I think the assumption is that fundamentally they are about the same is correct, but there are significant differentiations between those based upon the use. It could be a tread pattern that more easily is steerable and turns the front of a vehicle.

It could be a heavy traction pattern on a drive tire that gets better traction to pull the truck forward. But there would be construction differentiations within the tires that you may or may not--you know, the average person would not know looking at the tires.

MR. CANTRELL: How many belts, steel belts would you typically find on say a 22-inch, 22.5 inch tire?

MR. JOHNSON: I'll defer to Billy.

MR. WRIGHT: We like four belts, you know. And it depends on the, you know, whether it's a wide-based tire, or, you know, a trailer tire, or something like that. You

know, generally four belts, four steel belts crisscrossed.

MR. CANTRELL: As far as the materials of construction, are there--I mean, other than the steel, are there textile-cord difference, any other items in there different?

MR. JOHNSON: Well the rubber itself is different based upon the desired mileage, load ratings, so, yes, the construction of the tire is, while it would appear to be very similar, all the individual components would vary--could vary pretty significantly from what you see in a passenger or light-truck tire, just to be able to withstand the 24 hours on the road requirements that a truck/bus radial would have, and to withstand the load ratings that they would have, too.

MR. CANTRELL: I mean any detail that can be, you know, just briefly provided to us in the post-conference would be helpful to me in the production description and uses section.

MR. STEWART: If we can find something, Mr. Cantrell, we'll include it in the post-conference.

MR. CANTRELL: Okay. One person had--we have a diagram of the tire production process in our production section of the PVLT, and also OTR section, and it shows a two-drum system. We cite in there that either one-drum process or a two-drum tire building process can be used.

I was wondering, are we outdated? Or are we still fundamentally in the ballpark on that?

MR. WRIGHT: We have--basically we use the two-drum, basically, but we're extremely updated on our--you know, our plant is only 25 years old, and we're extremely--we have a technological plant. We have very few employees basically, as far as the amount of rubber and tires we produce. And the machines, if they get updated continuously like they should be, you know, it's not a problem as far as producing.

I've seen the one-drum that you're talking about at some of the older plants, but even some of the older plants are actually installing the newer two-drum machines.

MR. CANTRELL: So is there more automation these days than say if you go back 10 years?

MR. WRIGHT: Yes. Yes, by far. The automation is actually safer. It's more productive, and it's better for quality. And, you know, it's all-around better. And the automation actually helps, but it takes good people to run it.

MR. CANTRELL: Anyway, again any assistance that you all can provide to us that would help us in writing the technical section would be appreciated.

MR. STEWART: We will see what we can find. We also will provide--I believe that we found a picture of a

tire with the DOT logos numbering, as you had asked.

MR. CANTRELL: Sounds good.

MR. STEWART: We'll see if we can provide that.

MR. CANTRELL: Thank you.

Regarding the marking on the tires, I know the DOT, we're pretty well set on the DOT 10,000 pound and over standard that's required, but are the--is there any standardization in the truck/bus industry that would provide other markings on the sidewalls of the tires? Like steer, drive, all-position, or retreadable, or anything of that nature?

MR. WRIGHT: This is Billy Wright. Most all, everything that's done on the outside of the tire is done in the curing presses. It's done with the molds. You know, your tire is actually built in your tire assembly room. And then it looks like a big do-nut, and it's transferred to the curing presses. By that time, when they're cured is when you actually see the nomenclature and your tread is actually designed in the curing press with pressure and heat.

So depending on what mold you have is dependent upon what nomenclature you have on the outside of the tire and what tread pattern design in the tire actually looks like to the human eye.

So it depends on the curing press itself and the mold that's in the curing press.

MR. CANTRELL: I mean, can you read a sidewall and tell what kind of tire you're building there?

MR. WRIGHT: No. No.

MR. CANTRELL: Oh? Okay.

MR. WRIGHT: You basically rely on the machine. And there's usually scribe lines or some other indications on the rubber, but you do know what rubber you're using, or what compound, or what material, or what part number you're using. But those are things the builder is trained to know. It's not just written on there most of the time.

There's other indications for that. There are quality checks.

MR. STEWART: We will look. Our belief is that the information that is standard in fact tells you whether you're looking at a steer tire, or a drive tire. But we'll confirm that and we'll include it in the post-conference.

MR. CANTRELL: Okay. Thank you.

I had just a few other general questions about, I had a note here: Was curious about the types of tires where inner tubes are used. Are they particular types where an inner tube might be used in a tubeless tire?

MR. JUAREZ: Tubes put in a bias tire, which they were talking about earlier. Those take a tube. That's the primary purpose--in the radial tire you're not going to find a tube. They do have tubeless bias, like he was talking

about earlier, where they don't take a tube, either.

The whole process with the radials is so that you don't need a tube because it holds air. The liner system on the inside, that goes on the inside of the tire, is what traps the air.

MR. CANTRELL: Well I didn't realize there was a problem on these bias tires with the air leakage. But since they had an inner liner put in during the construction.

MR. JUAREZ: I used to build bias tires. So I understand the concept. That liner was in there just for, to protect it. It still had to take a tube. Unless you was building a tubeless tire, then it took three wraps of liner, and then it could be cured and it could hold air on itself. But they are correct, it's a different wheel that it goes on. It cannot go on a two-piece wheel. A two-piece wheel holds a tube tire.

MR. CANTRELL: Oh, okay. I mean they did state that it could only--their tire could only go on a two-piece.

Okay, I think that's about all I had. The diagram showing the sidewall for a truck/bus, it would be extremely useful because the DOT diagrams I have are for consumer tires, and I'm somewhat embarrassed to post something like that in a truck/bus report. So thank you all very much for your responses and your help.

MR. ANDERSON: Thank you, Mr. Cantrell. I believe

Mr. Comly has a couple of follow-up questions.

MR. COMLY: Just a few. At least two of the witnesses noted that the curing press capacity was less than the tire building capacity.

Is that normal? And why is that?

MR. JUAREZ: In my plant, the capability to cure the tires, they've changed over presses. So when they switch out some of the presses, they're bigger presses. So then it takes more press lines. So the press lines we had, they couldn't put in all the presses. So we actually have more machinery to build tires than we do press lines. Does that answer your question?

So to build more tires, we would need--I mean, to cure more we would need more press lines.

MR. COMLY: Is that because of the physical space of the manufacturing facility? Is that why--

MR. JUAREZ: No, we have the physical space for the press lines. It's just when they changed out the presses and brought in the bigger presses, they took up more space than the original press lines and they didn't add to the press lines.

So we can actually build more tires than we can cure--which we could cure, too. We have one shift a week that we could cure. We have from 7:00 to 3:00 on Sunday morning that nobody works. They could bring people in to

cure on that 8-hour period, too.

MR. O'SHEI: At our plant, it's just improvements in productivity through process on our building machines. We raised our production on them so we could actually build more than what we can cure now.

MR. COMLY: And how much would it cost to put in a new cure press, so that your cure presses would equal the amount of tire building capacity?

Approximately, are we talking hundreds of millions of dollars? Tens of millions of dollars? One million dollars?

MR. O'SHEI: It's about $750,000 per press, which can cure a whole two tires, I believe. It would be about eight presses we could fit in that pit. So probably about $6 million.

MR. COMLY: And how many tires a day would that be, sorry, additional?

MR. O'SHEI: You're making me do math now.

MR. WRIGHT: Well you figure every 50 minutes, or every hour at least, you know, so 60 tires--

MR. COMLY: You can give it to me by the hour, that's fine. How about that?

MR. WRIGHT: 48 tires a day, about--I'll say 60 tires a day--

MR. STEWART: The testimony earlier, when you

weren't putting us through a new-math test, was that with the investment in the additional curing equipment that they would be able to increase 700 tires a day from 2300 to 3000. So, and that's the same number that they just came up with on a more convoluted basis trying to respond.

(Laughter.)

MR. COMLY: And that would be a $6 million investment to get to that?

MR. STEWART: And as they testified earlier, in all of the investments have been on the blocks and have been talked about. Some are bigger investments than that that have been talked about in one or two of the facilities, but it's not a lot of money to ramp up the capacity based on the existing capacity that they have in certain sectors. And you would imagine that at any plant, if it's a plant that you're continually investing in, you will have some greater capacities than other departments. And then over time you kind of upgrade those other departments and you go again.

MR. BUTTON: And just to make sure it's clear, they've also testified that there is capacity--there is available capacity right now, without additional equipment, where they could expand production from where they are today.

MR. COMLY: That makes sense. Can I get a point of clarification on your threat PowerPoint slides? In one

of them you list the Antidumping Duty Orders from other countries, other than the U.S., on China. And then you note that that has an impact on the threat.

But I notice some of those are all the way back in 2005-2006. Wouldn't those have already been taken into account? Right. So hasn't the Chinese already shifted so it's not a threat factor anymore?

MR. STEWART: Well I guess it depends on how you interpret that provision. Our understanding of the provision has always been: Are there X number of markets from which Chinese product is likely to be excluded, or not able to move extra volume, so that it's more likely the volume will come here if there's more volume that's coming out, as opposed to shifting existing volume.

Your comment would be true on existing volume. It wouldn't be true in terms of available markets to ship new volume.

MR. COMLY: And another slide on the threat. You listed--and I think this was also in the Petition--a bunch of announcements of increases in capacity. And when we were talking about the Continental plant in the U.S., you said that it was announced recently but it takes, whatever it was, four to six years, something like that.

So how does that flow into the announcement in the Chinese industry?

MR. STEWART: Well most of the announcements I believe that were in the Petition were announcements not about new plants but about additions.

We described additions at plants, three plants here that could be accomplished within a year that could increase capacity by as much as a million tires at a plant. So you can have significant capacity additions. If you're doing a greenfield location, it's a much bigger deal. The Continental is a greenfield facility. If there were greenfield facilities there, it would be true that they would not likely come on board in 2016 if they were announced in 2015.

MR. COMLY: That makes sense. Thank you.

And then lastly on the threat would be the DOT codes. You list out a number of Chinese manufacturers that have obtained DOT plant codes.

Now does that mean that they are new plants? Or does that mean that they are just new exporters? Or does that mean that particular products from those plants are new exports so there could be existing products from that plant already?

MS. DRAKE: So the DOT plant codes are not product specific--they're specific to tires, but it could be any kind of DOT--any kind of tire that requires you to have a DOT plant code.

Additional information we found on them indicated that it was truck and bus tire production that these plants were engaged in. And it could be a new plant. It could be an existing plant that decided I want to get a DOT plant code because I want to be able to export to the United States. So it could be either.

MR. COMLY: Thank you for that clarification.

My last question is--and I don't know if you all will have any comments on this--but there was, I believe it was last year, maybe, that China Kim announced a possible merger with Pirelli. And I know Pirelli does not produce truck tires in the U.S. It's not listed in your Petition. But would that have any effect on the U.S. market? Or will it have an effect on exports to the U.S. market from nonsubject, or from subject sources?

MR. STEWART: Well I think it would potentially have an effect in the PVLT case. Thank goodness we have an Order. And I haven't looked to see what other facilities the Chinese company has as to whether or not truck and bus would be affected or not.

`I thought I had seen an article suggesting--well, it may be a questionnaire response, so let me--I'll pass on that.

MR. COMLY: Alright, thank you. That's all the questions I have. Thank you.

MR. ANDERSON: Alright, I'll check and see if my colleagues have anything further? Questions?

(No response.)

MR. ANDERSON: And I think my colleagues have done a very able and excellent job. I don't have any further questions.

I want to thank the panelists for being here and testifying today and answering our questions. It was particularly helpful to have representatives from the plants here, so thank you for traveling and giving us your information and helping us gather the information we need for this proceeding.

So I think right now we will take a pause and we will let the other panel prepare for their closing remarks. So thank you, very much.

(Whereupon, at 2:28 p.m., a recess was taken.)

Start 2:31 p.m.

MR. ANDERSON: Mr. Marshak, welcome back to the table and when you are ready to proceed please do so for ten minutes, closing arguments.

CLOSING REMARKS OF NED H. MARSHAK

MR. MARSHAK: Thank you. I will close with my Marine Chassis Industry hat. We very much hope that the Unions will consider amending the scope of this petition with the Department of Commerce. That would be the easiest way to

solve the problem the Marine Chassis Lessors Industry faces. But at the same time, we believe that the Commission precedent supports our separate like-product claim.

First, the fact that a product is not currently made in the United States is one very important factor to consider. We agree that it is not necessarily dispositive. The Commission will also need to look at several additional factors. First, whether our product could be made in the United States using the same equipment and the same workers used to make tubeless radial truck tires. We believe that it can't. Also, whether there are clear dividing lines between our products and the products subject to investigation.

Here, we believe we have shown today that these clear dividing lines exist. We're talking about bias, tube tires of a particular size which are used on two-piece rims. These are the only tires that could be used on these rims. The lines, the rims are very clear.

And third, whether our product could possibly contribute to any material injury that the Domestic Industry may be experiencing. We believe that the answer to that is no. We're a very small industry. It's a very specialized tire which hasn't been made in the United States for decades. It's not coming back to the United States and it's used for a piece of equipment that's essential for

transporting merchandise from a vessel to a railroad, one mile in, one mile out.

What we believe that you should not consider as whether there's a potential slippery slope. Our Marine Chassis Industry is very different from other industries that use tires. We were the only industry appearing here today. The fact that other industries may consider coming in the future really shouldn't be relevant if we have clear dividing lines, if we have a specialized product.

We'd like the Commission to make its like-product determination based on our very unique facts and circumstances and to exclude our product from this investigation because it's a separate like-product, because it's not made in the United States and could not conceivably injure the Domestic Industry. Thank you.

MR. ANDERSON: Thank you, Mr. Marshak. Ms. Drake.

CLOSING REMARKS OF ELIZABETH J. DRAKE

MS. DRAKE: Thank you, Elizabeth Drake of Stewart and Stewart for the Petitioner. First, I want to thank the Staff for holding this conference today. We really appreciate all of the hard work that has gone into collecting information from the questionnaires and asking thoughtful and helpful questions today during the conference. I will be brief. I believe that the number of

issues in the case are very simple and very clear.

On the issue of volume I think there's no question that the volume of Subject Imports is significant both absolutely and relative to Domestic Production and domestic consumption. It's clearly risen very rapidly, forty-one percent and sucked up seventy percent of the increase in demand. All Domestic Producers have gotten none of that substantial increase in demand over the period.

On the issue of price, I think there are clearly adverse price effects. I think there's no contest on the issue of underselling which on public data appears to be universal and I think that the questionnaire response data will show something very similar and at very significant margins and of course we have public statements from industry participants regarding the adverse price effects of Subject Imports from China.

In terms of present material injury over the period the Domestic Industry has suffered present material injury and the fact that it has not been able to participate in rising demand across a number of indicators whether one looks at shipments, production, employment; none of them has risen as rapidly as one would hope in such a healthy and growing market. That's been precisely because of the significant market share that's been lost to increasing Subject Imports.

Prices have been declining. Plants have not gotten investments that would help them keep up with demand and we've heard today about though even if employment were flat there are fewer hours, fewer shifts, less overtime; all of which has a real impact on the workers in these plants. I think that the facts that were discussed today by the USW witness were really most striking to us when we were helping them put together their statements were on the issue of threat.

The issue of what's happened since late 2015 at each of these plants in terms of significant cuts in production, significant amounts of idle capacity, days taken out of schedule, shifts not worked and the real very serious concern from each of the local union presidents that if these trends continue at this level, it will require significant changes in those plants this year in 2016, that it's simply not sustainable to operate at such low levels of capacity utilization. That ultimately layoffs will need to be on the table for their members if production cannot be increased in these plants.

Of course, in terms of all the other threat factors that we look to, China has massive overcapacity and that's growing. It's extremely export oriented. It's very focused on the U.S. Market and it's demonstrated its ability to gain market share in the U.S. Market through aggressive

price undercutting and that will only continue. We fear if orders are not imposed that would only cause continued material injury to this important industry.

So we thank you for your attention today and we look forward to submitting our post-conference brief. Thank you.

MR. ANDERSON: Thank you Ms. Drake. On behalf of the Commission's Staff and would like to thank all the witnesses for coming here today and helping us gain a better understanding of the competition and the nature of the industry for truck and bus tires. Before concluding, I just want to mention a couple of key dates associated with the investigation.

The deadline for submissions to corrections to the transcript and for submission of post-conference briefs is Wednesday February 24th. If briefs contain business proprietary information, the public version is due on Thursday February 25th. The Commission has tentatively scheduled its vote on these investigations for Friday March 11th and it will report its determinations to the Secretary of the Department of Commerce on Monday March 14th. The Commissioner's opinions will be issued on Monday, March 21st.

With that, I thank all of you again for participating and this conference is adjourned.

(Whereupon, at 2:39 p.m., the conference was adjourned.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Truck and Bus Tires from China

INVESTIGATION NOS.: 701-TA-556 and 731-TA-1311

HEARING DATE: 2-19-16

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 2-19-2015

SIGNED: Mark Jagan

Signature of the Contractor or the Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker identification and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceedings.

SIGNED: Gregory Johnson
Signature of Proofreader

I hereby certify that I reported the above-referenced proceedings of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceedings.

SIGNED: Larry Flowers
Signature of Court Reporter