

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:) Investigation Nos.:
CERTAIN NEW PNEUMATIC OFF-THE-ROAD-TIRES) 701-TA-552-553 AND
FROM INDIA AND SRI LANKA) 731-TA-1308 (FINAL)

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UNITED STATES OF AMERICA
BEFORE THE
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation Nos. :
CERTAIN NEW PNEUMATIC OFF-THE-ROAD) 701-TA-552-553 AND
TIRES FROM INDIA AND SRI LANKA) 731-TA-1308 (FINAL)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Wednesday, January 4, 2017

The meeting commenced pursuant to notice at 9:30
a.m., before the Commissioners of the United States
International Trade Commission, the Honorable Irving A.
Williamson, Chairman, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Chairman Irving A. Williamson (presiding)

5 Vice Chairman David S. Johanson

6 Commissioner Meredith M. Broadbent

7 Commissioner F. Scott Kieff

8 Commissioner Rhonda K. Schmidtlein

9

10

11 Staff:

12 William Bishop, Supervisory Hearings and Information

13 Officer

14 Sharon Bellamy, Records Management Specialist

15

16 Edward Petronzio, Investigator

17 Raymond Cantrell, International Trade Analyst

18 Lauren Gamache, Economist

19 Jennifer Brinckhaus, Accountant/Auditor

20 Nataline Viray-Fung, Attorney/Advisor

21 Elizabeth Haines, Supervisory Investigator

22

23

24

25

1 Opening Remarks:

2 Petitioners (Terence P. Stewart, Stewart and Stewart)

3 Respondents (Eric C. Emerson, Steptoe & Johnson LLP)

4

5 In Support of the Imposition of Antidumping and

6 Countervailing Duty Orders:

7 Stewart and Stewart

8 Washington, DC

9 on behalf of

10 Titan Tire Corporation ("Titan")

11 United Steel, Paper and Forestry, Rubber,

12 Manufacturing, Energy, Allied Industrial and

13 Service Workers International Union, AFL-CIO, CLC ("USW")

14 Maurice M. Taylor, Jr., Chairman, Titan International

15 Inc.

16 Paul G. Reitz, President and Chief Executive Officer,

17 Titan International, Inc.

18 Paul Hawkins, Vice President, Sales, Titan

19 International Inc.

20 Greg Schoessler, Senior Controller, Titan

21 International, Inc.

22 Dennis Nutter, Field Sales Manager, Titan

23 Lester Brewer, General Manager, Des Moines, Titan

24 Mark Carpenter, Owner and President, Jerry's Tire

25 Stan Johnson, International Secretary-Treasurer, USW

1 Terence P. Stewart, Elizabeth J. Drake, Jennifer M.
2 Smith and Leah N. Scarpelli - Of Counsel

3

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

6 Steptoe & Johnson

7 Washington, DC

8 on behalf of

9 ATC Tires Private Ltd. ("ATC")

10 Alliance Tire Americas, Inc. ("ATA")

11 James Clark, President, ATA

12 Domenic Mazzola, Vice President, Engineering/OE Sales,

13 ATA

14 Bob Arnold, Vice President, Aftermarket Sales, ATA

15 Eric C. Emerson, Thomas J. Trendl and Gregory S. McCue

16 - Of Counsel

17

18 Arent Fox

19 Washington, DC

20 on behalf of

21 Balkrishna Industries Limited ("BKT")

22 B.K. Bansal, Director (Finance), BKT

23 Minoo Mehta, President, BKT Tires Inc. and BKT USA Inc.

24 Brian Robinson, Vice President, BKT Tires Inc. and BKT

25 USA Inc.

1 Matthew M. Nolan, John M. Gurley and Aman Kakar - Of
2 Counsel

3

4 Baker & McKenzie LLP

5 Washington, DC

6 on behalf of

7 Camso USA, Inc.

8 Camso Loadstar (Private) Limited

9 (collectively "Camso")

10 Robert Bulger, Vice President and General Manager,

11 Camso USA, Inc.

12 Catherine Conides, Vice President, Legal Affairs and

13 General Counsel, Camso Inc.

14 Thomas Van Ormer, Director of Purchasing, East Bay Tire

15 Co.

16 Kevin M. O'Brien and Christine M. Streatfeild - Of

17 Counsel

18

19 Rebuttal/Closing Remarks:

20 Petitioners (Elizabeth J. Drake, Stewart and Stewart)

21 Respondents (Matthew M. Nolan, Arent Fox LLP and Kevin M.

22 O'Brien, Baker & McKenzie LLP)

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P R O C E E D I N G S

9:30 a.m.

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

CHAIRMAN WILLIAMSON: Good morning. On behalf of the U.S. International Trade Commission, I welcome you to this hearing on Investigation Nos. 701-TA-552 through 553 and 731-TA-1308 final, involving Certain New Pneumatic Off-the-Road Tires from India and Sri Lanka.

The purpose of these investigations is to determine whether an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded by reasons of imports of certain new pneumatic off the road tires from India and Sri Lanka.

Schedules setting forth the presentation of this hearing, notices of investigation and transcript order forms are available at the public distribution table. All prepared testimony should be given to the Secretary. Please do not place testimony directly on the public distribution table.

All witnesses must be sworn in by the Secretary before presenting testimony. I understand that parties are aware of the time allocations. Any questions regarding the time allocations should be directed to the Secretary. Speakers are reminded not to refer in their remarks or

1 answers to questions to business proprietary information.
2 Please speak clearly into the microphone and state your name
3 for the record for the benefit of the court reporter. If
4 you'll be submitting documents that contain information you
5 wish classified as Business Confidential, your request
6 should comply with Commission Rule 201.6. Mr. Secretary,
7 are there any preliminary matters?

8 MR. BISHOP: Yes Mr. Chairman. First, I would
9 note that all witnesses for today's hearing have been sworn
10 in. Second, with your permission, we will add to the
11 witness list today Greg Schoessler, Senior Controller for
12 Titan International Incorporated. There are no other
13 preliminary matters.

14 CHAIRMAN WILLIAMSON: Okay, very well. Good.
15 First, opening statement.

16 MR. BISHOP: Opening remarks on behalf of
17 Petitioners will be given by Terence P. Stewart, Stewart and
18 Stewart.

19 CHAIRMAN WILLIAMSON: Welcome Mr. Stewart, and
20 you may begin when you're ready.

21 OPENING STATEMENT OF TERENCE P. STEWART

22 MR. STEWART: Thank you Chairman Williamson, Vice
23 Chairman Johanson, Commissioners and staff, first Happy New
24 Year as you continue the second century of the Commission.
25 Petitioners in this case account for the vast majority of

1 the production in the United States of the domestic like
2 product.

3 Titan Tire is believed to be the nation's
4 largest OTR tire producer and the USW represents not only
5 workers at Titan's facilities but also at the two
6 Bridgestone facilities and the one Goodyear facility that
7 produce certain OTR tires. From the public prehearing staff
8 report and other record evidence submissions are clear. The
9 domestic industry has experienced declines in most of the
10 statutory factors the Commission looks at in trade remedy
11 cases.

12 By contrast, imports from India and Sri Lanka
13 collectively have increased both absolutely and relative to
14 domestic production in the 2013-2015 time period, and prior
15 to the preliminary affirmative countervailing duty
16 determinations in these cases in late June of this year.
17 Subject imports have undersold domestic product in the vast
18 majority of price comparisons and all responding domestic
19 producers have reported price reductions or the rollback of
20 price increases and lost sales.

21 While the cost of raw materials has declined
22 during the Period of Investigation, the domestic industry
23 has nonetheless faced a price cost squeeze. No party in
24 their prehearing briefs has challenged the ITC's preliminary
25 determination of the domestic like product, and no

1 information has been submitted to warrant a reexamination of
2 the Commission's preliminary findings of either the domestic
3 like product and who constitutes the producer of such
4 product.

5 Petitioners do not seek the removal of any
6 domestic producer of certain OTR tires from the industry who
7 may be related to subject country producers, all of who are
8 themselves importers of such products. While those in
9 opposition claim that cumulation is not appropriate, in fact
10 the information of record in these final investigations
11 support cumulation both for purposes of material injury and
12 for threat of material injury.

13 Petitions on imports from the two countries were
14 filed on the same day. Only a reasonable overlap of
15 competition is required, which is fully met by an
16 examination of the construction industrial subsegment of the
17 market. Imports from both countries are sold throughout the
18 United States, being present in every month of the Period of
19 Investigation.

20 Purchasers view the subject imports and domestic
21 product as highly interchangeable, as comparable on most
22 factors other than price where the largest number report
23 Indian and Sri Lankan product is lower priced than domestic
24 product. That said, purchasers report domestic producers
25 provide aftermarket distribution and services that are

1 superior to those provided by Indian and Sri Lankan
2 producers, and they report that domestic producers'
3 technical support and customer service are comparable to
4 superior to those provided for tires from India and Sri
5 Lanka.

6 While demand has contracted overall during the
7 period, led by challenges in the agricultural sector,
8 subject imports have seized significant market share during
9 this period being investigated. Indeed, the growing volume
10 and price-depressing effects of imports from India and Sri
11 Lanka have led to declining domestic shipments and have
12 affected the pricing domestic producers can achieve on
13 remaining shipments whether to OEM or aftermarket customers.

14 Thus, imports from the two countries have a
15 sufficient causal connection to the injury experienced by
16 the domestic industry, despite the demand contraction in
17 parts of the market. The myriad arguments to the contrary
18 by those in opposition can't hide the large increase in
19 market share, and the pervasive underselling that
20 characterizes their market activity.

21 Nor does the fact that most producers, importers
22 and purchasers view tires as being in one or more tiers make
23 competition attenuated. Purchasers note various factors
24 relevant in making purchasing decisions between domestic and
25 subject import producers as largely comparable, other than

1 on price.

2 At the same time, companies like Titan and the
3 Indian and Sri Lankan producers are viewed by different
4 purchasers as being on the same tier or tiers as reducing a
5 tier premium. Moreover, the size of the overall
6 underselling margins are larger than the alleged price
7 premiums. Next, the increased imports after filing of the
8 petition supports a finding of critical circumstances by the
9 Commission in these cases, and finally the information in
10 our prehearing brief also reviews why the Commission should
11 make an affirmative threat of material injury and
12 determination as well, based on factors like unused
13 capacity, capacity expansions, export orientation and the
14 nature of the subsidies found by Commerce. Thank you.

15 CHAIRMAN WILLIAMSON: Thank you.

16 MR. BISHOP: Opening remarks on behalf of
17 Respondents will be given by Eric C. Emerson of Steptoe and
18 Johnson.

19 CHAIRMAN WILLIAMSON: Okay. Welcome, Mr.
20 Emerson. You may begin when you're ready.

21 OPENING STATEMENT OF ERIC EMERSON

22 MR. EMERSON: Thank you. Good morning, Mr.
23 Chairman, members of the Commission and Commission staff,
24 and again Happy New Year to you as well. I'm Eric Emerson
25 of Steptoe and Johnson, and I'm joined today by my

1 colleagues Tom Trendl and Greg McCue. I'm appearing before
2 you as counsel to ATC Tires Private Limited and Alliance
3 Tire Americas, and am providing this opening statement on
4 behalf of all parties in opposition to the imposition of
5 anti-dumping and countervailing duties on off the road tires
6 from India and Sri Lanka.

7 Like you, I've just finished listening to the
8 opening statement from the Petitioners, and I have to say if
9 all I knew was what Mr. Stewart had just told you, I'd say
10 that they have a pretty compelling case. But when the
11 Commission looks behind the data, looks at the data behind
12 the simple headlines on which Petitioners' arguments rest,
13 we submit that the Commission will be forced to conclude
14 that subject imports did not cause any harm experienced by
15 the domestic OTR industry.

16 What makes this case more complex than
17 Petitioners would suggest is the extreme segmentation in the
18 U.S. OTR market, which serves to limit the subject imports'
19 ability to compete with the domestic like product. The U.S.
20 OTR market is segmented in three ways. First, by the
21 industrial sector into which the OTR Tire will be used.
22 Second, by the quality tier into which each producer or
23 brand falls, and third by the nature of the customer. That
24 is, whether it's an original equipment producer or an
25 aftermarket customer.

1 We are very grateful that in this final phase of
2 the investigation the Commission staff solicited data on
3 the basis of these segments. What this more detailed data
4 show is that the domestic OTR industry's economic
5 performance resulted from the substantial decline in demand
6 during the POI. In one particular market segment, sales to
7 OE manufacturers in the agricultural segment, which was the
8 single most important market segment for Titan.

9 As crop prices declined over the POI, sales of
10 new farm equipment fell dramatically, and as a result
11 Titan's sales volume plummeted. Having failed to invest
12 adequately in the aftermarket, Titan then found itself
13 unable to replace its lost production and sales volume. The
14 root cause of any harm the domestic industry may have
15 suffered cannot be laid at the feet of subject imports.

16 Market segmentation also goes a long way to
17 explain why subject imports have had no adverse price
18 effects on the U.S. market. Differentiation by quality tier
19 is a very real phenomenon in the U.S. OTR market, as
20 evidenced by the fact that purchasers reported being willing
21 to spend on average 22 percent more for one physically
22 comparable tire over another simply on the basis of
23 branding.

24 This is consistent with other record evidence
25 that purchasers are not especially price sensitive regarding

1 their OTR purchases, and while OTR tire prices did decline
2 over the POI, this downward price trend resulted not from
3 subject import competition, but from falling raw materials
4 costs, as Petitioners' counsel just alluded to and as the
5 Commission had previously concluded.

6 Finally, we will explain why underselling by
7 subject imports did not result in any loss of sales volume
8 by the domestic industry, which was the cornerstone of the
9 Commission's preliminary determination. Now to the extent
10 that the domestic industry has suffered any poor
11 performance, it is solely as a result of this decreasing
12 demand for sales in the agricultural segment of the market
13 that I mentioned earlier.

14 This is not an argument that was dreamed up by
15 Respondents for purposes of this case. In virtually every
16 one of its SEC filings and investor calls, Titan has
17 identified this downturn in demand, not subject imports, as
18 the cause of its economic difficulties. We very much hope
19 that the Commission will probe this issue carefully during
20 its questioning of Titan this morning, to determine why
21 Titan has consistently said one thing to the SEC and its
22 investors, and is saying something very different to the
23 Commission in this investigation.

24 Our prehearing briefs also contain a
25 confidential economic analysis, which demonstrates that but

1 for the volume of sales lost to factors other than subject
2 imports, the domestic industry would be suffering no harm,
3 which is consistent with Titan's statements elsewhere.

4 Finally, just as the domestic industry was not
5 materially injured by reason of subject imports, neither is
6 it threatened with material injury. Among other points,
7 you'll hear testimony today about prospects for growth
8 outside the United States for the subject producers, and
9 about the likelihood of increase U.S. OTR prices as raw
10 material costs have already started to rise.

11 In closing, I wanted to note that my comments
12 are based on the assumption that the Commission cumulates
13 imports from India and Sri Lanka for purposes of determining
14 material injury and threat of material injury. But as
15 counsel for Camso will explain later, the Commission should
16 not cumulate these imports for either purposes, because the
17 requisite overlap of competition has not been met.

18 We appreciate the Commission's time and
19 attention, and we very much look forward to answering any
20 questions that you may have. Thank you.

21 CHAIRMAN WILLIAMSON: Thank you.

22 MR. BISHOP: Would the panel in support of the
23 imposition of anti-dumping and countervailing duty orders
24 please come forward and be seated?

25 (Pause.)

1 CHAIRMAN WILLIAMSON: I want to welcome this
2 panel this morning, and Mr. Stewart you may begin when
3 you're ready.

4 MR. STEWART: Thank you, Mr. Chairman. I'm
5 going to read the statement of the Chairman of Titan, Mr.
6 Taylor, because he is suffering at the moment from a cold
7 and he's losing his voice. So he asked me if I would do
8 that too. With apologies, I will proceed.

9 STATEMENT OF MAURICE M. TAYLOR, JR.

10 (Read by Terence Stewart)

11 MR. STEWART: Mr. Chairman, Vice Chairman and
12 Commissioners, good morning. My name is Maury Taylor, and I
13 am the chairman of Titan International, Inc., the parent
14 company of Titan Tire Corporation. In 2008 I testified
15 before the Commission in support of orders on OTR tires from
16 China. At that time, rising volumes of dumped and
17 subsidized imports from China were seizing shipments and
18 market share from Titan and other domestic producers,
19 undercutting prices and adversely impacting the domestic
20 industry and its workers.

21 I am grateful this Commission voted to impose
22 orders on those imports from China. Those orders have had
23 significant benefits for Titan and for the domestic industry
24 as a whole. Unfortunately, our U.S. market remains an
25 attractive target for foreign OTR tire producers seeking to

1 offload excess capacity and gain market share at our
2 expense.

3 After the orders were imposed on China, imports
4 from India and Sri Lanka began to increase, causing us to
5 lose sales and production and driving down prices. I am
6 proud to our company once again took the lead, together
7 with the United Steelworkers, to seek relief. The combined
8 increase from these countries is particularly significant
9 given the sharp drop in demand for OTR tires.

10 Since 2013, the market for agricultural tires,
11 which are the largest share of the market for OTR tires, has
12 seen a sharp downturn as commodity prices and foreign income
13 have collapsed. Corn prices, for example, are below the
14 peak breakeven point for most farmers, which deeply
15 depresses sales of new agricultural equipment. There has
16 not been a corresponding uptick in aftermarket Ag tire
17 demand to compensate for the deep decline in OEM demand.

18 Demand for OTR tires in the construction and
19 industrial sectors has also been down sharply at OEs, and
20 essentially flat overall despite some uptick in construction
21 as the economy slowly recovers. In spite of these declines
22 in demand, your staff report shows that combined subject
23 imports rose by 290,000 tires from 2013 to 2015, an increase
24 of 29 percent.

25 The only way subject imports have been able to

1 grow in a contracting market is by taking market share from
2 domestic producers like Titan. These imports are causing
3 serious harm to our company and to the industry as a whole.
4 Damage to our industry is significantly beyond what a
5 cyclical downturn in agriculture and other sectors would
6 dictate.

7 As some may remember from my testimony eight and
8 a half years ago, Titan is a somewhat unique company. We
9 started with no plants and no employees. We acquired
10 Pirelli's OTR plant in Des Moines, Iowa in 1994, Goodyear's
11 farm tire plant in Freeport, Illinois at the end of 2005 and
12 Continental's OTR plant in Bryan, Ohio in 2006.

13 We bought these plants when no one else wanted
14 these assets. We saw an opportunity to turn the plants
15 around and we invested significant capital and worked
16 closely with our workers to improve operations. As a
17 result, we are now the largest single producer of OTR tires
18 in the United States, and we are the only major western tire
19 company that focuses exclusively on OTR tires.

20 We make the full range of OTR tires serving
21 every segment of the market, covering thousands of SKUs. We
22 are entirely dedicated to this market and its condition
23 means everything to our companies and our workers. Unfairly
24 traded imports from India and Sri Lanka are taking sales
25 from Titan in both the OE market and in the aftermarket, and

1 across segments.

2 The reason they have been able to increase in a
3 declining market is subsidized low pricing. As a result,
4 we are operating far below capacity and being forced to make
5 sales at rock bottom prices in order to compete. Declining
6 production in prices have forced us to lay off workers and
7 reduce hours, and we've done everything we can to trim
8 administrative expenses and improve our efficiency.

9 But we are still struggling. No matter what we
10 do, there is simply no way to compete successfully against
11 foreign producers who receive government subsidies, and
12 offload excess volumes without regard to price. Producers
13 in subject countries are expanding rapidly in a global
14 market that already has sluggish demand in excess capacity.
15 Effective relief from these imports is critical to our
16 company, our workers and the industry as a whole.

17 I want to address a couple of claims I
18 understand those who oppose relief have made to try to blame
19 the indisputable injury we have suffered due to other
20 causes. I believe some Respondents have claimed that Titan
21 has focused on the OE market rather than the aftermarket,
22 harming our company when OE demand declined.

23 Nothing could be further from the truth. As a
24 preliminary matter, imports compete with us in both the OE
25 market and the aftermarket, as my colleagues will testify.

1 In addition, we already have as much or more sales to the
2 aftermarket than any other company. The aftermarket is a
3 core part of our business and has been for more than 20
4 years our company has produced and sold OTR tires.

5 While it's important for us to serve our OE
6 customers, we have made great efforts to expand our presence
7 in the larger aftermarket. Titan has a robust and
8 well-established aftermarket distribution network, and the
9 largest aftermarket sales force of any producer. The only
10 reason we have not been able to generate more sales in the
11 aftermarket has been the aggressive price undercutting by
12 rising volumes of subject imports.

13 Finally, some of the Respondents have claimed
14 that our injury was self-inflicted due in part to the
15 alleged failure of our low sidewall or LSW tire. LSW tires
16 are near and dear to my heart, so I want to give you some
17 facts. LSWs are a new innovation in OTR technology. This
18 is technology that has been adopted in other markets like
19 passenger car tires and military vehicle tires, and we are
20 excited about the potential it offers our customers.

21 As farm and other off-road equipment has gotten
22 larger, it has become more difficult for traditional tires
23 to provide smooth ride and stability. We saw the problems
24 our customers were having and we've developed a solution.
25 By expanding the rim diameter and reducing the sidewall, we

1 get important improvements over a traditional tire with the
2 same overall diameter.

3 These slides show you LSWs and traditional tires
4 on the same equipment. LSW tires provide much greater
5 stability, reduce power hop, road lope and soil compaction
6 and thus greatly improve performance and productivity. Like
7 any new technology, LSWs have taken some time to catch on
8 because OEs want to be sure there will be demand for them.

9 So we have been going straight to the customer,
10 to the largest farmers around the country and to other OTR
11 tire users. We have helped them demonstrate our tires and
12 compare the performance. Reviews have been extremely
13 positive, allowing us to increase sales and giving us
14 confidence in the future of this technology. LSWs are
15 still a relatively small but growing part of our portfolio,
16 and they have done very well for us.

17 The reason we have suffered declining sales
18 production, employment and profits since 2013 is not LSWs.
19 It is the surge in unfairly traded subject imports from
20 India and Sri Lanka. Thank you.

21 STATEMENT OF PAUL G. REITZ

22 MR. REITZ: Thank you Terry, Maury. Good
23 morning. My name is Paul Reitz. I am the president and CEO
24 of Titan International, the parent company of Titan Tire.
25 I've been with Titan since 2010, becoming president in 2014

1 and then CEO at the beginning of this year. Imports from
2 India and Sri Lanka are highly interchangeable with Titan's
3 own tires. Titan competes across the market, including the
4 OEM and aftermarket, and the agricultural, construction and
5 industrial markets.

6 Wherever subject imports are penetrating the
7 market, we feel the impact directly. Your staff reports
8 shows that the majority of firms rate domestic and subject
9 tires as comparable across nearly every purchasing factor.
10 More than 80 percent of firms reported that U.S. and Indian
11 tires are always or frequently interchangeable, and 78
12 percent of firms reported the same for tires from U.S. and
13 Sri Lanka.

14 The vast majority of purchasers reported that
15 tires from the U.S., India and Sri Lanka usually or always
16 meet minimum quality specifications. The majority of firms
17 also reported that differences other than prices are only
18 sometimes or never significant when comparing domestic tires
19 to those from India and Sri Lanka. Price is a key factor in
20 our ability to compete with this highly interchangeable
21 tires.

22 More than 68 percent of purchasers report that
23 price is a very important factor in purchasing decisions.
24 For OTR tires in 78 percent of purchasers listed price as
25 one of their top three purchasing factors. When asked to

1 compare prices between domestic tires and subject imports,
2 the majority of purchasers reported domestic tires had
3 inferior, that is, higher prices.

4 The U.S. market for OTR tires has become more
5 price sensitive in recent years, as demand has declined and
6 farm income has dropped. Customers have become more willing
7 to purchase the lowest-cost product, been more aggressive in
8 pushing us to match import prices.

9 This market is characterized by very transparent
10 pricing. We know what our competitors are offering and we
11 must compete to make those sales. The competition is
12 fierce. Even when we believe our quality or services are
13 superior, and even if we had well-known brands, any such
14 advantages are simply overwhelmed when imports are being
15 priced as low as they have been.

16 We are forced to review every request for a
17 price reduction very carefully to see if we can meet it. In
18 some cases we've been forced to make sales at a loss in
19 order to keep our plants operating. Overall, we have lost
20 significant volumes of sales and production because the
21 import price is simply too low to meet.

22 The staff report shows that tires from India and
23 Sri Lanka undersold domestic tires 96 percent of available
24 comparisons, by margins ranging as high as 47-1/2 percent.
25 Imports have also depressed prices to a significant degree.

1 This cannot be explained solely by declining demand, as we
2 have seen aggressive price depression by subject imports
3 across the board, regardless of the demand trends in any
4 particular segment.

5 While raw material prices have also been
6 declining, we believe total costs have not fallen nearly as
7 quickly as prices. This has had a dramatic impact on our
8 operations. We are operating far below capacity, with many
9 tire-building machines and curing presses sitting idle.
10 We've had to lay off workers and reduce hours, and even with
11 our reduced production we are carrying high inventories.

12 Though raw material costs have been declining
13 over the period, the decline in tire prices combined with
14 the high, fixed overhead we have to spread over our lower
15 production volumes has deeply eroded our profitability.
16 Without sufficient profits, we've been forced to slash
17 capital expenditures and R&D expenditures by more than half
18 from 2013 to 2015. These trends are simply not sustainable
19 or healthy for a capital intensive industry like ours.

20 The declines we've suffered far outstripped what
21 we've otherwise be expected if we had merely been following
22 the cyclical downturn in demand. Unfortunately,
23 agriculture demand is not expected to rebound significant
24 any time soon, and construction and industrial remains
25 sluggish. This will only intensify the injury to our

1 industry if relief is not provided.

2 If imports continue to flood our market and
3 continue to use price aggression to buy market share, we
4 will have to make very difficult decisions about how we keep
5 our operations viable in the near future. In other words,
6 Indian and Sri Lankan producers have taken our market share
7 by deeply underselling our products across the board.

8 In an increasingly price sensitive market with
9 declining demand, these low prices were simply too
10 attractive for many of our customers to resist. The only
11 way for us to combat this unfair competition was to file
12 these petitions. The future of our company and our workers
13 demand on effective relief being provided in this case.
14 Thank you, and I look forward to any questions you may have.

15 STATEMENT OF PAUL HAWKINS

16 MR. HAWKINS: Good morning. My name is Paul
17 Hawkins and I am Vice President of Sales at Titan Tire
18 Corporation. I have been with Titan ten years and have
19 overseen the company's off-the-road tire business on the
20 operation side and the sales side.

21 More than 8 years ago I testified before the
22 Commission Staff and appeared at the Commission's hearing in
23 the investigation on OTR tires from China. We are grateful
24 the Commission voted in the affirmative in that case and we
25 believe the facts once again support an affirmative

1 determination here. Since the orders were imposed on OTR
2 tariffs from China, producers in India and Sri Lanka, both
3 major producing nations for certain OTR tires have
4 increasingly focused their growing capacity on expanding
5 exports to the United States.

6 Companies such as BKT and Alliance in India and
7 Solid Deal, now known as Camso in Sri Lanka have been
8 inundating the market with exports of OTR tires in recent
9 years. As our Chairman testified, this increase is even
10 more significant given the overall decline in demand for OTR
11 tires over the period. The way these Foreign Producers were
12 able to gain market share was through aggressive price
13 undercutting. The underselling data in your Staff Report
14 confirms this as our president and CEO Paul Reitz has just
15 testified.

16 The data the Commission has collected is
17 consistent with my own day-to-day experience as Vice
18 President of Sales for Titan. Because price is such an
19 important factor in our market we are constantly trying to
20 gather information on competitor's pricing and doing
21 everything we can to match those prices. We documented
22 those efforts in my declaration included in my prehearing
23 brief.

24 Alarmed by the sales we were losing to BKT and
25 Alliance, we put together a special team to map out exactly

1 which accounts of ours carried those tires and at which
2 prices they were being offered. We found the product from
3 BKT and Alliance at the majority of the accounts we examined
4 and always at lower prices. We have also worked to identify
5 accounts where we compete with product from Camso and
6 Solideal and at what prices and we found them in a dozen
7 accounts at much lower prices.

8 Much of this information is based on what our
9 customers share with us sometimes in direct effort to get us
10 to reduce our prices. When we see we are losing volume to
11 competition with tires from India and Sri Lanka, we act
12 quickly to compete and maintain whatever volume is possible.
13 It is common in our industry to put up periodic price
14 promotions on certain tire models.

15 One of the ways we choose which models to include
16 in these promotions is driving products in which we are
17 losing demand and volume to low-priced imports from India
18 and Sri Lanka. Unfortunately, when import prices get too
19 low, even at these deep discounts they are not enough to
20 help us maintain volume. We have taken a double hit on our
21 pricing and volume as a result of import competition.

22 Our brands do not insulate us from this injury.
23 Titan sells some Ag tires that are Goodyear brand and some
24 that are Titan brand. We also sell OTR tires under the
25 Titan brand. Goodyear is often identified as a Tier 1

1 brand. Titan, a Tier II brand. Many Indian and Sri Lankan
2 products are also identified as Tier II brands as your staff
3 report shows. Thus, Titan and Subject Imports are competing
4 directly with each other in the middle tier of the market.

5 There is also competition among tiers. Sales of
6 our Goodyear Tires have been affected by imports from India
7 and Sri Lanka and also have been included in the price
8 promotions I have mentioned above. While they may be a
9 small premium for tires in the higher tier, this premium
10 cannot stand the kind of deep price undercutting we have
11 seen in the market.

12 In the investigation of OTR tires from China the
13 Commission estimated that the brand premium was 10-15
14 percent. In my experience, any brand premium over this time
15 has disappeared. This is because of increased price
16 sensitivity in our market as President and CEO Paul Reitz
17 testified to. Nonetheless, even if the premium was 10-15
18 percent, this was dwarfed by the underselling margins of
19 Subject Imports which averaged 25.6 percent and ranged as
20 high as 47.5 percent. Such deep price undercutting affects
21 producers throughout the market and higher tier brands must
22 react if they want to maintain volume.

23 Finally, I want to address Camso's attempt to
24 minimize the impact of imports on U.S. Producers by claiming
25 it only sells into a narrow segment of the industrial

1 construction market. Even if Camso's sales are concentrated
2 in the industrial construction segment. This is a very
3 important segment of the market for OTR tires for our
4 company.

5 Titan produces a broad array of industrial
6 construction tires that directly overlap with those produced
7 by Camso. We are forced to compete with Camso at many of
8 our customers and that competition is always based on price.
9 The injury we have suffered is due to imports from both
10 countries. That is why we respectfully request that the
11 Commission make an affirmative determination on OTR tires
12 from India and Sri Lanka. Thank you.

13 STATEMENT OF DENNIS NUTTER

14 MR. NUTTER: Good morning. My name is Dennis
15 Nutter. I'm a Field Sales Manager at Titan Tire
16 Corporation. I've been with Titan since 1988. I have
17 worked on operations side, managing tire manufacturing,
18 worked on quality control with Titan's engineers and for the
19 past eleven years I have overseen sales to our largest OEM
20 customers as well as aftermarket sales. I have negotiated
21 with Titan's major customers during that time.

22 In its prior investigation on OTR tires, the
23 Commission found that price is likely to be the primary
24 factor in purchasing decisions for many purchasers of OTR
25 tires. That continues to be the case today. The market for

1 OTR tires is extremely price sensitive and we are engaged in
2 negotiations over price with our customers on a daily basis.

3

4 As my colleagues testified, OTR tires from India
5 and Sri Lanka compete directly with Titan's OTR tires in the
6 market and are highly interchangeable as a result when we
7 compete with tires from these countries for sales the
8 competition comes down largely to price. In the
9 aftermarket, many sales are on spot basis and there is a
10 consistent price pressure from imports.

11 Imports are consistently priced substantially
12 below our prices and our customers force us to lower our
13 prices in order to continue to make sales. For example, our
14 own internal data on distributor prices for our own tires
15 and for tires produced in India by BKT and Alliance show
16 that the Indian tire undersold Titan's own competing model
17 in every available comparison.

18 Our records on tires sold by Camso/Solideal also
19 show persistent underselling. This is consistent with the
20 data in your prehearing staff report. We also face import
21 competition at our original equipment customers. Though
22 most of our OE accounts are covered by multiyear contracts,
23 these contracts do not shield us from price competition.

24 First, all of our contracts with our major OE
25 customers have had to be renegotiated at least once since

1 2013 and when the contracts are up for renegotiation
2 everything is on the table, including price.

3 Second, even with the contract in place there is
4 no guarantee we will actually get the price we agreed to in
5 the contract. Many of our contracts contain escape clauses
6 that permit the customer to notify us when they have been
7 offered the same tire we are under contract to provide at
8 prices that are below the contract price. When this happens
9 we have two choices, we can lower our prices to make the
10 sale or we can lose that sales volume.

11 Even when contracts do not have a formal escape
12 clause we face pressure from OE customers to lower our
13 prices when competitors offer the same tire at a lower
14 price. Since 2013 we have been under constant price
15 pressure at our OE accounts including agriculture, earth
16 moving and construction and industrial. Our prehearing brief
17 shows that customers who are shopping for new off-road
18 equipment can choose different tire options.

19 The options often include our own Goodyear and
20 Titan Tires as well as tires from India and Sri Lanka for
21 the same piece of equipment. The major differences between
22 those options is price. We have had to make significant
23 price concessions to make sales. We have also lost volume
24 where we are not able to match the import price.

25 This pervasive price undercutting has forced

1 Titan to sell some of its OTR tires at a loss, simply to
2 hold onto some sales volume. In short, subject OTR tire
3 imports from India and Sri Lanka have seized market share
4 from Titan and we believe other Domestic Producers by
5 persistently undercutting their prices.

6 In a market where all OTR tires from all sources
7 are interchangeable and prices is a key purchasing factor,
8 this undercutting has caused Titan to lose sales volume and
9 forced us to lower our prices to unsustainable levels. We
10 have faced this unfair import competition in the aftermarket
11 and the original equipment market and in all kinds of OTR
12 tires including tires for agricultural, construction and
13 industrial applications.

14 Disciplining these imports is essential to the
15 ability of Titan and other Domestic Producers to compete on
16 a level playing field. Thank you.

17 STATEMENT OF LESTER BREWER

18 MR. BREWER: Good morning. My name is Lester
19 Brewer. I am the General Manager of Titan Tire
20 Corporation's OTR Tire Plant in Des Moines, Iowa. I also
21 oversee the mounting and distribution of OTR Tires in Des
22 Moines and Pendergrass, GA. I started with Titan in 2001
23 and I have been involved in overseeing tire manufacturing,
24 mounting and distribution.

25 The types of vehicles that OTR tires are used on

1 include farm tractors, combine harvesters, irrigation
2 equipment, log skidders, off-road dump trucks, front-end
3 loaders, graders, mobile cranes, lift trucks and skid-steer
4 mini-loaders. Covered tires include a wide spectrum of
5 sizes and features but they are all designed specifically
6 for off-road applications. By definition, OTR tires in the
7 aftermarket need to be able to fit the same machines that
8 are served by OTR tires sold in the original equipment
9 market.

10 At our plant in Des Moines we produce almost
11 every type of tire covered by this case, including
12 agricultural, earth-moving, construction and industrial
13 tires. We produce tires for both the OEM market and
14 aftermarket. We also produce both Goodyear and Titan brand
15 tires. Tires destined for different end-use segments are
16 produced by the same workers on the same equipment using the
17 same production processes.

18 We also produce both radial and bias tires with
19 bias tires making up the majority of our production. Though
20 the construction of the tires are different we produce
21 radial and bias tires on the same equipment with the same
22 workers. The tire sizes there will be both radial and bias
23 options that can be used in the same application.

24 Our tire production operations have experienced
25 significant difficulties as unfair trade imports have eroded

1 our market share and driven down prices. Our customers have
2 been ordering fewer and fewer tires with each order, forcing
3 us to reduce our lot runs to 50-100 tires a run for smaller
4 tires and 10-50 tires for larger tires.

5 This imposes significant costs on our plant.
6 With each changeover we have to change the tooling for
7 tire-building machines and we often have to change molds in
8 our curing presses. Changing out a mold in a curing press
9 has to be done manually and can take one to four hours
10 depending on the size of the mold. As Titan has lost sales
11 to rising volumes of low-priced imports, our plant has seen
12 production fall dramatically, much more than what the
13 cyclical downturn in demand would warrant.

14 Many of our tire-building machines and our rows
15 of curing presses are standing idle. This represents a
16 significant loss of potential revenue and non-overhead cost
17 on every sale. Unfortunately, we have also had to put many
18 of our tire manufacturing employees on layoff. The decline
19 in revenue has also forced us to shelve plans to upgrade
20 mixing, building and curing equipment. Capital expenditures
21 have been cut drastically. At this point we are only
22 investing in maintenance and not even meeting depreciation.

23

24 Our plant has the equipment and the capability to
25 produce many more OTR tires than we are currently producing.

1 If the tide of imported tires from India and Sri Lanka is
2 stemmed and if prices reflect fair competition rather than
3 unfair trade, we could quickly ramp up our production using
4 existing equipment as well as new hires we could be
5 operating at much higher levels of capacity utilization
6 within a couple months under conditions of fair trade.

7 I hope the Commission will give us the
8 opportunity to do so. Thank you.

9 STATEMENT OF MARK CARPENTER

10 MR. CARPENTER: Good morning. My name is Mark
11 Carpenter. I'm the Owner and President of Jerry's Tire. It
12 was founded by my father in 1948. We are a wholesaler of
13 OTR Tires, including Ag and off-road tires. We have six
14 locations throughout the State of Michigan and we sell to
15 about 40 to 50 different independent dealers every week.

16 Most of what we carry is Goodyear and Titan
17 Tires, though in some cases our customers will specifically
18 request an imported tire, which we will purchase for them.
19 Though we do not deal in a large volume of imported tires we
20 compete directly with other wholesalers who do. We also
21 compete for sales to dealers who are carrying imported
22 products alongside our own product.

23 Traditionally, imported OTR tires sold at about
24 8-10 percent discount to domestic tires. In the last three
25 to four years however imported tires are selling anywhere

1 from 20 to 40 percent below domestic. This puts enormous
2 pressure on our business to try and match the import price
3 or lose sales volumes. While the decline in demand over the
4 past few years has impacted our business, rising volumes of
5 low-priced tires from India and Sri Lanka has also taken a
6 heavy toll and dragged prices down.

7 I do my best to educate dealers about the
8 benefits of Titan and Goodyear tires in terms of quality,
9 performance and service but they can also source imports
10 from India and Sri Lanka at significantly lower prices and
11 market those tires side-by-side as interchangeable products
12 to their price-sensitive customers. Dealers have a huge
13 influence on what tires their customers buy regardless of
14 brand and country of origin. When the import prices get as
15 low as they'd been it far overwhelms any advantage I hope to
16 have held domestic brands in the market.

17 Price differences this big have driven big shifts
18 in volume away from domestic tires to the imports. I have
19 seen this competition cross the market in both Ag and
20 industrial tires and both from India and Sri Lanka.
21 Camso/Solideal for example now has an exclusive national
22 account for the tires that Fedex uses on its airport carts.
23 I also see them competing in market for mounted tires.

24 I had a contract to provide mounted tires to an
25 OEM that makes portable beehives and I lost that account to

1 Camso/Solideal on price. In my experience, Titan has been a
2 forerunner in quality and service. If anyone were to switch
3 from Titan to imported tires it would not be to get better
4 service.

5 Four years ago I started selling tires from
6 Alliance in India to try to retain some of my customers who
7 are switching to imports. I had so many problems to try to
8 get Alliance to service any of the warranty claims on their
9 tires that I ended the arrangement two years later. Dealers
10 who are switching to these tires are not getting better
11 service but they are willing to accept them because the
12 prices are so much lower.

13 I also do not see brand tiers playing a big role
14 in protecting our Domestic Tire Producers. I have lost
15 business on both Goodyear and Titan tires to imports from
16 India and Sri Lanka regardless of which tier folks claim
17 they are in, in the end it comes down to price. Our company
18 has been carrying Goodyear Tires since 1962 and Titan Tires
19 since the 1990's. Goodyear and Titan have extensive
20 established and top-notch distribution relationships in the
21 aftermarket.

22 I am proud of our long relationship and the value
23 we provide together to our customers throughout the State of
24 Michigan. I hope the Commission will vote in the
25 affirmative so Domestic Producers will finally have a fair

1 chance to compete with imports from India and Sri Lanka.

2 Thank you.

3 STATEMENT OF STAN JOHNSON

4 MR. JOHNSON: Good morning. My name is Stan
5 Johnson. I am the International Secretary Treasurer of the
6 United Steel Workers Union. I also Chair the Rubber and
7 Plastic Industry Conference of the USW. I have extensive
8 experience in the tire industry. I have worked at
9 Armstrong's passenger car and light truck tire plant in
10 Madison Tennessee for more than 20 years. I left the plant
11 to join the USW in 1996 after the rubber workers merged with
12 the USW.

13 As part of my responsibilities I have been
14 involved in major bargaining with the tire companies that
15 employ USW Members. Our union is proud to join with Titan
16 to file these petitions. Unfairly-traded imports with OTR
17 tires from India and Sri Lanka have caused serious injury to
18 the Domestic OTR Tire Industry and to many USW Members that
19 work in that industry.

20 In addition to Titan's three facilities, the USW
21 also represents workers that produce OTR tires at
22 Bridgestone Plants in Bloomington, Illinois and Des Moines,
23 Iowa and workers that make a smaller amount of construction
24 tires at Goodyear's Topeka, Kansas plant. Together, USW
25 Members represent over 58 percent of the domestic capacity

1 to produce OTR tires.

2 Titan's witnesses have testified today that
3 growing volumes of Subject Imports have seized shipments in
4 market share and substantially undersold and depressed
5 domestic prices. As a result, Titan has lost shipments and
6 production volume and has seen its capacity utilization rate
7 decline. This has forced Titan to lay off hundreds of
8 workers since 2013.

9 We have also seen reductions in the production
10 schedule and reduced hours in overtime. All of these
11 changes reduce take-home pay, even for those workers still
12 lucky enough to be employed. Those workers who were laid
13 off were entitled to some benefits for a set period of time
14 but many of those periods have now expired.

15 Based upon the USW's experience, Titan's story is
16 not limited to one company alone. It is the story of the
17 entire domestic OTR tire industry. USW Members produce OTR
18 tires for Agriculture, Forestry, Construction and Industrial
19 applications at Bridgestone's two plants in Bloomington and
20 Des Moines. These tires are sold into both the aftermarket
21 and to the original equipment suppliers.

22 As Subject Imports have increased and taken
23 market share, the daily production ticket at both plants has
24 dropped dramatically. This has forced the facilities to let
25 the workforce shrink through attrition and also to put

1 dozens of workers on voluntary lay-off. Even the workers
2 who are left are sometimes assigned just to do clean-up or
3 general maintenance in order to keep earning pay when there
4 is insufficient production to keep them productive.

5 The Des Moines plant has had to reduce its
6 production schedule from 7 days a week to 5 and the
7 Bloomington plant has had to reduce shifts in its bias tire
8 operations. As a result of the decline in production, many
9 tire-building machines and curing presses are currently
10 sitting idle at the two Bridgestone plants. Some equipment
11 has been idle for so long that the company has actually
12 decided to scrap it.

13 In 2010, the company made a major five-year
14 investment in a new curing room at the Des Moines Plant but
15 by 2015 about half of this new curing equipment was simply
16 sitting idle. Plans to upgrade and expand the capacity of
17 the two plants have been put on hold.

18 Our retirees also suffer, because their ability
19 to get adjustments in the retiree health care plan depends
20 upon a contribution formula that is key to the total hours
21 worked. When our hours are cut, contributions fall and our
22 retirees are forced to bear more of the rising health care
23 costs on their own.

24 The reason for these declines in production,
25 hours, employment, investment and benefits is a rising

1 volume of low-priced imports. In our conversations with
2 management at the plant level and bargaining and in our
3 meetings that constantly raise the issue of import
4 competition. They have specifically mentioned each of the
5 countries we are discussing today and pointed to the growing
6 market share of Foreign Producers like BKT and Alliance.
7 They monitor the imports continuously and they notify us
8 when new plants are being built abroad.

9 The OTR Tire Industry provides high-paying,
10 high-skilled jobs with family-supporting benefits. Many of
11 our members have been working in these same plants for
12 decades and their hard work has helped families buy homes,
13 send their kids to college and save for retirement. All of
14 that is now at risk because of the subsidized imports from
15 India and Sri Lanka.

16 That is why the Union joined in these Petitions
17 and that is why I am here today to ask you for an
18 affirmative determination. Thank you.

1 STATEMENT OF ELIZABETH DRAKE

2 MS. DRAKE: Good morning, Mr. Chairman, Vice
3 Chairman, Commissioners, this is Elizabeth Drake of Stewart
4 and Stewart for Petitioners.

5 I would like to go through a brief PowerPoint
6 presentation that puts a number of the facts that our
7 witnesses testified to within the context of the legal

1 factors that the Commission will examine in this case.

2 I would like to cover a number of issues with
3 some short discussion of some threshold issues, reasons why
4 subject imports from both India and Sri Lanka should be
5 cumulated, a review of some of the major conditions of
6 competition in the OTR tire market, a discussion of why the
7 volume of subject imports is significant, and those imports
8 are having significant adverse price effects, that they are
9 causing material injury to the domestic industry and
10 threaten further injury if relief is not imposed.

11 In terms of threshold issues, the scope of these
12 investigations is the same as the 2008 case on OTR tires
13 from China. The only difference is that this case includes
14 imports of mounted tires, but even when they enter mounted
15 only the tire itself is covered by these investigations.

16 As in the prior case and in the preliminary
17 determination here, the Commission should find a single
18 domestic like-product co-extensive with the scope. No party
19 has contested the Commission's preliminary domestic
20 like-product and domestic industry definitions in this
21 proceeding so far.

22 In addition, imports from India and Sri Lanka
23 clearly exceed the negligibility threshold so that is not an
24 issue in these cases.

25 The Commission should make an affirmative

1 critical circumstances determination with regard to both
2 India and Sri Lanka. Commerce preliminarily found that
3 critical circumstances exist for all Indian producers except
4 for those who are individually examined, and for all Sri
5 Lankan producers.

6 Your record shows that imports from both
7 countries increased in the six months after the petitions
8 were filed, and ahead of the preliminary CBD determinations.
9 And absent a finding of critical circumstances these
10 increased import volumes are likely to seriously undermine
11 the remedial effect of the Orders.

12 Turning to cumulation, there is more than a
13 reasonable overlap of competition among imports from India
14 and Sri Lanka, and they should be cumulated.

15 Tires from the United States, India, and Sri
16 Lanka meet all the criteria for cumulation. They are
17 fungible. They are available in the same channels of
18 distribution. They are available in every geographic
19 region. And they have been simultaneously present
20 throughout the period.

21 Turning first to fungibility, most firms report
22 tires from India, Sri Lanka and the U.S. are
23 interchangeable, with 78 percent of responding firms
24 reporting that tires from the U.S. and Sri Lanka are always
25 or frequently interchangeable. 81 percent reported the same

1 for tires from India and the United States. And 80 percent
2 reported the same for tires from India and Sri Lanka.

3 Most purchasers also agree that tires from India
4 and Sri Lanka are comparable across all of the 17 purchasing
5 factors contained in the Commission's questionnaire. And
6 most purchasers rate domestic and subject tires from each
7 country as comparable across at least 13 of the 17 factors
8 excluding price, because of the lower price of subject
9 imports.

10 The percent of purchasers that report OTR tires
11 from different sources usually or always meet minimum
12 quality specifications is how for each of the three sources,
13 ranging from about 90 percent to 100 percent. And a
14 majority of firms that responded to the Commission's
15 questionnaire also agree that differences other than price
16 are only sometimes or never significant in sales of OTR
17 tires, comparing tires from all three sources.

18 In addition to being fungible, tires from all
19 three sources are available in the same channels of
20 distribution, including the aftermarket and the original
21 equipment market. Tires from all three sources are
22 available in every geographic region of the country, and
23 they have been simultaneously present throughout the Period
24 of Investigation.

25 Now those in opposition to relief claim, Camso in

1 particular, claim that there are certain factors that weigh
2 against cumulation. But only a reasonable overlap in
3 competition is required in order to cumulate subject
4 imports, and that standard is clearly met here.

5 Looking at the construction and industrial
6 segment where the vast majority of Sri Lankan tires are
7 concentrated, there is a broad overlap with the other
8 sources as well. Your prehearing staff report shows that 41
9 percent of Indian tires are also shipped to the construction
10 and industrial segment, and that a substantial portion of
11 domestic tires are also shipped to the same segment where
12 Sri Lankan tires are sold.

13 And tires shipped to this segment from all three
14 sources overlap by specific sizes. And as Mr. Hawkins
15 testified, most of the OTR tire sizes in Camso's Catalogue
16 are met by exactly the same sizes in Titan's own catalogue.
17 There is therefore more than a reasonable overlap of
18 competition, and subject imports should be cumulated.

19 Turning to conditions of competition, first with
20 regard to demand. As we heard this morning, demand has
21 declined over the Period of Investigation, and this has made
22 consumers of OTR tires more price-sensitive over the period.

23 Looking at supply, there's more than ample
24 supply. For U.S. producers, low and declining capacity
25 utilization gives domestic producers the ability to respond

1 with large increases in supply. And as your staff report
2 shows, foreign producers also have the ability to respond to
3 changes in demand with moderate to large increases in supply
4 due to a range of factors.

5 Another important condition of competition has
6 been trends in raw material prices over the period. They
7 have declined since 2013, but as your staff report shows on
8 page V-3, those prices have started to stabilize in 2016 and
9 they are expected to increase in the near future based on
10 future markets that were reviewed in Exhibit 23 of our
11 prehearing brief.

12 Another important condition of competition is the
13 high degree of substitutability between domestic tires and
14 subject imports. As we reviewed in the cumulation section,
15 the majority of firms report that these tires are always or
16 frequently interchangeable, comparable across the majority
17 of factors, usually or always meet minimum quality
18 specifications, and that differences other than price are
19 only sometimes or never significant.

20 And domestic and subject tires are also present
21 in the same end-use segments and the same channels of
22 distribution as our witnesses testified.

23 This high degree of substitutability makes OTR
24 tire market very price sensitive. Your staff report shows
25 that 78 percent of purchasers listed price as one of their

1 top three purchasing factors, and nearly 69 percent report
2 price is a very important factor in their purchasing
3 decisions.

4 Respondents have claimed that, despite this high
5 degree of interchangeability that brand tiers or quality
6 tiers somehow attenuate competition between subject imports
7 and domestic tires.

8 The Commission's questionnaire responses
9 solicited information on these tiers from purchasers,
10 domestic producers, and importers. And while some reported
11 that there are no such tiers, there were some who also
12 reported that these tiers do exist with a range of brands
13 identified in different tiers by different responding firms.

14 Your staff report summarized these responses,
15 looking at where sort of the majority of people named
16 different brands in different tiers, and as you can see
17 tires from all sources are present in the same tiers.

18 The largest domestic producer, Titan, is reported
19 as being in both Tier II and Tier III, and the brand that it
20 produces--another brand that it produces, Goodyear, is
21 reported as being in Tier I.

22 Major foreign producers, Alliance, BKT, and
23 Camso, are also reported as being in Tier II and Tier III,
24 the same as Titan and other domestic producers. Trelleborg
25 is also reported as being in Tier I, a brand produced in Sri

1 Lanka and now also produced in the United States.

2 So there is direct competition between subject
3 imports and domestic producers within the same tiers. There
4 is also competition between brands in different tiers. This
5 is because dealers and original equipment manufacturers
6 offer tires in all tiers to the same consumers side by side.

7 This is an excerpt from the website of Pumps
8 Tire, and this is their farm tire website. This is included
9 in our prehearing brief at Exhibit 5, and it shows that they
10 market domestic brands and imported brands side by side with
11 no differentiation or ranking.

12 You've got Goodyear, Titan, Alliance, Camso,
13 Trelleborg, Michelin, all offered side by side. And the
14 same is true at original equipment manufacturers, as was
15 testified in Exhibit 6 of our prehearing brief. Customers
16 can go on the website of OEMs and order their equipment with
17 options for tires that include brands of tires in all
18 different brands and all different tiers being used
19 interchangeably on the same equipment.

20 Further supporting the conclusion that there is
21 competition between brands in different tiers is the fact
22 that prices--when prices for tires in one tier change,
23 prices for tires in other tiers must respond with similar
24 changes in order to compete.

25 While the estimates the Commission received of

1 price differences between the tiers varies widely, several
2 firms reported to the Commission that any premium that may
3 exist has shrunk or disappeared as demand has contracted and
4 consumers have become more price sensitive.

5 This isn't just Titan's own statement, but
6 statements that have been made by others. For example, your
7 staff report quotes one purchaser who reported that imports
8 erode the margin normally made on Tier I tires and in many
9 cases eliminate the ability to sell Tier I or Tier II tires.
10 And as Mr. Hawkins testified, Titan has had to reduce prices
11 on both Goodyear Tier I tires and Titan Tier II tires in
12 response to competition from subject imports, showing that
13 there is direct competition between brands in allegedly
14 different tiers.

15 And this competition is based largely on price.

16 Turning to volume, the volume of subject imports
17 is significant by any measure. Cumulated imports were at
18 1.3 million tires in 2015 valued at \$279 million. The
19 volume of subject imports increased by 29 percent from 2013
20 to 2015. And though imports did decline in the interim
21 period in 2016, looking at the monthly data that is in our
22 prehearing brief you can see that that decline only began
23 after preliminary CBD relief was imposed in June of this
24 year.

25 The increase in subject imports is particularly

1 significant given the decline in demand over the period,
2 which has allowed subject imports to gain market share.

3 During the same time, domestic shipments declined
4 absolutely and lost market share to subject imports, as
5 Titan testified regarding its own experience. These
6 declines were greater than what would have occurred if all
7 suppliers reacted proportionately to the decline in demand,
8 as is demonstrated in our prehearing brief.

9 And subject imports were the only growing source
10 in the market, as nonsubject imports declined over the
11 period based on the public information in your staff report.
12 And all domestic producers reported lost sales to subject
13 imports, confirming that the loss in shipments in market
14 share was due to the increase in subject imports.

15 Subject imports thus increased relative to both
16 consumption and production at the expense of domestic
17 producers. Subject imports have also had adverse price
18 effects. There has been pervasive underselling across all
19 products and channels.

20 In the OEM market there was underselling in 94
21 percent of comparisons; 97.6 percent of comparisons in the
22 aftermarket; and 96 percent of comparisons overall. So
23 nearly universal underselling regardless of how it's looked
24 at.

25 The margins of underselling are significant, and

1 they exceed any brand premium. The first orange bar here
2 (indicating) is an average of the 10 to 15 percent premium
3 found in the OTR case on China. The second bar is the
4 average of the premiums reported in your prehearing staff
5 report which ranged from an average of 13 to an average of
6 22, which gets us to 17.5 percent.

7 The first red bar is your average underselling
8 margin of 25.6 percent, and the last is the maximum
9 underselling margin of 47.5 percent. Both the average and
10 the maximum far in excess of any brand premium reported to
11 exist, showing that tiers and brands are not the reason for
12 price differential but underselling is.

13 Turning to price depression, we believe there's
14 also been significant price depression by subject imports
15 over the period. The average unit value of subject imports,
16 based on the public prehearing staff report, was about \$240
17 in 2013, and was less than \$205 in the interim period in
18 2016.

19 Looking at just the 2013 to 2015 periods, average
20 subject import unit values fell by 10 percent. And as they
21 seized increasing share in the declining market, they drove
22 down domestic prices as well.

23 Of the 20 purchasers that reported shifting from
24 domestic to subject imports during the period, most of these
25 reported that imports were priced lower. And most of these

1 reported that price was the primary reason for the shift.

2 All responding domestic producers also reported
3 that they had to either reduce prices or roll back price
4 increases to compete with subject imports.

5 In the Preliminary Determination, the Commission
6 found--did not find price depression partly because of the
7 decrease in raw material costs, but including all costs,
8 labor, overhead, et cetera, prices have declined more
9 quickly than the cost of goods sold, leading to a growing
10 cost price squeeze for the domestic industry despite the
11 decline in raw material costs which as we discussed is
12 ending. Subject imports thus caused significant price
13 depression and suppression during the period.

14 Turning to material injury, as the subject
15 imports increased their presence in a contracting market and
16 entered at ever declining prices, they have caused material
17 injury across a broad array of indicators.

18 The domestic industry from 2013 to 2015 has seen
19 declines in shipments, production, capacity utilization,
20 number of workers, the hours worked, net sales, gross
21 profits, operating profits, net income, and capital
22 expenditures. Most of these indicators continued to decline
23 in the 2016 period.

24 Faced with this strong record of material injury,
25 those in opposition to relief have raised a number of

1 arguments to try to attribute the injury to other causes,
2 causes other than subject imports. We do not believe that
3 these arguments have merit.

4 First of all, the declines in domestic industry
5 indicators were not due solely to declines in demand, as the
6 domestic declines exceeded those demand declines, and as the
7 volume and market share of subject imports rose despite
8 declining demand.

9 In addition, the declines in domestic industry
10 prices were not due solely to declines in raw material
11 costs, as prices declined more quickly than overall costs as
12 subject imports pervasively undersold depressed and
13 suppressed domestic prices.

14 In addition, the injury the industry has suffered
15 is not due to nonsubject imports. Your prehearing staff
16 report shows that nonsubject imports declined in volume over
17 the period, and that they entered at higher unit values than
18 subject imports.

19 By looking specifically at imports from China,
20 those imports are subject to AD and CBD Orders, and your
21 Preliminary Determination showed that Chinese imports
22 actually declined in volume over the period and therefore
23 would not be an alternative theoretical cause of material
24 injury during the period of investigation.

25 And finally, injury to the domestic industry in

1 terms of declining indicators is apparent across segments
2 and channels. Therefore, even if the Commission does look
3 at individual segments or channels as urged by Respondents,
4 I believe you will find material injury across the board.

5 Turning to threat, subject imports threaten
6 further injury if Orders are not imposed. Producers in both
7 India Sri Lanka benefit from export subsidies, as Commerce
8 preliminarily found. We understand that Sri Lanka argues
9 that its export subsidy programs have terminated. This is
10 an issue that is being contested at the Commerce Department
11 as to whether or not those programs actually meet the
12 standard for Commerce to find them to be terminated. So
13 that is not concluded at this point, but we may find out
14 later today what Commerce thinks about that issue.

15 The tire industry in India and Sri Lanka has also
16 been growing rapidly. Your prehearing staff report shows
17 that their capacity has increased, while capacity
18 utilization has declined, resulting in a growing excess
19 capacity in subject countries, and shows that they are
20 highly export dependent.

21 Rapid market penetration and price aggression by
22 subject producers during the period indicate that such
23 trends will continue unless relief is imposed.

24 Looking at some of the recent capacity expansions
25 underscores the severity of the threat that is posed to

1 domestic producers. BKT opened a new OTR tire plant in
2 India in 2015, which will be operating at full capacity at
3 some point this year. Apollo is switching its capacity at
4 one of its truck tire plants in India over to specialty and
5 industrial tires. Alliance opened a new OTR tire plant in
6 India in late 2014, and in 2015 TVS, another Indian
7 producer, announced plans to increase its OTR tire capacity
8 at two plants.

9 Camso, since changing its identity from Solideal
10 to Camso, has introduced a new series of OTR tires and
11 expanded its distribution network in the U.S. Trelleborg
12 enlarged its OTR tire plant in Sri Lanka in 2010, and we
13 just found out in an article published late yesterday that
14 was too late to add to this slide, a company called "Rigid
15 Tire Corporation" is making a new \$75 million investment in
16 a tire plant in Sri Lanka that will include capacity to
17 produce OTR tires, and they will be laying the foundation
18 stone for that new plant tomorrow.

19 Looking at other factors that support an
20 affirmative threat determination, India and Sri Lankan
21 governments have publicly announced plans to increase
22 exports with Sri Lanka in particular focused on the rubber
23 sector, a strategic sector for that country which includes
24 tires.

25 Global exports of OTR tires from both India and

1 Sri Lanka increased from 2013 to 2015, while exports from
2 other sources declined. And those exports were particularly
3 focused on the U.S. market, which is the top export market
4 for both countries, and has seen larger increases in exports
5 than other export markets and which has higher average unit
6 values than most other major markets, making it highly
7 attractive for further increases in the imminent future.

8 Finally, an affirmative threat determination is
9 supported by the high degree of vulnerability of this
10 domestic industry. Demand is projected to continue to be
11 depressed in the near future in the U.S. market. The
12 domestic industry is already operating at very low levels of
13 capacity utilization and at unsustainably low profit
14 margins, and the projected increases in raw material costs
15 in the imminent future will only exacerbate injury to the
16 domestic industry if Orders are not imposed.

17 In conclusion, OTR tires from India and Sri Lanka
18 are highly fungible and meet all other requirements for
19 cumulation. Rising volumes of imports have seized market
20 share in a declining market, and these imports have
21 pervasively undersold domestic producers causing both price
22 depression and price suppression.

23 These subject imports have driven down domestic
24 sales, production, employment, and profitability, causing
25 material injury and threatening further injury if Orders are

1 mot imposed.

2 Thank you.

3 MR. STEWART: That concludes our direct
4 presentation, Mr. Chairman.

5 CHAIRMAN WILLIAMSON: Thank you very much. We
6 thank the panel for their testimony. This morning we will
7 begin questioning with Commissioner Broadbent.

8 COMMISSIONER BROADBENT: Thank you, Mr. Chairman.
9 I want to welcome the witnesses and thank you for your
10 presentation.

11 Let's see. I think this would be probably for
12 Ms. Drake or Mr. Stewart. As we sort of try to sort through
13 this, looking at subject imports being present in different
14 quality tiers from U.S. producers, and if demand trends
15 cause purchasers to be more willing to source from lower
16 quality tiers, they have less money to spend, is it really
17 injury due to subject imports? May this just be injury due
18 to the lower demand and change of consumer preference?

19 MR. STEWART: Well the record and the testimony,
20 Commissioner Broadbent, indicate that there's direct
21 competition. You heard from one of the distributors or
22 wholesalers in the United States that when they're offering
23 tires they are losing sales of these tires to both OEM
24 accounts and after-market accounts directly on price. And
25 that's been the testimony of both the CEO and the sales team

1 from Titan that are here.

2 So while there is allegedly price differentials
3 based on tiers, certainly for the Titan organization they
4 directly compete with that tier differentiation, if you
5 will, on their Titan brand with the India and Sri Lankan
6 major brands that are here in opposition.

7 With regard to the Goodyear brand, I think you've
8 heard that there has been direct price competition that has
9 occurred with reduced sales and reduced pricing. So we
10 believe that this is--when markets decline, people maybe
11 become more price conscious. It doesn't mean that there
12 aren't lost sales, or there's not price depression that
13 flows from underselling by imported product.

14 COMMISSIONER BROADBENT: Well, Mr. Stewart, how do
15 you--you're sort of saying "alleged tiers," pricing tiers in
16 this industry--how do you define the way the tires are
17 priced? You're disagreeing that there are tiers of pricing?

18 MR. STEWART: Well I think in all of the tire
19 cases that have been before you that there is disagreement
20 amongst purchasers, there's disagreement among importers,
21 there's disagreement amongst domestic producers as to how
22 one sorts the market.

23 Clearly there are tires that are perceived to be
24 higher quality tires, and where companies try to obtain a
25 higher price for those tires. Sometimes that can be backed

1 up with information as to hours of service that a particular
2 tire will provide versus another tire.

3 But the inconsistency that exists is not of my
4 making. It's simply of the comments that have been made by
5 purchasers and importers and domestic producers, many of
6 whom have very different perceptions.

7 For example, Bridgestone, who is another major
8 domestic producer here in the United States and has both the
9 Firestone and Bridgestone labels, is typically viewed as a
10 Tier I. But in your staff report, the majority view was
11 that they were both a Tier I and a Tier II company.

12 Titan, that produces both Goodyear and Titan
13 product, is viewed as Tier I for Goodyear, but Tier II and
14 Tier III for Titan, even though the products come out of the
15 same facilities. And similarly you see the Indian and Sri
16 Lankan products being ranked as Tier II and III for BKT and
17 Alliance and Camso, as well as other producers from those
18 countries.

19 So obviously different purchasers, different
20 importers, have different views as to where you put these
21 products. You can see some price premium for a product like
22 Goodyear in some applications, but there is information that
23 was submitted in our prehearing brief from a distributor
24 that shows pricing of both Camso product and both Titan and
25 Goodyear product, and it shows that in some situations the

1 Goodyear product is priced below the Titan product.

2 So I guess the--

3 COMMISSIONER BROADBENT: Well I get that it's a
4 difficult question and there's different perspectives on it,
5 but I think it's our responsibility to try to come up with
6 an assessment. I mean, if you look at the refrigerators
7 cases, there's -- I mean, if we think there's tiers, we
8 really need to tease it out. And--

9 MR. STEWART: And you have --- my own point is
10 that you have domestic competition across the tiers. And so
11 within a tier, presumably there is no price premium that is
12 being alleged. There's premiums being alleged between Tier
13 I and Tier II and between Tier II and Tier III, but there's
14 not a premium that is alleged between Tier II and Tier II,
15 as I understand the record.

16 So Titan is a major producer, and obviously in
17 their volume they're viewed by some as being a Tier II, a
18 Tier III, but they're always viewed as being in the same
19 Tier as Camso and BKT and Alliance, the three companies who
20 are here at the moment. Obviously there's other Indian
21 producers.

22 So if you can take you --- even if you assume
23 that the premium that's in your staff report, the 13 to 22
24 percent, if you take the average 17-1/2 percent and you
25 assume that that applied to all U.S. sales, versus the

1 imported sales, the reality is that your price underselling
2 shows that there is significant price underselling
3 vis-a-vis, even with that premium. And that's what our
4 people are telling us that they're experiencing in the
5 marketplace.

6 Day in and day out they are losing sales because
7 the prices are so low that whatever premium they might like
8 to think they get for selling the Goodyear brand, they don't
9 get. And whatever premium they might think they would get
10 for a Titan brand versus maybe a Tier IV brand, or if there
11 is a Tier IV, or one of the lesser brands they're not
12 getting.

13 MS. DRAKE: Commissioner Broadbent, if I may, I
14 don't think we're trying to argue that the Commission should
15 ignore tiers, or that tiers don't exist. I think it's more
16 that these are not rigid tiers; that there's some objective
17 empirical definition of who belongs in what tier.

18 And there clearly is competition between the
19 tiers. I mean when the Commission has looked at cases where
20 it acknowledged there were tiers, such as the first OTR case
21 on China, or the case on canned pineapple, or color
22 televisions, the existence of tiers does not mean that
23 there's not competition. It's just a facet of that
24 competition. And I think that's how we look at it.

25 COMMISSIONER BROADBENT: Okay. Mr. Carpenter from

1 Jerry's Tires, why does your firm not handle imports?

2 MR. CARPENTER: Oh, it isn't that we haven't
3 handled imports, we have.

4 COMMISSIONER BROADBENT: You had a bad experience?

5 MR. CARPENTER: Well, basically imports, most of
6 them, to get their very best price was by ordering large
7 quantities. And they call it "container loads."

8 COMMISSIONER BROADBENT: Right.

9 MR. CARPENTER: And, you know, timing to get the
10 product. In Michigan, of course we're not like Florida. We
11 have such a short season as far as weather goes and like
12 that, that we'd have to order our products say in September
13 to get the product by April, or by March to have them for
14 the season. And we've had several very bad cases that we
15 got the product in June or July, and obviously we lost that
16 sale presence there.

17 So we neglected--or we just said we're staying
18 out of it. So basically all the imports that we purchase
19 for our company are buying through wholesalers in the U.S.

20 COMMISSIONER BROADBENT: Okay. How do we weigh
21 the decrease in demand and the decrease in raw materials
22 costs versus your position that there's price suppression?

23 MR. STEWART: Well, looking at prior Commission
24 decisions, the existence of cost price squeeze is pretty
25 clear from the data. Certainly, the decline in demand is a

1 part, but it's a part in many of your cases and it's not a
2 factor that typically is separated out.

3 Much of the data in the pre-hearing staff report
4 is, obviously, redacted in the public version; but your
5 Section D, to the extent that there are claims are made that
6 there are different movements in different segments of the
7 market the Commission can look at the subject imports as a
8 share of apparent consumption. I believe you will see on a
9 volume or value basis the combination of the subject imports
10 have increased in virtually every category, which means
11 there has been lost market share throughout the issue.

12 We're not aware that the Commission has ever
13 attempted to do the kind of "what if" type of analysis that
14 Respondents have put in their model and their model doesn't
15 reflect lost market share in various subcategories, nor does
16 it reflect the price depression that has occurred. So
17 there's substantial injury to the domestic industry, whether
18 you do it on a disaggregated basis, such as is urged by
19 those in opposition or whether you look at it on an
20 aggregated basis, such as was presented in our pre-hearing
21 brief.

22 We have not argued that the majority of the harm
23 is from increased imports, but that's not the statutory
24 standard. The only statutory standard is that injury be
25 significant and we believe that any way you slice it you

1 will see that the loss of market share to subject imports
2 has been significant during the period.

3 COMMISSIONER BROADBENT: Okay. Is this the
4 first case you've filed against Sri Lanka?

5 MR. STEWART: It is the first case we've filed
6 against Sri Lanka.

7 COMMISSIONER BROADBENT: We don't see them very
8 often. I don't think we've ever seen them before. Okay,
9 thanks a lot.

10 CHAIRMAN WILLIAMSON: Thank you. Commissioner
11 Kieff.

12 COMMISSIONER KIEFF: Thanks. And I join in
13 welcoming both teams to come and present today and we look
14 forward, not only to the testimony, but to the transcripts
15 and post-hearing submission.

16 Let me, if I could, just dive in with two lines
17 of questions. First, with Ms. Drake, your slide wrap-up
18 gave what the lawyer in me thinks of a prima facie case or
19 maybe more than that, but in a time-efficient way. So much
20 so that it then left me with the following question and so
21 I'm hoping this comes as no surprise and is helpful to both
22 sides in focusing our discussion.

23 So am I hearing you correctly in understanding
24 that you could basically agree with many of the factual
25 views offered by your opponents and still take the position

1 that nonetheless you win?

2 MS. DRAKE: Well, I believe the factual record
3 clearly supports an affirmative determination.

4 COMMISSIONER KIEFF: No, I get that. I guess
5 that's what I'm saying is could the components of the record
6 that they are focusing on have the view they want us to
7 adopt, but not drive a negative determination.

8 MS. DRAKE: I think it depends on which pieces
9 they're looking at.

10 COMMISSIONER KIEFF: Okay, tell me which ones
11 are the key ones?

12 MS. DRAKE: So you could find that Sri Lanka is
13 concentrated in the construction industrial segment and so
14 cumulate subject imports.

15 COMMISSIONER KIEFF: Yes.

16 MS. DRAKE: You can find that demand has
17 declined and that that has been an important factor and that
18 Titan has cited that in its investor conference calls and
19 still make an affirmative determination. You can find that
20 raw material prices declined and still make an affirmative
21 determination because, overall, there's a cost price
22 squeeze.

23 COMMISSIONER KIEFF: And we could find your
24 agricultural sector impact could be as they describe, but
25 still be compelled to an affirmative.

1 MS. DRAKE: Because there are impacts in other
2 sectors as well and there is an impact, overall, in the
3 market that has harmed the industry. Overall, they haven't
4 argued for separate domestic-like products or what have you
5 that would limit the inquiry to just one segment.

6 COMMISSIONER KIEFF: Gotcha. Okay. And I'm
7 sorry, Mr. Stewart, you wanted to add?

8 MR. STEWART: Just that we will, of course, in
9 the post-hearing give you a breakdown of the subcategories.
10 And so while we might agree that there has been a
11 significant decline in OEM demand and agriculture, which as
12 not been contested, that doesn't mean we haven't lost market
13 share in virtually of the categories.

14 COMMISSIONER KIEFF: Yeah, I mean -- look,
15 everyone with a microphone has a buzz phrase, but mine, for
16 years, has been where the rubber hits the road, ha-ha,
17 cha-ching. So it just seems to me asking both sides,
18 concretely, what is the nature of your disagreement with the
19 other side is it factual and if so, on facts that actually
20 matter to the legal outcome you're seeking? And it sounds
21 like you could largely agree, not that you do, but you could
22 largely agree with many of the points, as we've just
23 discussed, that they've made on the facts and still, in your
24 view, present a case that we are compelled to reach an
25 affirmative on.

1 Let me, if I could then -- and I invite the
2 other side to explain to us why the rubber hits the road
3 differently on those points, what we're missing.

4 Let me, if I could, ask a different line of
5 questions that's going to sound kind of business and tech
6 oriented and maybe it gets to the legal issue. So let me
7 start, if I could, with Mr. Carpenter because you were
8 describing your personal experiences in sales interactions
9 relating to what you called, in effect, customer service.

10 So for me, I drive a regular passenger vehicle,
11 not the vehicles that use your tires. And just recently the
12 building renovated their garage and I must have like a
13 super-duper magnet built into my tires, so I managed to draw
14 in one week three separate nails in three separate tires, so
15 no worries. Like the first time, of course, I just pulled
16 into a local gas station and the attendant very easily
17 pulled the screw out. It was a screw, not a nail, so it
18 actually required a lot of yanking with pliers and then
19 plugged the tire and pumped it back up and I was good to
20 go.

21 And my economic thinking, my practical thinking
22 on the first round was I'm wearing a business suit. I don't
23 really want to get down on my hands and knees and I don't
24 have either the lung capacity or an automatic device to
25 really get enough air pressure going, despite my training as

1 a lawyer. And then, of course, I did the same calculations
2 three times over and found on Amazon that there are little
3 kits that you can buy that will, of course, plug a tire and
4 you can buy an automatic pump that you can plug into your
5 dashboard cigarette lighter.

6 So I would imagine that the analysis is pretty
7 different if you're buying your tires because you're
8 probably not going to carry one of those under your arm to a
9 local vendor who's going to provide customer support. My
10 guess is people who buy these tires have on site equipment
11 to service them. Am I getting that?

12 MR. CARPENTER: Oh, absolutely. I mean if
13 you're going to be in the farm tire business you've got to
14 have the equipment to install the tires properly on the
15 tractors.

16 COMMISSIONER KIEFF: So what is service in the
17 best case? Like what would be gold star service from any
18 vendor?

19 MR. CARPENTER: Having a properly equipped
20 service truck available 24/7 to the farmer.

21 COMMISSIONER KIEFF: I see. And people do that?

22 MR. CARPENTER: Oh, absolutely.

23 COMMISSIONER KIEFF: Okay.

24 MR. CARPENTER: If you're in the business, yes.

25 COMMISSIONER KIEFF: So for the Titan folks, do

1 you have those kinds of service trucks or are those provided
2 by third-party -- what is the industrial organization of
3 your industry? Is this a make or buy industry? Do you have
4 your branded service trucks or is there an AAA version for
5 the farmer?

6 MR. HAWKINS: We sell ours to dealers like Mr.
7 Carpenter, who support our end user customers.

8 COMMISSIONER KIEFF: I see. So they'd have his
9 brand?

10 MR. CARPENTER: If you're in the business, no
11 matter what brand you're selling you have to have the
12 equipment to install the tires.

13 COMMISSIONER KIEFF: Okay. And the FedEx deal
14 that you described, I take it, they have shops on site on
15 their end and they do all the work and that's why they
16 bought -- they were less concerned about service -- .

17 MR. CARPENTER: That's a mounted tire and wheel
18 assembly.

19 COMMISSIONER KIEFF: I see.

20 MR. CARPENTER: Or they'll send the tires to us,
21 the solid deals and then we will press them on their wheels.

22 COMMISSIONER KIEFF: Gotcha.

23 MR. CARPENTER: And then their mechanics
24 basically screw them on the vehicle.

25 COMMISSIONER KIEFF: And when they have a bunch

1 of bad tires is their business model to recycle them, to
2 send them all back to Sri Lanka to have them fixed or does
3 the Sri Lankan competitor have its own on site truck?

4 MR. CARPENTER: Well, those, basically, are all
5 solid tires. When they're bald, we' have to dispose of
6 them.

7 COMMISSIONER KIEFF: So you don't even retread
8 them?

9 MR. CARPENTER: No.

10 COMMISSIONER KIEFF: Alright. So I think then I
11 get that the value that you're describing for the service is
12 real, but you can imagine no matter how real it is and no
13 matter how much of a premium there is it's still, in effect,
14 reduced down to something akin to overall price.

15 MR. CARPENTER: In the farm tire business, I
16 mean it's all tied to service and people buy from people
17 that have serviced them over the years, okay. And over the
18 years, we've sold Goodyear since 1962 and that's been our
19 primary brand and then Titan bottomed out and then we
20 started a wholesale network. And unfortunately, our dealers
21 are the selling point at that point.

22 So when we have, say, a tractor that needs eight
23 tires and say the price is, say, \$8,000 to replace those
24 tires. We'll say a Tier 1 Goodyear and even a Tier 2
25 Goodyear. I mean it doesn't make any difference. It's

1 \$8,000, okay. And if the private brand at that point, you
2 know, say it was 15 percent less we had a good talking
3 points about the features, the benefits, the warranty, like
4 that. But right now when we're at this 30 and 40 percent
5 differential there's really no talking. It's just a matter
6 of economics. So we're at the mercy of the customer saying
7 I'm saying the money.

8 COMMISSIONER KIEFF: Great. And I look forward
9 to the rest of the discussion with others. I see that my
10 time is about up. Thank you so much.

11 CHAIRMAN WILLIAMSON: Thank you. Commissioner
12 Schmidtlein.

13 COMMISSIONER SCHMIDTLEIN: Alright, thank you.
14 Good morning and Happy New Year to you all.

15 I want to continue with this line of questions
16 about the impact of the decline in the Ag OEM market. And
17 Mr. Stewart, I thought I heard you say, I think, in response
18 to Commissioner Broadbent that the Petitioners have not
19 argued that the majority of harm is from subject imports,
20 but that there is material injury. Did I hear that
21 correctly?

22 MR. STEWART: I think in our pre-hearing brief,
23 looking at the macro level, we would argue that the majority
24 of loss sales at a macro level in terms of market share
25 simply would be from subject imports. So in that case, the

1 pre-hearing brief would state it that way.

2 If you do a disaggregated 20-segments analysis
3 like the staff has generated reports, then the answer would
4 be the latter. There's still substantial harm in terms of
5 loss volume. There's even more harm when you put in the
6 depressed pricing that the industry has faced. So there is
7 a quantum of harm however one wants to look at it that is
8 meaningful within the statute and certainly cognizable in
9 terms of relief.

10 COMMISSIONER SCHMIDTLEIN: Okay, so when we look
11 -- and I know this is confidential, so we can't talk about
12 the specific numbers, but just looking at the "C" Table,
13 that makes this easy, and when you look at the loss of
14 market share that the domestic industry incurred, so some
15 portion of that you would agree, I assume, is due to the
16 decline in the OEM Ag segment, right? So that has nothing
17 to do with subject imports?

18 MR. STEWART: That's correct.

19 COMMISSIONER SCHMIDTLEIN: Those sales just
20 disappeared. So is there any way for us to get a ballpark
21 on how much of their lost market share is due to subject
22 imports? And as you said, we do have Appendix D that breaks
23 down these segments.

24 MR. STEWART: I think that a simple analysis
25 that assumes that the segments are properly viewed is

1 hermetically sealed and that you don't attribute losses in
2 one to losses in the other, but if you just look at each of
3 the segments that you have and you look at the market share
4 change 2013 to 2015 for subject imports and then look at the
5 interim period, 2016 versus where we were in 2013, what you
6 will find is for subject imports, collectively, whether you
7 do it on a volume or value basis there is loss of market
8 share in virtually every agriculture and construction and
9 industrial segment, okay. I think there may be one or two
10 where that's not true, but significant in the amount of
11 market share that gets lost varies between OEM and after
12 market, but you can add those figures up and those figures
13 come to a significant portion of the total decline in
14 domestic shipments. Not a majority, but it's a significant
15 portion of the domestic decline.

16 COMMISSIONER SCHMIDTLEIN: Okay.

17 MR. STEWART: We did that before the hearing,
18 but, of course, it's confidential and so we'll explain it in
19 the post-hearing.

20 COMMISSIONER SCHMIDTLEIN: Right, okay, that
21 would be helpful.

22 MR. STEWART: In our view, however you want to
23 slice and dice this, if you view that as relevant and we can
24 make arguments as to why people ought to have been able to
25 expect not only that they would maintain market share in

1 some of these segments, but grown market share because of
2 improved timing ability for reduced overall demand, et
3 cetera, that the domestics would obviously have versus
4 imports. But even if you assume that their hermetically
5 sealed and that you look at each of them separately, there
6 are large losses of volume that have happened from market
7 share shifts from domestic to subject imports.

8 COMMISSIONER SCHMIDTLEIN: So I assume then that
9 you do not agree. The Respondents allege that the domestic
10 industry has actually gained market share in the
11 construction segment and the Ag after market, and we don't
12 have that. We have all these breakdowns, but we actually
13 don't have breakdown by segment by market share.

14 MR. STEWART: We will present that in the
15 post-hearing.

16 COMMISSIONER SCHMIDTLEIN: Okay.

17 MR. STEWART: I was a Math major in college, and
18 so I typically like to think that I do my math well, but
19 unless I have done my math incorrectly, those are not
20 correct statements from the data that you have.

21 COMMISSIONER SCHMIDTLEIN: Okay. I guess I
22 would invite you to address that in the post-hearing.

23 MR. STEWART: We will do that in post-hearing.

24 COMMISSIONER SCHMIDTLEIN: Okay. With regard to
25 the different segments, switching gears a little bit here,

1 the difference between the Ag segment and the construction
2 segment can one of the fact witnesses talk about whether or
3 not prices in the Ag segment affect prices in the
4 construction segment and why that is the case? So can you
5 use tires that are labeled farm tires? I mean that's what
6 the pricing products describe them as. Can those be used in
7 the construction segment? Like why would those segment
8 prices affect each other? Mr. Hawkins, it looks like you
9 want to respond?

10 MR. HAWKINS: There are some products that do
11 switch over. I think they're kind of limited and I don't
12 really believe that a lower price on a construction product
13 would affect an Ag product directly.

14 COMMISSIONER SCHMIDTLEIN: You don't think so?

15 MR. HAWKINS: No.

16 COMMISSIONER SCHMIDTLEIN: So the prices in
17 these different segments have their own supply and demand?

18 MR. HAWKINS: Well, from a supply and demand
19 point, you know they're made in similar plants. You know I
20 think probably low volume, overall, would tend to make a
21 factory want to make more aggressive pricing on all their
22 products.

23 COMMISSIONER SCHMIDTLEIN: So in that regard it
24 would?

25 MR. HAWKINS: In that regard.

1 MR. STEWART: And you're pricing the sample
2 products on which you got pricing for both early and after
3 market. You have three that are construction and industrial
4 and you have five that are agricultural, okay, and you have
5 very similar underselling situations in all of those. But
6 we've not made the argument you knock down a price of one
7 particular tire and it has the domino affect across all
8 tires regardless of who the customer is.

9 COMMISSIONER SCHMIDTLEIN: Right. So did the
10 decline in the Ag OEM segment have an affect on prices in
11 the construction, mining, or the other category that we have
12 in the staff report?

13 MR. HAWKINS: I think from the aspect of as
14 business declined and plants became less busy it gave more
15 volume to move to other segments that were -- you know you
16 had the anticipation of picking business. I think in that
17 way the supply made the after market more competitive. When
18 the demand for tires in the OEM market went down, there
19 became more supply available that was used in the after
20 market and then helped --

21 COMMISSIONER SCHMIDTLEIN: In the same segment?

22 MR. HAWKINS: Yes, in the same segment.

23 COMMISSIONER SCHMIDTLEIN: But would it affect
24 the other segments?

25 MR. HAWKINS: To the extent that you had a plant

1 that was capable of making both tires, and some plants are
2 like that, the capacity could be moved from an Ag tire to a
3 construction-type tire.

4 COMMISSIONER SCHMIDTLEIN: Okay.

5 MR. STEWART: Let me just take a moment. If you
6 take a look at imports from India, while the majority of
7 their imports are in the Ag sector, 41 percent of their
8 imports are in the construction sector. And so if a company
9 is engaging in price aggression to move large amounts of
10 additional product, one would expect that they may use
11 similar tactics. That has not been the allegation that
12 we've made because we don't believe we've had to do that,
13 but what we have alleged is that we've faced significant
14 price underselling in all sub-segments of the market in both
15 OE and after market.

16 And Mr. Nutter's testimony and in the
17 post-conference brief in the preliminary phase he put in an
18 affidavit that reviewed some specifics. In the OE side,
19 even where market share may be much lower for imports, we
20 have experienced significant price reduction demands from
21 customers because of the price availability from the
22 imports. So you can both lose market share and even if
23 you're not losing market share you can have significant
24 downward price pressure placed on you because of import
25 options and the fact that you either have escape clauses or

1 gentlemen's agreements with the customers that you'll meet
2 the competition or they'll walk.

3 COMMISSIONER SCHMIDTLEIN: So along that line
4 before my time runs out here, can one of the witnesses talk
5 about how the cost of raw materials affects the prices in
6 practical terms? So you mentioned escape clauses and so
7 forth. Are customers quoting publicly available information
8 about raw material costs to you and is there a lag time in
9 terms of how that gets translated into the price of the
10 tires?

11 MR. REITZ: Yes. I mean the components that go
12 into the tire are all priced based upon publicly available
13 information, so we have different mechanisms that we have to
14 uphold to in our OEM contracts in regard to your question
15 about the lag in adjusting your pricing as well as we have
16 different lags in the timing of our price adjustments with
17 our supply chain. So that can vary anywhere from 90 days to
18 180 days, depending again on the customer and the type of
19 the component that goes in there, but as far as the -- you
20 know we made a comment earlier about the transparency of the
21 pricing in our industry. That's very true because you have
22 dealers that carry multiple lines going along the path as
23 well with raw materials. All that information is very
24 available and public information, so you know on that front
25 raw materials play an impact in pricing, but it's so

1 transparent that it's kind of consistent across all
2 companies, all manufacturers. Unless you have an advantage
3 through your supply chain, the transparency of the
4 information just basically puts everybody on a level playing
5 field with raw materials.

6 COMMISSIONER SCHMIDTLEIN: Okay. Okay, I just
7 have one more question along this line. I think this might
8 be for Ms. Drake or Mr. Stewart.

9 In the slide presentation, you made the point
10 that price declines have exceeded or happened at a faster
11 pace, I think is what you said, than the decline in raw
12 material costs. And so my question is are you looking at
13 the unit value on the C Table of U.S. shipments versus the
14 absolute decline in unit value of raw material costs? Is
15 that how you get that conclusion?

16 MR. STEWART: I'll have Ms. Drake refer to it a
17 second but my understanding of what we've argued is that
18 there's been a price cost squeeze and you can see that on
19 the traditional way, which is COGS, which is not simply raw
20 materials, but also is labor and factory overhead.

21 MS. DRAKE: That's exactly right. The slide was
22 perhaps too shorthanded and so if you look at unit cogs
23 versus unit sales values that's where you see the cost price
24 squeeze. Although there's been a decline in raw material
25 prices, there hasn't been a similar decline in overall costs

1 that would eliminate the price cost squeezing.

2 MR. STEWART: And it is not the case that for
3 Titan that there is a cost adjustment automatic for all
4 customers. There may be for some customers in terms of
5 price movement, so it's not the case that simply because
6 there's been price declines that necessarily you would have
7 price -- in raw materials that you would have price declines
8 to your accounts and so you can face either at OEM or after
9 markets you could face forced reductions due to import
10 competition, whether or not you're seeing declining raw
11 materials or rising raw material costs.

12 COMMISSIONER SCHMIDTLEIN: Okay. Alright, thank
13 you.

14 CHAIRMAN WILLIAMSON: Thank you.

15 Before I begin, I just want to thank you very
16 much for this book. It's really great to have each
17 statement right there and you can follow the statement as
18 you listen to the witness, so I really appreciate that.

19 Following on Commissioner Schmidtlein's last
20 series of questions, are there differences in the way the
21 costs or the prices that are determined in the OEM and
22 replacement market? I think you talked about with the
23 contracts there are certain factors in the OEM. Are there
24 similar factors with regard to the replacement market? I
25 mean are you dealing with large distributors who do the

1 same thing?

2 MR. REITZ: That was my comment was about raw
3 materials being on a level playing field because of the
4 transparency of the pricing. We have contracts with the
5 OEMs, not all, but many that drive the pricing based upon
6 fluctuation of raw materials, but because of the competition
7 in the market on the replacement side the dealers have
8 access to the same information and pricing changes that may
9 be going on in the market with raw materials.

10 So as Mr. Stewart just mentioned, raw materials
11 are only part of the equation, but the level of information
12 and the transparency goes through contracts, but it also
13 extends into the dealer side of the equation as well. So
14 our business is not all contractually based either on the
15 OEM side and we have no contracts on the after market side
16 that force us to make price reductions based upon pricing.
17 So my point was, though, that information is so readily
18 available that the transparency is there and it's on the
19 table for everybody to see.

20 MR. TAYLOR: You have the fabric, which is
21 nylon, you know how much is in every tire, carbon black and
22 natural rubber and the bead wire or the belt steel --- steel
23 belts, those four are there in a contract with how much
24 weight per every tire. So in big corporations we -- our
25 NOE, they get a printout every quarter, every month because

1 it's commodities. So if natural rubber went up, they know
2 they're going to get an increase. If natural rubber went
3 down, they know exactly what your new tire is going to be.
4 What we do not do is adjust in reference to labor costs
5 because labor costs, generally, the cost of living always
6 goes up. We have to become more efficient because we have
7 to eat that.

8 Now when you get to the after market, they know
9 because there's not only imports there's domestic
10 competition and you're always battling that one there and so
11 you know they're kind of like each one knows you're going
12 down. If the pricing goes down, you pass it down and it's
13 the same in the after market.

14 CHAIRMAN WILLIAMSON: Okay, thank you. And I'm
15 very conscience of your voice, so before it goes I would
16 like to ask this question. Mr. Emerson, in his opening
17 remarks, noted that Titan did not mention import competition
18 in its SEC filings and I was wondering if imports have had a
19 major impact on the financial conditions why wasn't that
20 affect not discussed.

21 MR. STEWART: Before Mr. Taylor responds, let me
22 just say that the claim of the Respondents is not factually
23 accurate.

24 CHAIRMAN WILLIAMSON: Okay.

25 MR. STEWART: In both the third and fourth

1 quarter investor conference calls, Mr. Taylor reviews, at
2 some length, the fact that the company is pursuing cases to
3 deal with unfair trade practices and cases where the cases
4 are before you right now.

5 CHAIRMAN WILLIAMSON: Okay, thank you. That
6 might save your voice.

7 MR. TAYLOR: It comes and goes, you know.

8 CHAIRMAN WILLIAMSON: Okay, I hear you. Thank
9 you.

10 Talking about labor, Mr. Johnson, I was just
11 wondering in your experience how are the workers in the
12 factories. Has there been much technological change and how
13 have they kept up with that? I'm thinking about the
14 competitiveness of the workers in your factories versus
15 workers in India and Sri Lanka.

16 MR. JOHNSON: I think by and large we believe
17 that the technology that's being used and the Indian
18 technology being used, Indian and the Sri Lanka, and the
19 technology being used in the States, is comparable. There
20 have been many, many facilities built in both of these
21 countries in recent years, so we think there is not a
22 significant advantage or disadvantage between the countries.

23 CHAIRMAN WILLIAMSON: Thank you. I was also
24 struck by a statement you made on Page 3 this morning. "Our
25 retirees also suffer because their ability to get

1 cost-of-living adjustments in the retiree health plan
2 depends on the contribution formulated as key to the hours
3 worked."

4 It sounds like if you get cut during your
5 working life, you're stuck with that cut for the rest of
6 your -- all during your retirement. Is that what's
7 happening here?

8 MR. JOHNSON: Generally speaking and in most of
9 the contracts--and there is some variation between--but
10 generally speaking, there is an amount that is allocated on
11 a per hour basis, which has been negotiated that goes into
12 retiree healthcare. So if hours are cut, that amount goes
13 down, but that's usually adjusted on either an annual or a
14 contract basis. So it wouldn't necessarily last a lifetime,
15 but it very well could. Because the amount of money that's
16 available to help fund those benefits is diminished
17 significantly. Does that answer your question?

18 CHAIRMAN WILLIAMSON: Yes, it does. Thank you
19 for that. I was looking at Page 1-7 of the staff report
20 where they talk about the dumping margins and the CVD rates.
21 And I've been doing this for a long time. This is some of
22 the lowest margins I've ever seen. What should we make of
23 this? Is it true also that Sri Lanka's not dumping?

24 MR. STEWART: Well, there was not a dumping case
25 filed against Sri Lanka, so there will not be that fighting.

1 The preliminary dumping finding was negative vis- -vis India
2 and so we'll find out later today whether or not that holds
3 up in the final or not.

4 But the margins are not lower than many of the
5 cases that you have looked at. I was looking at a series of
6 cases the other day with low margins that the Commission has
7 looked at and made affirmative determinations and margins
8 that we have on India, and for that matter Sri Lanka. Sri
9 Lanka's number of 2.9 was actually increased, based on a
10 program that was examined post-preliminary I believe to 378.
11 So those margins are lower than many cases you see with
12 China. But they're not necessarily low for a lot of CVD
13 cases.

14 CHAIRMAN WILLIAMSON: Okay. I was just
15 wondering. I mean it's the pricing data's quite different,
16 but usually you see some -- I usually think I see more
17 correlation. Thank you. Going back to the product's
18 distributors, I was wondering, are there separate
19 distributors for the mining sector and for the construction
20 sector, as opposed to the agriculture sector? I believe Mr.
21 Carpenter, are you primarily selling to ag sector?

22 MR. CARPENTER: Yes. We are. And in regard to
23 the OTR, we handle small OTR, but not the large stuff for
24 the mines and like that. That's more of a specialty.

25 MR. TAYLOR, JR: The construction industry is

1 separate and they have dealers that handle for them. When
2 you hear of the mining, you sell right to the mining
3 company. They service their own tires.

4 So BHP's the world's largest miner. They buy
5 direct and they'll buy -- and you will ship tires to their
6 mines around the world. Nobody buys tires cheaper than
7 them. They buy more tires than Caterpillar, more tires than
8 John Deere.

9 To get to the customer, you have an ag dealer
10 who has equipment to put it on, goes out in the middle of
11 the night, changes the combine or whatever. When you deal
12 with construction, which you see all that yellow equipment
13 all around here, depending on, there'll either be one, maybe
14 two independent companies that are tire distributors that
15 will service, but there are a lot of large construction
16 companies that have their own team, their own truck, and
17 they will buy from a big, generally speaking, wholesaler.
18 And mining I just covered. So that's how the end person
19 gets the tire.

20 CHAIRMAN WILLIAMSON: Thank you.

21 MR. STEWART: If I could just add a -- if you
22 look on many web pages for the wholesalers and middlemen,
23 they often will carry many of the types of tires, both farm
24 and OTR. So it's a question of whether you're looking at
25 the end-user or whether you're looking at the first level of

1 distribution.

2 MS. DRAKE: May I just clarify? This is
3 Elizabeth Drake. Sometimes the term OTR is being used to
4 refer to a subset of what we are calling OTR in this case.
5 I believe Mr. Carpenter, when you referred to OTR, you were
6 talking about industrial, and then there's farm. And so I
7 believe you will find wholesalers that have both
8 agricultural and industrial, sometimes the industrial is
9 called OTR.

10 CHAIRMAN WILLIAMSON: Okay.

11 MS. DRAKE: Just to confuse matters a little bit
12 more. Thank you.

13 CHAIRMAN WILLIAMSON: Okay, good. I take it, if
14 there's so much transparency then I guess you can't say,
15 yeah, that segmentation of that pricing -- or at least, you
16 know, people know what prices are. That's what I was
17 getting at by raising the question. Okay, thank you.
18 Vice-Chairman Johanson?

19 VICE-CHAIRMAN JOHANSON: Thank you, Chairman
20 Williamson. And I would like to thank all of you for
21 appearing here today. Are there any differences in the
22 importance of branding in the off-the-road tire market, as
23 compared to the passenger tire market? Is there anything in
24 the nature of the products or in the types of consumers or
25 purchasers that give the off-the-road tire market a

1 different dynamic than the passenger tire market in terms of
2 branding?

3 MR. HAWKINS: I think in the consumer market the
4 large tire companies are much more selling to -- there's so
5 many more, there's a lot of advertising geared toward
6 individual consumers. So that you'll see a lot of TV
7 commercials from Michelin and Goodyear on TV appealing to
8 those consumers. And they're also sort of changing the
9 distribution methods where they're trying to appeal
10 directly to those consumers and have tires just serviced at
11 a service center.

12 On the commercial side or the OTR side, there's
13 a sort of a different set of characters, and the advertising
14 and how you go about branding is a lot different. You're
15 not doing big-mass media stuff. You're doing stuff that's a
16 lot more specific within our industry.

17 VICE-CHAIRMAN JOHANSON: Would you contend that
18 purchasers of off-the-road tires are more sophisticated than
19 the average consumer who is purchasing for a passenger
20 vehicle? That is my impression.

21 MR. HAWKINS: Yes, I would think so.

22 VICE-CHAIRMAN JOHANSON: And would that affect
23 marketing of off-the-road tires?

24 MR. REITZ: I think one important point--and
25 Mark had mentioned this earlier in his testimony--is that

1 farmers need service when they need service. And so that's
2 one of the key elements of how you go to market, is through
3 your dealer network has to be able to provide the service to
4 take care of your end-users, so I think that's the big
5 difference, and not everybody can do that.

6 There are wholesalers that do nothing more than
7 operate as a middleman that aren't going to take care of
8 that end-user, whereas there's full-service dealers that do
9 provide that service and so, when a farmer's in planting
10 cycle or they're in harvest cycle and that equipment goes
11 down, you absolutely need a dealer that can stand behind you
12 and take care of you. And not every dealer can do that.

13 VICE-CHAIRMAN JOHANSON: Thank you, Mr. Reitz.
14 And I don't think this issue was addressed in the briefs.
15 It might have been; if it was, I missed it. But I assume
16 service is provided for the subject product and domestic
17 product is comparable? Because if the products are sold by
18 dealers, is that correct?

19 MR. REITZ: The way I would characterize that
20 from Titan's perspective is that your statement is correct.
21 As Mr. Stewart mentioned earlier, there's not service trucks
22 that are designated with a Titan brand on the truck per se.
23 But what we need to do to support the brand premium that
24 you've seen of, you know, 12, 17%, different numbers and
25 different studies, but for us to support the premium that we

1 have, we can't simply just take our product based upon price
2 and to sell it to wholesalers or lower-end dealers that are
3 not going to provide that service. We have to be able to
4 support the premium that you see.

5 Unfortunately the decline in the pricing in the
6 market far exceeds the value that we can get, but we're very
7 protective of that brand, so in order to do that, we have a
8 dealer network that supports our brand position in the
9 marketplace.

10 VICE-CHAIRMAN JOHANSON: Thank you, Mr. Reitz.
11 Respondents rely on the descent in certain passenger vehicle
12 and truck tires from China, and this in their brief at Page
13 7, Footnote 9, for the proposition that "branding attenuates
14 a competition between domestic off-the-road tires and
15 subject imports from India and Sri Lanka."

16 Do you all see any factual differences in the
17 two records and differences between the two different
18 markets? That is, off-the-road tires versus passenger and
19 light truck tires?

20 MR. STEWART: Why don't we address that
21 post-hearing?

22 VICE-CHAIRMAN JOHANSON: Okay, thank you. I
23 look forward to seeing that, Mr. Stewart. Are branded tires
24 more highly preferred in certain channels or industries,
25 let's say, the agriculture versus construction versus mining

1 sectors?

2 MR. STEWART: I missed the front part of the
3 question.

4 VICE-CHAIRMAN JOHANSON: Certainly. Are branded
5 tires more highly preferred in certain channels or
6 industries?

7 MR. HAWKINS: I would say mining has the most
8 brand recognition. There's several major competitors there
9 that are well-known in that industry by brand. In my
10 opinion, probably ag is the next tier down, and probably
11 construction is a little less brand-intensive than ag.

12 VICE-CHAIRMAN JOHANSON: How important overall
13 would you all put branding, or brands in purchase decisions?

14 MR. HAWKINS: Well, as we make pricing
15 decisions, which I guess is the opposite of the purchase
16 decision, you know, we have to make decisions about where we
17 price our products in the marketplace and we tend to think
18 that there's a premium for a Goodyear product, and we think
19 it's in the line of 5 to 8%.

20 MR. REITZ: We make a significant investment
21 into our brand to support the premium that it drives. The
22 issue that we deal with on a consistent basis is the value
23 of that branding to the ultimate purchaser decision does not
24 match the pricing element that they're seeing from, in this
25 case, the subject imports and competition.

1 VICE-CHAIRMAN JOHANSON: All right, thank you,
2 Mr. Reitz. The Balkrishna brief at Page 9 writes about SEC
3 filings of Titan would state that Titan is concentrating on
4 increasing its presence in the aftermarket, which is
5 historically tended to be somewhat less cyclical than the
6 OEM market. And the brief goes on to state that Titan's
7 ability to shift into the aftermarket is limited by the fact
8 that it commands a higher price due to its higher tier
9 rating, and lacks relationships with distributors
10 established by producers to have historically sold into this
11 market. Can you all address that issue? The whole issue of
12 trying to build greater access to consumers through
13 distributors and the aftermarket?

14 MR. STEWART: If we could, Vice-Chairman, why
15 don't we start with the customers here who probably
16 disagrees with the characterization that's in the brief.

17 VICE-CHAIRMAN JOHANSON: Certainly.

18 MR. CARPENTER: Could you ask that question
19 again?

20 VICE-CHAIRMAN JOHANSON: Well, what I'm trying
21 to get at is the Balkrishna brief at Page 9 notes that Titan
22 is trying to increase its presence in the aftermarket, but
23 that they foresee problems in that occurring due to Titan
24 lacking relationships with distributors in that sector of
25 the market, in the aftermarket. Can you address that issue?

1 MR. CARPENTER: Oh, yes. I mean since I came on
2 board with Titan purchasing, you know, the Goodyear brand,
3 I've been fortunate to be on their dealer council, and we
4 meet once a year, and we talk about everything but pricing.
5 Sales programs, warranty issues and like that.

6 And since that time, they put what they call a
7 Grizz Squad. They put specific people in every state. In
8 our state, we have two dedicated people to go to our farmers
9 to address their issues. And there isn't another farm tire
10 company out there that does this. So yeah, they address the
11 aftermarket more than any other company that we deal with.

12 MR. HAWKINS: Can I say, I believe we have the
13 largest aftermarket sales force in North America. And I
14 would put up the list of dealers that we have significant
15 volumes of business with, with any group of aftermarket
16 dealers in the United States. I think we do business with
17 probably 80% of the significant agricultural dealers in
18 North America.

19 MR. REITZ: I think, Commissioner, in all due
20 respect, what we're trying to say is, that they're throwing
21 ridiculous thought out there on the table trying to make it
22 stick. During the investigation period, we've been fully
23 committed to the aftermarket. We have a dealer network can
24 provide service to our end-users that's equal to anybody
25 that we compete against.

1 VICE-CHAIRMAN JOHANSON: Thank y'all for your
2 responses.

3 MR. TAYLOR, JR: I'd like to add, there is no
4 such thing in North America where any dealer who sells to
5 farmers is just a farm dealer. There's no one that even has
6 25 percent of their business that way. Mr. Carpenter sells
7 auto, truck, recaps. He loves the farm business and he's
8 one of the bigger farm dealers, but it's not even -- what
9 percentage of your business is farm tires?

10 MR CARPENTER: Twenty-five.

11 MR. TAYLOR, JR: No one ever hits thirty. And
12 when you get into the construction business, it's the same
13 situation. Mining is, as I said earlier, is direct. We are
14 only exclusive. We make no automotive, no highway, no
15 truck. If you look at the world, the market in pneumatic
16 tires, which is what we're talking about, is \$160 billion
17 market. If you take all of the construction, all the
18 mining, all the farming in the whole freaking world, you're
19 going come up a little over \$5 billion.

20 So we have concentrated in that business and
21 when we showed you the slide with two identical tractors,
22 one was a LSW Super Single, and the other was a standard.
23 When you look at that standard, those are tires, they're
24 forty years old. Those tires are like for a brand-new
25 tractor. You pay two hundred and some thousand for that,

1 and you've got forty-year-old tires.

2 That is the differential. You still have to
3 make that forty-year-old tire. Those on that other are
4 brand-new. And the reason we can do it is because we're
5 also the world's largest manufacturer of the steel wheel.
6 And eventually, hope I live to it, everything will be that.

7 Because if you go out in your car, whether you
8 have a pickup, whether you have an SUV, whether you have a
9 Mercedes, whatever car you have, it's got radials on it, and
10 it's an LSW. And we're the ones that came up with that in
11 1997. Automotive took off with it. Cars took off with it.
12 We're finally getting the Ag and the construction and the
13 mining. But that's why we have the Grizz Squad.

14 And you'll never get it through OE. You have to
15 go to that farm and the biggest farmers in the world and
16 we're actually down in Brazil, and we can't make enough of
17 them down there. But you have to make your tire and your
18 wheel in Brazil. And Europe is iffy because the farms are
19 so small. I hope that explains what it is.

20 VICE-CHAIRMAN JOHANSON: Certainly. My time's
21 expired, but thank you for your responses.

22 CHAIRMAN WILLIAMSON: Thank you. Commissioner
23 Broadbent?

24 COMMISSIONER BROADBENT: Just to kind of put a
25 fine point on what we were discussing with Alliance set on

1 Page 35 of its prehearing brief, that Titan never mentioned
2 subject imports as a factor affecting its financial
3 performance and its pre- or post-petition financial reports,
4 press releases or earnings calls, and you're differing with
5 that because there was an earnings call where it was
6 mentioned?

7 MR. STEWART: I believe there were several.

8 COMMISSIONER BROADBENT: During what time
9 period?

10 MR. STEWART: Third and fourth quarter of 2015,
11 ahead of the filing of the case.

12 COMMISSIONER BROADBENT: Okay. But since
13 subject imports don't really reflect themselves as a concern
14 in Titan's business materials until that time? With those
15 earnings calls? I mean we can't cite other places in
16 financial materials where they're talking about the
17 competition?

18 MR. STEWART: I haven't looked, going back in
19 time, but I knew that there were ones in the third and
20 fourth quarter of 2015, so the statement that they never
21 mentioned it was not factually accurate.

22 COMMISSIONER BROADBENT: Okay. But if you just
23 check and when they've been talking about it, that would be
24 helpful. All right. Do you, Mr. Reitz, do you expect
25 income from agriculture and mining to increase in 2017?

1 MR. REITZ: I think where we sit today with corn
2 and soybean prices being relatively flat going into 2017,
3 subject to any significant changes in the commodity prices,
4 I do not see any type of significant movement in the
5 agriculture market in 2017.

6 COMMISSIONER BROADBENT: Okay. And then what
7 about the construction spending in 2017? Will that continue
8 to grow?

9 MR. REITZ: If there's some infrastructure
10 products that get kicked off, obviously we have a pretty
11 significant change going on here in Washington, D.C., so
12 some of that's to be determined. But I think, you know,
13 with that market, there are some changes. You'll see some
14 changes in the infrastructure projects and spending that
15 goes on there.

16 MR. TAYLOR, JR: Just to add to that. He's
17 referring, I believe, to North America. We do believe South
18 America farm is going come up. Mother Dearest said that and
19 we believe that. But we're talking North America right now.

20 COMMISSIONER BROADBENT: Got it. Thank you.
21 Appreciate that clarification. Let's see. Please respond
22 to arguments about supply constraints by U.S. producers that
23 were raised in ATC and BKT briefs, and instances where sales
24 of subject imports have been made because U.S. producers
25 have been unwilling or unable to supply the market.

1 MR. STEWART: Let me just comment on that.
2 It's not the position identified from Titan, so we can't
3 comment on the indications of other domestic producers as to
4 what issues they may have had in this period of
5 investigation. But it's not true of Titan, as you can see.
6 We had lots of unused capacity.

7 COMMISSIONER BROADBENT: Okay.

8 MR. STEWART: I believe that any indications, as
9 I recall from the confidential part of the record, were from
10 the 2013 period for the other people. And some of the
11 comments about access seem to apply equally to imported
12 product based on long lead times to get product across the
13 sea, so I'm not sure all of the -- relatively small number
14 of comments that were in the questionnaire responses, some
15 clearly were about domestic producers, but others seem to be
16 potentially about imports as well.

17 COMMISSIONER BROADBENT: Okay. This is on raw
18 material costs again. The Commission has collected data on
19 a number of raw material price indices as a way of assessing
20 whether prices for tires changed due to decreases in various
21 raw material prices. Which raw material prices have the
22 Commission paid most attention to in this assessment?

23 MR. STEWART: When we first make reference,
24 there is a reference, I believe in one of the opposition
25 briefs to a misstatement in the prehearing staff report that

1 synthetic rubber declined 91%. It refers to a chart, and
2 the chart, if you look at the chart, suggests that the
3 decline is more in the neighborhood of 40 to 45%, I believe.
4 So hopefully that'll get corrected in the --

5 COMMISSIONER BROADBENT: Natural rubber is the
6 --

7 MR. TAYLOR, JR: Natural rubber is what is used
8 in the tires before this Commission. Synthetic rubber is
9 used in automotive and over-the-highway truck tires for
10 high-speed temperature.

11 COMMISSIONER BROADBENT: Now what makes it
12 necessary to use natural rubber for this product?

13 MR. TAYLOR, JR: Because natural rubber is so
14 much more adaptable for the product. It's not going real
15 fast and there's very, very little synthetic rubber.

16 COMMISSIONER BROADBENT: Okay. And there was a
17 significant price decline in the natural rubber?

18 MR. TAYLOR, JR: Yes. Your staff report shows
19 it being around 50%.

20 COMMISSIONER BROADBENT: 50%?

21 MR. STEWART: I think that's what the staff
22 report says.

23 MR. TAYLOR, JR: And when I talk shortages,
24 it was a total fake situation back in '11, '12, Caterpillar
25 had -- they'd never be able to make enough trucks,

1 everything else. And so everybody started ordering
2 everything -- so there's excess capacity in North America
3 right now by -- Bridgestone invested a billion five, and
4 Michelin invested a billion. And those are mothballed.

5 MR. REITZ: Commissioner, as Mr. Taylor stated
6 earlier, it's very well known within the industry, the
7 components that go into the tire, and so in my testimony and
8 my prior comments in response to a question, it makes for a
9 very transparent marketplace in regards to raw materials.
10 So if raw materials are down a few percentage points and
11 company reduces price by 10%, it's very transparent to know
12 that that is not driven by raw materials.

13 COMMISSIONER BROADBENT: Okay. This is for
14 Mr. Brewer, the general manager. You stated that you have
15 been forced to reduce runs of tires due to customers
16 reducing their orders. You state that this imposes
17 significant costs on your plant. Does this indicate that
18 your average costs per tire increases as your sales volumes
19 have declined?

20 MR. BREWER: Yeah, I mean the significant
21 increase comes when you can extend your production runs out.
22 There's more changeovers within the factory so the statement
23 with the shorter runs would increase the cost of those
24 tires, yes.

25 COMMISSIONER BROADBENT: So would it be fair to

1 argue that the cost price squeeze suffered by Titan is
2 partially the result of lower sales volumes?

3 MR. STEWART: The answer is that yes, that would
4 be true.

5 COMMISSIONER BROADBENT: Okay.

6 MS. DRAKE: And we believe, as we discussed
7 earlier, that those lower sales volumes are due, not just to
8 demand, but to the loss of market share, to subject imports,
9 which were the only source of increase in volume in the
10 market.

11 COMMISSIONER BROADBENT: Okay. I think that's
12 what I've got right now. No more questions.

13 MR. TAYLOR, JR: I don't know if anybody has
14 actually discussed what it takes to build a tire. This
15 pitcher for the water -- that's done with a mold. It
16 injects the plastic and it heats it, it pops out like that.
17 A tire, you actually build it by hand. The rubber is put
18 onto the nylon. You have speed wires. You make it, it's
19 all hand. So if you look at Mr. Lester back there, he puts
20 his arms up, because he ran the tire room. He has a set of
21 forearms you would not want to shake hands or try to arm
22 wrestle him. Ok?

23 COMMISSIONER BROADBENT: Should we get him to
24 stand up?

25 MR. TAYLOR, JR: He has big arms, trust me. And

1 I think the people in the back -- the steel workers can tell
2 you. It is a very highly intense labor. And generally,
3 your younger workers have to be the ones that build the
4 tires, because though Lester's real young, he's already
5 burned out. So it's very, very labor-intense.

6 COMMISSIONER BROADBENT: Okay. Actually I had
7 one more question. How should we interpret the presence of
8 new U.S. capacity in light of your comments that the
9 industry is being forced to reduce its production due to
10 subject import competition?

11 MR. STEWART: Well, as you know, to build a
12 plant takes a long time, a long time of planning, and so
13 it's not uncommon for a plant to come on online when the
14 cycle of business has changed. Obviously, the new plant
15 that's come on board is the plants that Mr. Taylor were
16 referring to were both super-large mining tire facilities,
17 which are not part of the case.

18 CHAIRMAN WILLIAMSON: Commissioner Kieff?

19 COMMISSIONER KIEFF: Thanks. So to follow up on
20 something I think has almost come up a couple of times. I
21 just want to confess that I'm puzzling over something. So
22 you've talked a lot about how -- in my last exchange, for
23 example, you talked about how, as well as in your opening,
24 you talked about how a normal kind of 20% price reduction
25 might be made up for by a service premium, but a 40% gap is

1 just too great. Or something close to that.

2 And what I'm struggling with is the following,
3 that 40% number is still in my head. Versions of it are on
4 Slide 18 from your presentation. But what's also in my head
5 is that the margins that Commerce found are a lot less than
6 that. So if the preliminary margins become the final
7 margins, and they may not, but if the preliminary margins
8 become the final, for Sri Lanka, for example, it would be a
9 2.9% countervail tariff, and what I'm trying to wrestle with
10 is how the 2.9% fills the 40% gap.

11 MR. STEWART: Let me take the first shot at
12 that.

13 COMMISSIONER KIEFF: And maybe that's irrelevant
14 to our analysis on injury as a legal matter.

15 MR. STEWART: Well, historically, it has been
16 based on prior Commission decisions where the Commission
17 views margins of underselling is constructed differently
18 than margins of dumping or subsidization and hence not
19 directly comparable. In the statement of Mr. --

20 CHAIRMAN WILLIAMSON: I just want to acknowledge
21 -- I didn't realize that the Union workers were here. And
22 before they leave, I wanted to acknowledge them and thank
23 them for coming. And since I see they were getting up, I
24 just wanted to thank you for being here. Thank you.

25 MR. STEWART: Thank you, Mr. Chairman, for

1 acknowledging them. Mr. Carpenter's comment was that
2 historically there was an 8-10% differential between imports
3 and domestic product that could be sold against. All right?
4 If you take a look at a lot of --

5 COMMISSIONER KIEFF: Let me try it this way,
6 because I -- it was not designed to be a "gotcha" question,
7 and I'm not trying to pin anybody on the specifics. Let me
8 just invite, for the post hearing, if either side thinks
9 that that difference matters or doesn't matter, please
10 explain how or why, and I take it, Mr. Stewart, your lead
11 point is, first of all, our legal precedent gives us a lot
12 of healthy distance that we're supposed to maintain between
13 our analysis and the Commerce analysis. And then I take it
14 your follow-ups are to explain in effect that even the
15 details don't quite add up that way.

16 COMMISSIONER KIEFF: Is that basically what
17 you're --

18 MR. STEWART: Yes, that's a fair summarization.

19 COMMISSIONER KIEFF: No problem, and again if
20 the --

21 MR. STEWART: We'll address it in the
22 post-hearing.

23 COMMISSIONER KIEFF: That's perfect, and then
24 the second, the last question I have, which I recognize as
25 well may be either for the post-hearing or for class, in

1 which case that's fine. But it is something I'm very
2 curious about, so I'll just ask it, and if you think it's
3 really not pressing to the case, by all means that's a fair
4 response from either side.

5 Is there anything that we should make of the on
6 the ground market and political differences, if any,
7 between India and Sri Lanka?

8 MR. STEWART: I'm not sure I get, I get the gist
9 of your question.

10 COMMISSIONER KIEFF: So yeah. So like both are
11 democracies, but they kind of run slightly differently as
12 democracies, and both, they -- I think they each have
13 different views of themselves and each other with respect to
14 each other. So one might see itself as more market oriented
15 and less interventionist with the other. They might
16 disagree with each other about which one that is.

17 If those differences are right, which way do they
18 tilt as between the two, and does that tilt matter to our
19 analysis?

20 MR. STEWART: I believe the answer is that it
21 doesn't matter, but we will reflect on it and give you
22 greater thought when we do our post-hearing.

23 MS. SMITH: This is Jennifer Smith from Stewart
24 and Stewart. I'll just add to our prehearing brief notes
25 that the governments in both countries have targeted exports

1 according to their government plans, and Sri Lanka in
2 particular has a rubber industry plan that's promoting
3 value-added exports of rubber and the rubber industry.

4 COMMISSIONER KIEFF: So you're saying that even
5 if there were differences, they would be eclipsed by those
6 similarities?

7 MS. SMITH: Yes.

8 COMMISSIONER KIEFF: Okay, gotcha. All right.
9 Those are all the questions from me. Thank you all so much.

10 CHAIRMAN WILLIAMSON: Okay. Commissioner
11 Schmidtlein.

12 MR. TAYLOR: I'd like just to throw one thing out
13 to you. When Mr. Carpenter mentioned the differential, he's
14 talking about what he can do in reference on the other side
15 of what, and because he is a full time guy, he can -- the
16 farmer will pay more because it's him doing it. But when
17 the farmer knows that well, I can get a tire here and get
18 Willie Smith here to try to do this thing, he can't take 40
19 points.

20 COMMISSIONER KIEFF: Gotcha.

21 MR. TAYLOR: That's a differential of what he's
22 paying on both sides.

23 COMMISSIONER KIEFF: I appreciate it very much.
24 Thank you.

25 CHAIRMAN WILLIAMSON: Thank you. Commissioner

1 Schmidtlein.

2 COMMISSIONER SCHMIDTLEIN: Okay, thank you. I
3 have a few questions here. I think we'll start with the
4 ones for the post-hearing brief. There are two pricing
5 analysis in the Respondent's briefs. One is in Alliance's
6 brief at page 27, and the other is in Sri Lanka's brief at
7 page 28 I believe. Yeah, 28. If you could respond to those
8 two arguments. It has to do with looking at the individual
9 pricing products. You may be already familiar with this.

10 MR. STEWART: We will do that in the
11 post-hearing.

12 COMMISSIONER SCHMIDTLEIN: Okay. It would be
13 easier to do that in the post-hearing. That would be
14 helpful, and then along those lines, if you could also
15 respond to the argument that when you look at the pricing
16 data, there's no correlation between the shifts in volume
17 and underselling. Again just --

18 MR. STEWART: We actually addressed that in our
19 prehearing brief. Where we basically flagged was that where
20 there was significant head to head competition on individual
21 products, there was deeper price discounting that occurred
22 than where there was limited price competition. So we have
23 addressed that directly already, but we'll be happy to look
24 at it again.

25 COMMISSIONER SCHMIDTLEIN: Okay, all right.

1 Thank you. One issue I don't think that we've covered this
2 morning, that is the question about the impact of
3 non-subject imports, and I know in the slide presentation,
4 you have a bullet point addressing China, and make the point
5 that China declined in volume and that they entered at
6 higher unit values than subject imports.

7 So my question is though how do you respond to
8 the Respondents' argument that although they declined in
9 volume, there was still a substantial volume of non-subject
10 in the market, and when you look at the pricing data from
11 China, which we collected, you see that China undersold --
12 they undersold domestic, but they undersold subject roughly
13 half the time.

14 MR. STEWART: Yeah, mixed picture.

15 COMMISSIONER SCHMIDTLEIN: It was mixed.

16 MR. STEWART: Yeah. Let me respond to that.

17 COMMISSIONER SCHMIDTLEIN: So how do we not
18 attribute, you know, pricing pressure from China or even
19 loss of market share? The Respondents make the argument
20 that well, they could have taken market share from China and
21 not the U.S. because China was declining?

22 MR. STEWART: Well, typically when the Commission
23 looks at cases where there are products under order, one
24 looks at the volume that's coming in to determine if the
25 volume is increasing or decreasing, and in the prelim you

1 did carve out China in terms of the data that showed a very
2 sharp contraction in supply into the U.S. market in the
3 2012-2014 January-September 2015 and '14 comparisons.

4 So that is consistent with the orders having
5 effect. If you take a look at the pricing comparisons that
6 they talk about in the spread about over- and under-selling,
7 what you will find is that in the Chinese examples, the
8 volume that is there goes to almost zero in virtually every
9 case, okay. So yes, you may have had a handful of sales,
10 and there may have been a low price on some, but there's
11 virtually no volume.

12 So I would say that the data that has been
13 collected on China suggests that the orders are having the
14 type of effect, which is if there's very low prices, they're
15 likely to be found to be dumped enhanced orders, will have
16 the effect of assessing duties and that you will see a
17 reduction over time, and that's exactly what you see in the
18 pricing sheets for the products where China is involved.
19 But we'll explore it more in the post-hearing if that's not
20 sufficient.

21 COMMISSIONER SCHMIDTLEIN: Okay. But I'm sorry.
22 The point is this as a result of the orders?

23 MR. STEWART: Correct.

24 COMMISSIONER SCHMIDTLEIN: Yep, and okay. So the
25 last thing I wanted to revisit was the price suppression

1 argument. I know this has been talked about already, but
2 the cost-price squeeze that you've mentioned and pointing to
3 the COGS/net sales ratio, which increased over the POI, I
4 guess my question is how ^^^^

5 You know, given that raw material prices were
6 going down, raw material prices are transparent, as you've
7 made that point, would you really be able -- would you
8 really expect to be able to raise prices in a market where
9 costs are going down and overall demand is going down?

10 So do you have -- in other words, are you asking
11 the Commission in this instance to actually look at the
12 different segments? Wouldn't we have to segment the market
13 and look at demand in order to really get to a price
14 suppression argument?

15 MR. STEWART: The answer is one could have -- one
16 could have selected price increases on products that are
17 either novel, or where there's limited competition. So you
18 could have some price increases that could occur even in
19 this type of a market. But clearly you have price
20 depression, and the oftentimes the Commission finds no price
21 depression because there is not a cost price squeeze.

22 So at a minimum the cost-price squeeze shows that
23 declining prices are in fact a form of real depression
24 versus simply reflecting reduced cost. So I would say, I
25 would say that that's the case, and you can see that at --

1 you have collected the data at the aggregate level, not at a
2 sub-aggregate level.

3 COMMISSIONER SCHMIDTLEIN: Okay. That covers it
4 all. Thank you very much.

5 CHAIRMAN WILLIAMSON: Thank you. Just a couple
6 of questions. You've already addressed or disagreed with
7 Respondent's argument that Titan's business model focuses
8 predominantly on sales to OEMs in the Ag sector, and you
9 just said -- you've already disagreed with that. I was just
10 wondering, and this ^^^^ I think Commissioner Schmidtlein
11 got at this earlier. You had said you were going to look at
12 how do we attribute, you know, if you have lost revenue, how
13 do you determine what's the causes of it.

14 But in that, in the context of doing that, how do
15 we -- the decrease in Titan's revenues, how much of that or
16 how do we -- what can we contribute, can be contributed --
17 what can be attributed to the decline in demand in the
18 agricultural segment? So in looking at this whole question
19 of, you know, how do you attribute --

20 MR. STEWART: What I tried to say earlier, Mr.
21 Chairman, was that we will put it in the post-hearing brief.
22 But if you take a look either at the -- on a volume or value
23 basis in the subaggregate, in the subsectors that the data
24 in the Appendix D goes through, what you will find is that
25 the domestic industry, and that's after all you're looking

1 at the industry not at Titan, has lost market share in
2 virtually every one of the categories that are significant
3 volume categories, and that's true on a volume basis or
4 value basis, and that those losses are not insignificant.

5 They don't have to be the majority. They are not
6 the majority if you look at it on a subaggregate basis. But
7 they are a significant percentage.

8 So just looking at the volume loss you can see it
9 that way, and as our witnesses have testified and as your
10 record as compiled by the staff demonstrates, there has been
11 price depression at accounts by domestic producers, both
12 Titan and others, and that is reflected both in your pricing
13 information and in the cost-price squeeze that you see in
14 the overall P&L, and that some portion of that is attributed
15 to the pricing practices of the imports.

16 There, we don't have the ability to segregate it
17 out. The other side has come up with selective tools that
18 they would suggest you should use, which in our view are
19 inappropriate, which we will address in the post-hearing.

20 CHAIRMAN WILLIAMSON: Okay, thank you. And also
21 given that you're ^^^^ are you saying the case for price
22 depression is maybe stronger and clearer than the case for
23 price suppression?

24 MR. STEWART: Yeah. Price suppression usually
25 has to do with whether you haven't been able to raise your

1 prices as much as you wanted, and usually you don't look at
2 that in situations where raw material costs are going down.

3

4 But obviously where you have a cost-price
5 squeeze, that is an indication of harm, and that harm flows
6 from a loss of volume and the declining prices. Some part
7 of the declining prices are import-driven, and some portion
8 of the decline in volume are import-driven. We think that
9 there's more than enough in both of those to support an
10 affirmative determination.

11 CHAIRMAN WILLIAMSON: Okay, thank you. One last
12 question. Okay. Table 2-1 establishes that most
13 domestically produced tires are sold the OEM market, while
14 most subject and non-subject imports are sold to the
15 aftermarket. Now you've already talked about this topic,
16 but I would just curious. Is there any reason why this
17 trend was there?

18 MR. REITZ: Well I think first off, the comment
19 "most" is not accurate. We are equally focused on the OEM
20 and the aftermarket. It would be an inaccurate thought to
21 think that as a business we would ignore one segment because
22 both of them are --

23 CHAIRMAN WILLIAMSON: I'm not suggesting that.

24 MR. REITZ: Yeah, and I think the word "most" is
25 what made me uncomfortable with the question and really

1 driven by the Respondents, not your question.

2 CHAIRMAN WILLIAMSON: Shall we say the domestics
3 have a larger share of the OEM market relative to the share
4 that --

5 MR. REITZ: And that goes to the brand, you know.
6 You look at the large investment that the end users are
7 making in the equipment and obviously the brands that the
8 OEM manufacturers want to protect. We've expressed in, you
9 know, all of our testimony that there is a brand premium
10 associated with the Tier 1, you know, Firestone, Goodyear,
11 Michelin, and really it's really brand-driven more than
12 anything else. It's not Titan-specific, any of our actions.

13 They're really the domestic industry actions, and
14 I'm speaking on behalf of Firestone, Titan, Michelin. We're
15 all equally focused on OEM and aftermarket.

16 CHAIRMAN WILLIAMSON: And but that brand. Does
17 that mean that the seller of the finished product usually
18 wants to have a branded tire on his fancy machine that he's
19 selling?

20 MR. REITZ: That's true. I mean there's
21 significant pieces of equipment that are big investments
22 made by the manufacturer, and John Deere, just think of the
23 value of green in their brand, and you know. So obviously
24 the companies are making big investments, but the end users
25 at the same time are making significant investments. So

1 they want a product and a brand that they know will stand
2 behind them.

3 CHAIRMAN WILLIAMSON: They don't want any
4 no-named tires on their new vehicle. Okay. This is a
5 curiosity question. I think Titan has grown by acquiring
6 actually the off the road tire business of a number of other
7 companies. This is not during the Period of Investigation
8 but earlier. I was just wondering, does that tell us
9 anything about the nature of this particular industry, the
10 off the road tire business? In other words, why did the big
11 guys get out?

12 MR. TAYLOR: Why we did it?

13 CHAIRMAN WILLIAMSON: No. Why were the bigger
14 companies selling that segment of their business? I know it
15 was a while ago, but just out of curiosity.

16 MR. TAYLOR: Well originally, you know, we really
17 only had two in North America, Goodyear and Firestone, and
18 there was Armstrong-Pirelli and I'm the dummy who bought
19 them when they went on strike. We made the wheels and you
20 can't change something. I can change a wheel, but then I've
21 got no one to sell it to because there's no tire.

22 So I wanted to get a tire, and if you look past
23 the last 30 years, worldwide more innovation have come from
24 us than everybody else put together. So Pirelli, who bought
25 Armstrong, they were getting out of the farm tire business.

1 But because they were on strike, we made a deal and the deal
2 was pretty simple. I figured I could scrap the plant out if
3 I failed, you know.

4 So we thought it was mismanaged and we proved
5 that was the case. Then the Rubber Workers, as Mr.
6 Carpenter back there said, Johnson rather excuse me; sorry
7 about that. He worked for Pirelli. Well, the Rubber
8 Workers went belly up. So they were taken over by the
9 Steelworkers, and lo and behold we also have a little
10 disagreement. We're friends now, but we set the record for
11 the longest strike in the history of the Steelworkers.

12 We run our factories. I'm a factory rat. I'm a
13 toolmaker by trade, a welder by trade, engineer by
14 schooling. So in the end, -- and I to came to an agreement.
15 At that time, Mother Goodyear was in trouble, and they were
16 screwed up. So the Steelworkers helped me acquire that
17 facility, and they helped me acquire the facility in Bryan,
18 Ohio, and that's --

19 We also have another facility that we didn't even
20 know had closed, and that's in Union City, and that's the
21 largest plant. That tire plant made 55,000 tires a day in
22 its peak. These plants are huge, and we just focus on that
23 and that's what we do, and to answer one of he questions, if
24 you've got -- if you look back, there was never any imports
25 from the two countries we were mentioning about.

1 So if you would take that 200 and some million,
2 which the domestics could take care of, if we were to take
3 even a half, we might not make a lot of money, but we
4 wouldn't be losing money and we would have one hell of a lot
5 more people back to work. It's mind-boggling how, in a down
6 market, they can increase them. It happens folks if you're
7 dropping prices, and that's really what the story's about.

8 But we're the true American story, and our
9 employees work hard, our employees are paid well. But they
10 earn every dollar, and that's -- and we have a new President
11 coming and that's because of the people in the Midwest.

12 CHAIRMAN WILLIAMSON: Okay. My time is about to
13 expire, but thank you for that. It's useful to have the
14 context.

15 MR. REITZ: Well Commissioner Williamson, the
16 other thing is we made reference earlier about Lester's
17 massive arms. They're really two different industries.
18 There's not the natural synergies between a passenger tire
19 and an OTR tire. Our tires are manually built. It's small
20 production runs. It's a high volume of products that are
21 required to meet the demands of the market.

22 And so passenger tires, as you know, higher
23 volume, limited SKUs that they're dealing with. So as a
24 result, Lester's got massive arms, as do all of our
25 employees, because they build these tires by hand.

1 CHAIRMAN WILLIAMSON: Yeah, I think I did the
2 factory tour in the first case, so it's coming back now.

3 MR. REITZ: Okay, very good.

4 CHAIRMAN WILLIAMSON: Good.

5 MR. JOHNSON: Yes. I wanted to respond to your,
6 I think what was your initial question about is there a mass
7 exodus of manufacturers from the OTR markets, in the OTR
8 building in the U.S.

9 CHAIRMAN WILLIAMSON: Excuse me? Okay, yeah.

10 MR. JOHNSON: From my perspective at least, and I
11 can't speak for all the manufacturers specifically, I don't
12 think there is a mass exodus. There was a mass
13 consolidation of the industry and a significant purchase
14 from overseas, Continental, Pirelli and others that bought
15 into the markets and didn't really have an interest in
16 running some of the facilities that were OTR-related.

17 Therein came the opportunity for Titan to start
18 purchasing facilities as others chose to exit that
19 particular segment, because that wasn't why they bought into
20 the U.S. markets. But I think the manufacturers that are
21 here today and some that are looking at the possibility of
22 building sites are interested in this market and have not
23 chosen to exit.

24 I think Michelin, Bridgestone and others that I
25 have personal relationships with and business relationships

1 with have no desire to exit the U.S. market. I think
2 they're here to stay and here to operate.

3 CHAIRMAN WILLIAMSON: Good, okay. Thank you very
4 much for all those answers. Vice Chairman Johanson?

5 VICE CHAIRMAN JOHANSON: Thank you, Chairman
6 Williamson. Mr. Taylor, I'm sorry to have you speak
7 further. I know that your voice is tired, but you've been
8 -- you've done a very good job so far today, and the
9 information you've given has been very useful. So I'm going
10 to ask you one more question.

11 You spoke this morning on Titan's investments in
12 low sidewall tires, and this is obviously an important issue
13 to you. To the extent possibly today, and if you can't
14 discuss it today if you could put it in the post-hearing
15 brief, could you talk about how large a portion low sidewall
16 LSW tires are, how large a portion they are of Titan's
17 overall production?

18 MR. TAYLOR: I believe -- what's their total
19 volume? We're over 25 million today, and it's been growing
20 double digits every year, and we expect that to eventually
21 be the biggest driver, mainly because it sounds stupid and
22 we just -- Paul and I heard about it and ran down to
23 Missouri, what was going on.

24 A dealer, equipment dealer who was a big farmer,
25 which is the pictures are those. That was at his farm.

1 He's a grain dealer, he ended up getting six bushels of
2 soybeans extra just switching up the tires because it's
3 compaction, and he got five bushel extra of corn. When you
4 take that with someone with thousands of acres, he just got
5 his tires for free and they should last him four to five
6 years.

7 So we see, and that's why I'm going to South
8 America. He's got to take care of everything else now, but
9 I'm going to South America because I'm a little strange guy.
10 But I don't speak English as well as I should, let alone
11 Portugese. But they understand me down there and we're
12 running them, and we think we have big farms? A big farm in
13 America is 100,000 acres. There's only a few farms that
14 big.

15 You go to South America, they go up to a
16 million-three. So you just go see them and I'm going to
17 sell direct to him, tires, wheels and then the OEs can
18 figure out what's going on. But I think eventually it's
19 going to happen. It's happening -- you look at all your
20 aerial lifts out here. That's where a man's up on the top
21 up there fixing. You look at the tires, you'll see they're
22 real short.

23 Those are LSW tires, and they perform much
24 better. GD is big, all of them are big in it. So but it
25 takes time.

1 VICE CHAIRMAN JOHANSON: From what I recall, I
2 believe that the Respondents insinuated that one reason
3 Titan is having difficulties is due to insufficient sales of
4 LSW tires. Is that an accurate contention on their part,
5 and if you want to answer this post-hearing, you can do
6 that.

7 MR. TAYLOR: No. I don't have any problem
8 answering. No. That's increase in sales. That's not
9 decrease. We're still in the aftermarket. When your
10 factories are only running 30 percent of us, you know,
11 there's no problem making LSWs. That has no bearing
12 whatsoever. It's a good thing we're making them because
13 you see, we make a profit on those. Every one of those, the
14 wheel and the tire, we make them both.

15 We expect it to be double digit up this year too.
16 But that has no bearing. You still have to produce for all
17 the other equipment that's out there, and that's what we
18 have. So it's -- I don't know how to say it. If in one
19 pocket, you know, you found some money that you didn't know,
20 you put it in a suit coat or something, that's like the
21 LSWs. It's helping us survive and keep some employment.

22 VICE CHAIRMAN JOHANSON: Well thank you for your

23 ^^^^

24 MR. REITZ: We stated that publicly in our
25 announcements as well, the double-digit gains that Mr.

1 Taylor's referencing on LSW sales.

2 VICE CHAIRMAN JOHANSON: All right. Well, good
3 luck with that Mr. Taylor. Also, I hope you enjoy your time
4 in Brazil. It's a long flight down there, so I hope you get
5 over your cold before you get on that plane.

6 MR. TAYLOR: Down and back.

7 VICE CHAIRMAN JOHANSON: Okay, very good.
8 Respondents have made arguments about domestic supply
9 constraints, and they've listed instances in which sales of
10 subject imports have been made because they contend that
11 U.S. producers have been unable to or unwilling to supply
12 these products, and these contentions could be found in ATC
13 Brief at page 16, the BKT brief at page 10 and the Camso
14 brief at page 12. Could you all respond to these
15 contentions of the Respondents?

16 MR. STEWART: Yeah. We'll do that in the
17 post-hearing, Vice Chairman, if that's okay. Some of the
18 data is confidential, and obviously we haven't been able to
19 share most of the stuff with our client. But we'll go back
20 through the record and provide responses.

21 As I said before, most of the allegations go to,
22 that I recall, go to 2013, the beginning of 2013. That
23 wasn't the situation for Titan in 2013. So I can't speak
24 for other domestic producers in terms of whether, what kind
25 of issues they were having. It's also the case that there

1 was some discussion about private label. Private label is
2 an issue where there are some accounts that Titan does do
3 private label for.

4 So as you would know from all of the cases that
5 you see, companies often have distribution issues and they
6 may decide to do something for Customer A that they won't do
7 for Customer B, because Customer B may conflict with current
8 distribution plans that they may be satisfied with in a
9 given jurisdiction, or maybe an OE versus an aftermarket
10 issue.

11 But so some of the claims are facially not
12 correct. Others seem to be at the beginning of the period
13 and don't apply to our client. And so -- but we'll try to
14 respond more in the post-hearing.

15 MR. TAYLOR: If you notice, that's a Bobcat skid
16 steer. If you go look at a Caterpillar skid steer, you'll
17 see Cat-branded tires. They've been on there for well over
18 ten years, 15 years. We're the ones that make all the
19 Cat-branded tires.

20 VICE CHAIRMAN JOHANSON: Okay, very good. I
21 think I have just one question left. We've heard a fair
22 amount today about how labor intensive it is to produce off
23 the road tires. Do you all have any perspectives on the
24 economic advantages or disadvantages associated with the
25 manufacturer of OTR tires in India and Sri Lanka compared to

1 U.S. production costs? For a product that is so labor
2 intensive to manufacture, do subject imports have a
3 significant price advantage in terms of labor?

4 MR. TAYLOR: There is no question that they're
5 labor intense over there compared to here. But what
6 generally balances out and has for years is the fact that
7 it's a long ways to ship the product from there to here. It
8 comes by boat and it's very expensive. Airplane's really
9 expensive, and that basically makes up the differential
10 between our extra labor to theirs, and the same was true
11 with China.

12 But we have a tendency in this country from
13 business side to have to fight our own government, and with
14 all the regulation and every other thing in the world, where
15 that's not the same situation over there. So same if you go
16 to the Chinese plants. None of this product that you've got
17 coming into the U.S. is for the Indian market. It's the
18 same that's going on in Europe. Europe's in worse shape.
19 That's just my open handed honesty about it.

20 VICE CHAIRMAN JOHANSON: All right. My time is
21 about to expire. I would like to thank all of you for
22 appearing here today.

23 CHAIRMAN WILLIAMSON: Do any Commissioners have
24 any further questions? If Commissioners have no further
25 questions, does staff have any questions for this panel?

1 MS. HAINES: Elizabeth Haines. Staff has no
2 questions.

3 CHAIRMAN WILLIAMSON: Okay. Do Respondents have
4 any questions for this panel?

5 MR. EMERSON: No, we do not. Thank you sir.

6 MR. TAYLOR: Mr. Pinkert, is he sick?

7 CHAIRMAN WILLIAMSON: Yeah he's -- I'm actually
8 not sure why he's not here. Yeah, okay. He's not
9 participating in this case. Okay, fine. Well, I want to
10 thank the panel for your testimony. We appreciate very much
11 y'all coming today. It's now time for a lunch break, and we
12 will resume at 1:25, and I want to remind everybody that
13 this room is not secure, and so please take any business
14 proprietary or business confidential information that you
15 have with you. Thank you all and we'll now take a lunch
16 recess.

17 (Whereupon, a luncheon recess was taken to
18 reconvene that same day at 1:30 p.m.)

19
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25

1 OTR tires is not a singular market.

2 The market includes agricultural products,
3 construction products, mining products. Those products
4 operate in completely separate markets. You would never
5 use an agricultural tire on a mining piece of equipment.
6 Nor would an agricultural product react to the same
7 conditions of competition or market factors that a
8 construction or mining tire would.

9 Each of these sectors has different applications.
10 Each sector has different requirements, physical attributes,
11 different market characteristics, and demand variables. In
12 short, if you put all these tires together in one big
13 bundle, you are mistaking the market factors that affect
14 each of these markets separately. And that would be a
15 mistake, in our view.

16 One size tire does not fit all. In this market
17 you have giant tires. You have small tires. Each with
18 different price points. I would dare say that a big factor
19 the Commission needs to consider here is the mix of product
20 coming from a particular producer.

21 A producer that makes large tires predominantly
22 is going to be selling tires in the thousands of dollars per
23 tire. A company that makes more smaller tires is going to
24 be selling \$200 tires. There's a big difference. So be
25 careful about unit values that are aggregate without digging

1 in behind them as to what exactly that consists of.

2 One size does not fit all. The largest tire I've
3 ever seen is one of these big mining tires. They do it up
4 at the oil sands in Canada, if you've ever been up there.
5 But that just gives you another sense of the size range for
6 these tires.

7 And of course we have the OEM, original equipment
8 market, versus the aftermarket. And you can see on the left
9 side the original equipment. That's a John Deere Tractor
10 plant. And I dare say, I would ask the Commission a basic
11 question: Have you ever seen a brand-new John Deere Tractor
12 with anything but a Goodyear, Michelin, Bridgestone, or
13 Firestone tire on it? Those are the U.S. brands. That
14 makes a difference to the OEM network.

15 On the other side, you have the aftermarket.
16 That market is very different. Small suppliers, lots of
17 them. Distribution networks are critically important to
18 that equation. So you need to think about those differences
19 as you mull this over.

20 And again, this sort of sums it up. We have
21 several different sectors, agricultural, construction,
22 mining, and other such as airports--that's a separate
23 sector. We have the OEM and aftermarket for each of those
24 sectors.

25 We have brand tiers for each of those sectors.

1 And we have large versus small radial versus bias in each of
2 those sectors. In short, there is no unified theory or
3 market here. It needs to be broken apart, as Ms.
4 Schmidtlein indicated in her questions earlier this morning.
5 And we urge the Commission to undertake that analysis, and
6 we are happy to assist.

7 With that, I'm going to turn it over to Brian
8 Robinson, the Vice President of BKT USA.

9 STATEMENT OF BRIAN ROBINSON

10 MR. ROBINSON: Ladies and gentlemen of the
11 Commission, good afternoon. My name is Brian Robinson. I'm
12 Vice President of BKT USA, Incorporated, and we are the U.S.
13 marketing arm for Balkrishna Industries.

14 By way of background, I have more than 20 years
15 experience in all facets of the tire industry. I am very
16 familiar with the tire markets in the U.S., and the OTR
17 market in particular.

18 The OTR market is not simply a collection of
19 off-the-road tires. They are in fact many markets. We have
20 agricultural, mining, construction, industrial, and others.
21 Each market is different and reacts to different variables.

22 BKT is primarily focused on agriculture where the
23 demand for tractor tires is greatly affected by farm
24 incomes. In the mining sector, sales are affected by the
25 price of copper, iron ore, and other basic commodities. In

1 construction, demand is driven by construction trends.

2 These markets do not overlap.

3 Large tractor tires are very different from
4 10-inch mining tires, and prices range from \$20 to \$2000.
5 You cannot make general statements about demand, prices, or
6 market share in the OTR market.

7 Brand identity and the perception of making
8 high-quality tires are key in this market. We all strive to
9 have name recognition--the name recognition of top-tier
10 brands like Michelin, Bridgestone, and Goodyear. They
11 command a premium price because of their name, perceived
12 quality, and ability to source a large variety of products
13 quickly.

14 Based on my experience in the market, the
15 perception for Tier I, II, and III have not changed in the
16 last 10 years. The brand allows these producers to charge a
17 significant premium price in the market. U.S. producers
18 operate in multiple tiers.

19 In the United States, for example, Bridgestone
20 Tier I makes Firestone Tier II. Titan, which was a Tier II
21 brand, bought the naming rights for Goodyear so that they
22 could have Tier I status. Brand matters, and it does affect
23 price.

24 These companies will make essentially the same
25 tire at different price points. Brand perception has always

1 resulted in different pricing based on tier. But BKT has
2 just one brand, BKT. BKT India has sold OTR for the
3 U.S. market for many years, and has established itself as a
4 reliable, high-quality supplier in the agricultural
5 aftermarket. Over 90 percent of our sales are to the
6 aftermarket, and our adjustment rates are less than one-half
7 a percent.

8 But we compete for that replacement set of tires
9 that the farmers buy for their used tractors. In my
10 experience, U.S. farmers are generally pretty conservative
11 and gravitate toward U.S.-made name-brand tires for their
12 original equipment.

13 BKT competes on the basis of quality,
14 reliability, and depth and breadth of product. We sell
15 1,000 different skews of tires from an 8-inch industrial to
16 a 54-inch tractor tire. We make high-quality tires and have
17 invested heavily in developing brand recognition and strong
18 relationships for our primary customers, distributors, and
19 installers.

20 We do not sell a lot into the OE market because,
21 quite honestly, we lack some of the critical attributes. OE
22 buyers require just-in-time delivery, inventory
23 availability, price flexibility, and long-term contracts
24 tied to raw materials indexes. Most BKT tires are sold on
25 the basis of 120 days from order date, which is four months.

1 We do not offer any financing, and we do not carry
2 just-in-time deliveries domestically.

3 I understand that U.S. producers have had some
4 challenges the last few years. Farm economies are way down,
5 and farmers are economizing. They are not buying new
6 equipment, but they are buying replacement tires in the
7 aftermarket.

8 The drop in demand for new farm equipment is well
9 known and has had a far greater impact on companies like
10 Titan because they also rely heavily on the agricultural OE
11 tractor market.

12 Titan is a large wheel producer that decided to
13 get into the tire business. Its pursuit of the Goodyear
14 naming rights allowed them to secure a top position,
15 top-tier position in OE. While the perception is that Titan
16 operates predominantly in OE, it does sell tires in the
17 aftermarket. But that creates a challenge for them. Titan
18 has not focused on developing the aftermarket and is known
19 to ignore it when the OE market is good.

20 That does not make for strong dealer
21 relationships. And pricing the aftermarket is fundamentally
22 different than OE which is driven by long-term contracts and
23 volume discounts.

24 And then there is the issue of quality. Titan's
25 former CO should be commended for publicly acknowledging

1 quality issues which have affected customers' perceptions.

2 Finally, Titan's ongoing foray into the LSW tires
3 is particularly ill timed. The use of LSW technology
4 requires you to buy a Titan wheel and tire, and then you are
5 locked into Titan for any replacement tires. This is an
6 expensive choice, and in the current down-cycle farmers will
7 be hard-pressed to buy this technology.

8 BKT is a responsible participant in the U.S.
9 aftermarket. We sell on the basis of quality and
10 relationship built over several years. We have not reduced
11 our prices in the aftermarket. Indian imports are not the
12 problem in the United States market. U.S. producers, and
13 particularly Titan's, reliance on the OE market is in fact
14 the issue.

15 I would be happy to answer any questions, if you
16 have any.

17 STATEMENT OF DOMENIC MAZZOLA

18 MR. MAZZOLA: Good afternoon. My name is
19 Domenic Mazzola. I am Vice President of Engineering and OE
20 sales at Alliance Tire America, Inc. I am joined today by
21 my colleagues James Clark, President of ATA, and Bob Arnold,
22 Vice President of Aftermarket Sales at ATA.

23 Together we have over 60 years of experience in
24 the tire industry with a number of different tire producers.
25 ATA is the U.S. sales affiliate of the Alliance Tire Group

1 which manufactures OTR tires in Israel and India. The
2 Alliance Tire Group is a highly innovative company that
3 introduces more than 150 new tire products each year.

4 ATA itself employs over 100 people across the
5 United States, supports a large and diverse U.S. dealer
6 network, and acts as a valued partner to a number of global
7 OE manufacturers.

8 Alliance and its predecessor companies have been
9 a fixture in the U.S. OTR market for more than 80 years.
10 Brian Robinson of BKT has already discussed how the U.S. OTR
11 market is segmented on the basis of end use, on the basis of
12 quality and brand perception.

13 I fully agree with his comments, and I also agree
14 that these factors reduce the impact of any competition
15 between imports and sales by the U.S. industry. I would
16 like to focus my testimony on another, but just as critical,
17 manner of market segmentation. Specifically, the difference
18 between the OE market and the aftermarket, which Mr.
19 Robinson mentioned briefly in his testimony.

20 Historically, U.S. OTR producers have dominated
21 the OE market. While foreign producers, including Alliance,
22 have primarily focused their commercial efforts on the
23 aftermarket. Understanding how these market segments are
24 different is critical for the Commission to evaluate the
25 impact of imports from India and Sri Lanka on the U.S. OTR

1 industry.

2 While I am responsible for ATA's OE sales, I
3 would like to start by discussing ATA's sales activities in
4 the aftermarket. Since its inception, Alliance's U.S. sales
5 efforts have been focused on the aftermarket, and as a
6 result our U.S. business operations have been structured to
7 meet the demands of this segment.

8 A significant factor in our success has been our
9 ability to optimize our delivery capability. Since our
10 aftermarket customers cannot provide long-term forecasts of
11 their own customers' needs, demand in this segment is
12 somewhat unpredictable.

13 For that reason, we are obligated to maintain an
14 inventory and a distribution network in the United States so
15 that we can service our clients' needs efficiently.
16 Aftermarket customers also tend to buy in smaller shipment
17 quantities, meaning that we have to learn how to deliver
18 smaller lots, sometimes just one tire, in a cost-efficient
19 manner.

20 Being successful in the aftermarket also requires
21 us to have a broad marketing strategy. There are dozens of
22 major distributors and hundreds of dealers throughout the
23 United States. We have invested heavily in developing
24 relationships and brand recognition with this customer base,
25 and ultimately with their customers.

1 For example, we provide extensive product
2 training programs. We offer a best-in-class warranty. We
3 sponsor dealer conferences, concerts, and tractor pulls, and
4 we actively participate in industry events and trade shows,
5 all in order to raise awareness of our Alliance, Galaxy, and
6 Primex Brands.

7 Finally, ATA has developed and maintains a wide
8 range of programs to encourage aftermarket customers to
9 consolidate their purchases with us. While the tires we
10 sell to the OE market are physically identical to those we
11 sell in the aftermarket, the way in which they are sold is
12 substantially different.

13 First, the number of potential customers in the
14 OE market is far smaller, meaning that we can focus our
15 customer development activities on a smaller group of
16 companies.

17 Second, we are not required to engage in the same
18 type of marketing for OE sales as for sales in the
19 aftermarket, as OE manufacturers handle the marketing for
20 their own equipment and to their own end-use customers.

21 Where the level of involvement is more intense,
22 though, is with respect to product development and technical
23 issues. We frequently meet with OE customers to help them
24 better understand the technical and performance
25 specifications of our products, and we also work with

1 Alliance's own product development team to develop new tire
2 designs to satisfy our OE customers' demands for tires with
3 improved performance characteristics.

4 It is well known in the industry that
5 historically Titan has focused its efforts on the OE segment
6 of the U.S. OTR market, and has placed relatively less
7 emphasis on developing its sales network in the aftermarket.

8 The reason for this focus is because Titan's
9 business is uniquely structured to serve that market. Titan
10 began as a wheel producer and later added the capacity to
11 produce tires, which makes them the only major OTR producer
12 who can internally produce and sell a complete tire and
13 wheel assembly.

14 These assemblies are sold primarily to OE
15 manufacturers for direct installation on new equipment, and
16 sales of complete tire wheel assemblies typically result in
17 a higher margin to the producer.

18 This dependence on sales to OE manufacturers has
19 tightened significantly over the Commission's Period of
20 Investigation as demand in the OE segment of the market has
21 declined substantially over this time.

22 Sales by OE manufacturers are closely tied to the
23 performance in downstream markets and both the agricultural
24 and mining sectors have suffered a severe cyclical downturn
25 since 2013. It is therefore not surprising to anyone in the

1 OTR industry that Titan's sales have also declined, since
2 this is the market segment to which its commercial strategy
3 has been most closely tied.

4 I understand that Titan has argued it has
5 recently developed a strategy of trying to expand sales in
6 the aftermarket, but Titan cannot expect to see immediate
7 results. As I explained earlier, developing customer
8 relationships, product offerings, and brand recognition
9 relationships and recognition in the aftermarket takes an
10 investment of time and resources, and cannot be quickly
11 established to fill capacity when its bread-and-butter OE
12 share of sales has declined.

13 I would like to close my testimony with a comment
14 about the prices for tires during the Commission's POI and
15 their linkage to raw material costs. The vast majority of
16 the costs of any OTR tire consists of just a few raw
17 material inputs, and our own internal index of raw material
18 costs, which is in turn based on publicly available data,
19 dropped by nearly half since January 2013.

20 And just as these costs have declined, so too
21 have prices. What this means for us and other suppliers is
22 that during the POI our customers are in a strong position
23 to negotiate for price reductions.

24 Our OTR customers follow raw material prices
25 quite carefully, and they're not shy about approaching us

1 when input prices have gone down. In fact, prices in our
2 contracts with large OE manufacturers are explicitly tied to
3 raw material cost indices and are subject to periodic
4 revision.

5 We understand that these raw material indexed
6 prices are common in the industry and that Titan's contracts
7 are structured in a similar manner.

8 These price declines are not limited to sales in
9 the OE segment. Aftermarket purchasers are also well aware
10 of these raw material trends and they expect to see our
11 prices react accordingly.

12 For that reason, in my experience any decline in
13 the price of OTR tires over the past several years can be
14 directly tied to declines in raw material prices. What the
15 future holds for raw material costs is not clear, but there
16 are indications that raw material costs have hit the bottom
17 of their cycle and are already on the rise. If that is
18 true, we expect that OTR producers will be able to raise
19 prices in order to pass along these price increases.

20 I appreciate the opportunity to present this
21 testimony to you today, and my colleagues and I look forward
22 to your questions.

23 STATEMENT OF ERIC EMERSON

24 MR. EMERSON: Thank you, Domenic. I am still Eric
25 Emerson with Steptoe & Johnson and I'd like to talk to you a

1 little bit about how the impact--about the impact of market
2 segmentation on the volume and price effects that the
3 Commission needs to examine for this investigation.

4 As to volume effects, there's little question--
5 there's no question that there has been an overall increase
6 in the volume of subject imports during the POI. But given
7 the clear segmentation in the market, these overall trends
8 tell the Commission very little about true competition in
9 the marketplace.

10 In the final phase of this investigation, and at
11 the request of Respondents, the Commission staff collected
12 shipment data for sales in four industrial end-use
13 categories: agriculture, construction industrial, mining,
14 and other, each of which was then split by channel of
15 distribution: original equipment sales and aftermarket
16 sales, for a total of eight separate market segments.

17 The volume to shipment data collected by the
18 Commission demonstrate what Respondents argued in the
19 preliminary phase of this case. Namely, that the decline in
20 the U.S. industry's shipment volumes was almost entirely due
21 to a downturn in demand in the agricultural OE sector.

22 The downturn in demand in this one segment alone
23 accounted for the vast majority of the domestic industry's
24 total decline in shipment volume, and was the fundamental
25 cause of any injury experienced by the industry during the

1 POI, just as Titan itself has explained in numerous investor
2 calls and securities filings throughout the POI.

3 Compared to the volume of sales lost in this
4 segment, the volume of sales lost by the U.S. OTR industry
5 in the remaining segments is inconsequential. Moreover, any
6 meaningful volume growth by subject imports occurred in
7 segments that have been largely overlooked by Titan. And
8 the specific figures are confidential and are contained in
9 our brief.

10 We therefore urge the Commission to look beyond
11 the headlines and examine volume trends on a segmented
12 basis, just as it has in cases such as bottom mount
13 refrigerators from Korea and Mexico. If it does so, we
14 believe the Commission will find that imports did not
15 displace any meaningful quantity of U.S. shipments, and that
16 any decline in U.S. shipments was due almost entirely to
17 significantly decreased demand in that one sector.

18 Let me talk a little bit about price effects, as
19 well. Just as overall trends of import volumes tell the
20 Commission little about the real impact of subject imports
21 in the market, the overall summaries of the numbers of
22 quarters of underselling, or the size of the underselling
23 margins that were quoted extensively by the Petitioner this
24 morning, equally provide little insight into the real impact
25 of the price of subject merchandise in the U.S. market.

1 To understand that impact, the Commission must
2 engage in a much closer analysis.

3 First, we believe the Commission should reaffirm
4 its preliminary determination that subject imports did not
5 cause price depression or price suppression. In the
6 Preliminary Determination, the Commission found that any
7 price declines that occurred during the POI were not caused
8 by subject imports but were instead caused by declining raw
9 material costs which again in turn pulled down the price of
10 OTR tires.

11 That really hasn't been very much in dispute in
12 testimony so far. Questionnaire responses in this final
13 phase confirm this linkage, and Titan has offered no
14 rationale to explain how any U.S. OTR producer could have
15 raised its prices when all parties in the market understood
16 that manufacturing costs were substantially and
17 continuously declining. And this is a point that
18 Commissioner Schmidtlein was asking about this morning: How
19 could price increases have been pushed through when demand
20 was down and raw material costs were down?

21 Purchases also overwhelmingly indicated that
22 subject imports were not responsible for any of the domestic
23 industry's price decline.

24 The Commission should also reaffirm its
25 Preliminary Determination that imports did not cause price

1 suppression. In a market characterized by sharply falling
2 demand, as well as falling raw material costs, the
3 Commission preliminarily found no evidence that U.S.
4 producers could have pushed through any price increases.
5 And the fact that Titan may have experienced a cost-price
6 squeeze doesn't change this fundamental logical economic
7 conclusion.

8 Having thus determined that price--that the
9 subject import pricing did not adversely affect prices in
10 the market during the POI, the last point to consider is
11 whether the underselling seen during the POI caused the
12 domestic industry to lose sales volume. And to do that we
13 will look closely at the underselling data in the staff
14 report.

15 Now first off, as a preliminary matter, we note
16 that the price comparisons generated by the Commission staff
17 should be given relatively less weight in the Commission's
18 analysis.

19 First, the existence of brand tiers which were
20 talked about extensively this morning undermine the
21 significance of perceived underselling. Staff report noted
22 that prices between suppliers and different tiers can yield
23 price differences of up to 22 percent on otherwise identical
24 tires in the mind of the purchaser.

25 Second, because of the highly differentiated

1 nature of OTR tires, the underselling data collected by the
2 Commission cover only a small fraction of total imports and
3 total U.S. shipments during the POI. And for that reason,
4 there's less basis for the Commission to infer that these
5 price comparisons are indicative of overall market activity.

6 And finally, purchasers have consistently
7 reported that price is much less important in their
8 purchasing decisions than factors such as quality and
9 reliability. And on this point we very much joint issue
10 with the Petitioner's characterization of the price
11 sensitivity of purchasers in the prehearing report.

12 But leaving all that aside, even the levels of
13 underselling seen in the prehearing report do not support a
14 conclusion that imports caused the industry to lose sales
15 volume. As already explained, the domestic industry lost
16 sales volume not because of unfair import competition but
17 because demand declined.

18 But just as critically, the pricing data
19 themselves reflect no relationship between underselling and
20 a loss of import volume. The relationship between price
21 underselling and volume is discussed on pages 30 to 33 of
22 Alliance's brief. It's confidential, and it shows that
23 there is no logical relationship whatsoever between
24 underselling and any changes in volume for either the U.S.
25 producers or for subject imports.

1 itself over the POI, including a number of statements made
2 after they filed the Petition which brings us all here
3 today.

4 Looking at Titan's published financial
5 statements, I have no doubt that Titan is not happy with its
6 financial condition or the trend lines of its major
7 financial indicators. Alliance does not dispute that
8 Titan's financial performance likely has not been what they
9 wanted, though industry-wide there are some positive data
10 points and developments.

11 Titan's choice to file another petition against
12 imports, perhaps with the goal of further reducing imports,
13 is not illogical. That said, imports from India and Sri
14 Lanka are not the cause of what ails Titan, or the reason
15 for the state of their financial condition.

16 And we know this because Titan has told us year
17 after year, in quarterly report after quarterly report, in
18 earnings call after earnings call. For years, after filing
19 the Petition, and as recently as the third quarter of 2016,
20 Titan has told us exactly why it hasn't performed as well as
21 it had expected.

22 Titan has consistently and squarely blamed its
23 deteriorating financial position on factors other than
24 imports. Specifically, the decline in demand for its most
25 important products. Our prehearing brief on pages 37 to 38,

1 and Exhibits 4, 5, and 6, provide numerous examples of Titan
2 identifying a decline in demand is the reason its sales and
3 volumes and revenues were flat or down.

4 I will highlight just a few of these. You will
5 see them on the board now, and I will also address some
6 other recent statements.

7 If you look at the top example there
8 (indicating), I'll read just part of it: Ag was a key
9 driver in our sales decline. At a gross level, North
10 American ag represents this entire decline of \$30 million.
11 Nearly three-quarters of North American ag decline is driven
12 by OES as they continue to scale back production
13 commensurate I assume with the lower demand. As a result,
14 they--meaning the OES--are putting more pressure on
15 suppliers like us to lower price.

16 That came from the CFO. That was done in May of
17 2016. Similarly, the second example up there, the CEO says:
18 Continued weakness within each of our end markets, and
19 discusses that it's in a cyclical downturn.

20 In their 2015 Q-4 earnings call, the third
21 example, from their CFO, the second bullet point: Ag
22 continues to be the key driver in our sales decline. Ag in
23 total is down \$208 million. If you look at the import value
24 we're discussing here, that decline in ag is strongly close
25 to that. \$177 million of that is driven by reductions

1 associated with our OE customers.

2 Finally, the 2014 example, their CEO says: The
3 drop in demand for large agricultural equipment had a
4 significant impact on our business. In addition, regarding
5 some pricing as Mr. Emerson was talking about, raw material
6 prices continue to fall and price reductions were passed on
7 to customers.

8 When you look at this, on their face and in a
9 vacuum these statements are highly relevant to ascertaining
10 the cause of any injury to the Petitioner. But what makes
11 these statements even more instructive is that these are the
12 only statements outside of the context of this very
13 litigation that Titan ever made on it.

14 Commissioner Broadbent, I believe you asked
15 about--you asked counsel for Petitioners, did you say
16 anything else? And was I correct in what I said here? And
17 they cited the third and fourth quarter of 2015. Well if
18 you look at pages 40 and 41 of our brief, I include those
19 quotes for the fourth quarter of 2015, as well as Q-1 2016
20 report.

21 I will note, however, that even the Q-4 2015 just
22 acknowledging the litigation, that statement was actually
23 issued in February of 2016 after the Petition was filed.

24 And in response to the question, I looked up what
25 they said because it was consistent in their Q-3 2015

1 statement, and we'd be happy to put this in our
2 post-hearing, but I'll read you a quote. This is from their
3 CEO:

4 But we should know pretty close between now and
5 the end of the year--clearly contemplating filing the
6 Petition, which they must have been drafting by November 6
7 when this was issued--our success in reference to adding the
8 duty. When you get a political campaign going in the Obama
9 Administration, it's going to be difficult for anyone to
10 feel sorry for the Chinese or the Indians as they're
11 subsidizing with the damn things.

12 Again, this is from their Q-3 report, not my
13 words. So I think our timing is real good, and the results
14 will be good.;

15 For these reasons, Alliance respectfully suggests
16 that the Commission place far more weight on Titan's three
17 years of consistent statements on what has impacted its
18 financial condition, rather than the narrative it has
19 proposed in its Petition and told to you this morning.

20 Alliance actually agrees with Titan's statements
21 in that regard as to why its financial condition worsened
22 over the POI. The decline in demand for Titan's key
23 sectors, OEM, ag, and mining. The lost volume due to a
24 declining market no doubt dramatically impacted their
25 financial data. The vast majority of sales volume lost by

1 U.S. producers was due in fact to exactly what Titan has
2 told it was due to: Overall changes in demand, and not an
3 increase in subject imports.

4 It was explained by Mr. Mazzola and Mr. Emerson,
5 and you will hear from others this afternoon. The
6 overwhelming majority of the decline in U.S. producers' net
7 sales volume was unrelated to subject imports.

8 For these reasons, increase in domestic
9 producers' unit cost and consequent decline in profitability
10 cannot be attributed to subject imports. To understand this
11 better--and I will walk carefully because this is
12 essentially all APO information, so I've sanitized it--we
13 through our counsel calculated the estimated impact of the
14 reduced demand on domestic OTR producers.

15 If you look at pages 42 to 46 of our prehearing
16 brief in Exhibit 10, we set this out. And I will try to
17 summarize it. And all of this data comes from data in the
18 staff report.

19 Alliance estimated the impact of the decline in
20 demand and prepared an estimate of that impact--sorry, the
21 impact of that decline on U.S. producers' operating margins.
22 Alliance identified how the decline in net sales volume
23 further impact labor on a factory cost and SGNA.

24 We specifically described that methodology and
25 provided the confidential data supporting our findings in

1 our exhibit, but I will note that the financial data comes
2 from Table VII-1 and the volume declines not due to subject
3 imports comes from Table III-6, as well as D-1, D-4, and
4 Purchaser Questionnaires.

5 Essentially, though, when you look at that you
6 will see a very different and much improved picture of the
7 profitability of the domestic industry when the decline in
8 demand is taken into account.

9 U.S. producers' injury is due almost entirely to
10 market conditions, and specifically the decline in demand
11 that Titan has so often described, not subject imports.

12 Thank you for your time today, and I look forward
13 to answering your questions.

14 MR. O'BRIEN: Good afternoon, Chairman
15 Williamson and Commissioners. My name is Kevin O'Brien.
16 I'm with Baker & McKenzie and we represent Camso USA and
17 Camso Loadstart, Ltd. of Sri Lanka. To my left is Mr.
18 Robert Bulger, the Vice President and General Manager of
19 Camso USA. To my immediate right is Thomas Van Ormer, the
20 Director Purchasing of East Bay Tire Company. To Mr. Van
21 Ormer's right is my colleague, Christine Streatfeild from
22 Baker & McKenzie on my fair right is Catherine Conides, the
23 Vice President of Legal Affairs and General Counsel for
24 Camso, Inc. So we'll now hear from Mr. Robert Bulger and
25 then from Tom Van Ormer.

1 STATEMENT OF ROBERT BULGER

2 MR. BULGER: Alright, thank you.

3 Mr. Chairman, Commissioners, and Commission
4 staff, good afternoon. My name is Bob Bulger and I am the
5 Vice President and General Manager of Camso USA, which is a
6 division of Camso.

7 When I testified in this case early last year, I
8 was the Vice President and General Manager of the
9 Construction Business Unit. Since then, I've taken on a new
10 role at Camso. I'm still based out of our Charlotte, North
11 Carolina location, which is one of eight locations in the
12 United States where Camso employs 700 employees.

13 We are here today to reaffirm our view that
14 Camso does not compete with the U.S. producers in a
15 meaningful way when considering the size of the U.S. OTR
16 market. The Commission has collected import quantity and
17 pricing data that we believe should show differences in what
18 we sell to our U.S. customers and how U.S. pricing is skew
19 specific. We stressed during the preliminary conference
20 that the U.S. OTR market was segmented and there's little
21 overlap between Camso's Sri Lankan imports and Titan's
22 products.

23 Camso sells into a small slice of a sub-segment
24 of the U.S. market; namely, bias ply compact construction
25 tires of a specific weight range less than 25 inches in

1 diameter predominately into the after market. With a
2 correct focus on these sales, it is difficult to conclude
3 that we have significantly contributed to Titan's financial
4 woes. Moreover, our overall exports to the U.S. have not
5 increased during the past few years. In fact, the opposite
6 is the case, underscoring that we have a limited and
7 focused U.S. customer base and we do not compete on price.

8 Camso is not a low-price leader. We have
9 submitted information about our customer support offering in
10 the preliminary phase of this investigation. We have
11 focused on the compact construction after market for years
12 and concentrated our efforts on establishing relationships,
13 providing excellent service and quality products, and
14 support to our dealer network.

15 In limited instances of direct competition with
16 the U.S. producers, we expect the results to be mixed where
17 Camso is sometimes the more expensive tire and sometimes
18 not. I would stress that there is a high degree of
19 differentiation in this market. If the Commission is
20 comparing products with different ply ratings, different
21 tread patterns, or noticeably different weights, then they
22 are not likely to be looking at an apples-to-apples price
23 comparison in those situations.

24 Further, we continue to believe this case should
25 not be about Sri Lanka. The Petitioners filed this case

1 claiming an injury from imports from three different
2 countries, two of which involve dumping and subsidies. It
3 did not allege that Sri Lankan imports were dumped. Now
4 after a year of investigation, a minimum subsidy margin has
5 been found for Sri Lanka based largely on programs that have
6 since been discontinued. The large and well
7 differentiated U.S. market it is difficult to see where
8 declining volumes of Sri Lankan imports fit into any
9 allegations of material injury to U.S. producers.

10 Camso Sri Lankan imports do not generally
11 compete in the market segments that Titan and other U.S.
12 producers focus on. Camso Imports, which represent the
13 large majority of Sri Lankan imports, are sold in the after
14 market compact construction sector. You have seen the split
15 between the OE in the after market and within those markets
16 we have identified three sectors: agriculture,
17 construction, and mining.

18 Camso does not compete in agriculture or mining.
19 Now throw in two distinct build technologies, radial and
20 bias. Again, Camso only competes with bias tires. We do
21 not have a radial tire line. So of the 12 segments, if you
22 look at it in that manner, Camso competes with Titan in one
23 of them, construction tires less than 25 inch of bias
24 construction.

25 Now just to clarify, a point was made earlier

1 this morning about an ability to shift focus if one sector
2 is down. Well, clearly, with the constraint that we have in
3 construction tires less than 25 inch, bias construction
4 only, we have no ability to shift our production to Ag or
5 mining if those sectors were performing at a higher level.
6 So within this narrow sub-segment of the U.S. market, our
7 customers come to us for specific reasons unrelated to price
8 and we're going to give a couple of examples.

9 For example, a large quantity of our sales are
10 to Blackstone OTR. Blackstone buys small construction lift
11 tires known as AWP, Aerial Work Platform, tires from us and
12 they are entirely private label tires. We have heard Titan
13 does offer private label production to OEs, but they do not
14 offer private label production to after market, to the best
15 of my knowledge.

16 Another key customer of ours is here with us
17 today, Tom Van Ormer from East Bay Tire, and Tom will
18 explain how we fill an important gap left by the U.S.
19 producers. So there are two important points about the lack
20 of head-to-head competition. First, the customer mix is
21 different in this portion of the market and this is a sector
22 in which Titan has not blamed its injury and is not Titan's
23 primary market.

24 All things being considered, the construction
25 segment is relatively stable and healthy. To quote from

1 Titan's latest 10-Q filing, "The Company's earth-moving
2 construction market net sales were \$128.9 million for the
3 quarter ending September 30, 2016, in increase of 3
4 percent." The company's earth-moving construction market
5 income from operations was 4.4 million for the nine months
6 ending September 30, 2016 as compared to 1.8 million in
7 2015, representing more than a doubling in segment
8 profitability. This does not appear to be indicative of
9 lowering prices to unsustainable levels as was alluded to
10 this morning.

11 Second, the demand needs of the private label
12 customers haven't been met by the U.S. producers. We're not
13 competing with them for these sales because they're either
14 not at these customers or not willing to sell them the same
15 product we are.

16 I'd also at this point like just make a couple
17 points of clarification on some of the things that were
18 brought up this morning. There was a slide that talked
19 about a new series of construction tires. Yes, we are
20 updating our construction tire line. It is a replacement of
21 an older technology line with newer technology, new tread
22 patterns, new chemistry. This is something that happens
23 periodically as tires goes through a life cycle like any
24 other product does.

25 There was a comment that we are expanding our

1 distribution network. This is not the case. What we have
2 done is we've split the company, Camso, into a wholesale
3 operation and a service operation, which we call SOS,
4 Solideal Onsite Service. The SOS operation services end
5 users directly with material handling tires. Material
6 handling tires are not part of this investigation.

7 It was also mentioned FedEx in terms of a
8 national account. Again, we do have a number of national
9 accounts and Federal Express is one of them, again, with
10 material handling tires. We are the industry leader in the
11 material handling market supplying service and tires to
12 forklift companies and customers who utilize forklifts,
13 again, not pertinent to this current investigation.

14 Finally, in the Petitioners' pre-hearing brief,
15 they made a comment about Camso receiving an OE award from
16 Toyota. Again, Toyota Material Handling gave us an award,
17 which we're very proud of, but it relates to our material
18 handling business and is not pertinent to this discussion.

19 Another related point is the OE market and the
20 after market operates quite differently. In the OE market,
21 you might see customers like John Deere and Caterpillar and
22 other very large corporations that buy in very large
23 volumes. Some of these are likely Titan's main customers.
24 In contrast, the largest customers in the after market are
25 normally distributors and tire dealers handling much smaller

1 volumes, but a much greater spectrum and number of skews.

2 We also continue to believe that the Commission
3 should look closely at the raw material cost trends during
4 the investigation period. Both synthetic and natural rubber
5 prices declined and these declines put downward pressure on
6 the price of tires. Our pricing, and I would believe
7 Titan's as well, relates to raw material costs for all
8 components -- rubber, carbon, nylon, and steel. In other
9 words, imports have not been driving down the U.S. prices;
10 declining raw material costs have.

11 The Commission may have also seen that contracts
12 often have raw material index pricing clauses, particularly,
13 with OE customers. This is clearly the case for Camso.
14 Through these, the supplier and purchaser agree upon a
15 formula that gets reviewed periodically. In Camso's case,
16 it's every six months. If the index goes up, then so does
17 the price. If the index comes down, then so does the price.

18 My final point is with respect to the
19 allegations made by the U.S. industry in general. Camso has
20 endeavored to establish itself as a loyal, reliable partner
21 with its after market customers and the success we've
22 experienced with them is grounded in much more than pricing.
23 Titan is perceived first and foremost as an OE supplier
24 where the products and competitive considerations are quite
25 different. The after market customer base knows this and

1 has experienced a lack of priority given to the after market
2 by Titan.

3 As a testimony of the next witness will make
4 clear, a significant portion of Camso's business is with
5 customers that have had poor experiences with domestic
6 suppliers, whether it is private label business, limited
7 product availability, or other reasons after market
8 customers have repeatedly expressed dissatisfaction with
9 U.S. suppliers.

10 Camso's success is due to sound business
11 practices, excellent product, and a high level of customer
12 services, not due to price.

13 Thank you for the opportunity to present my
14 testimony and I'm also happy to take any questions.

15 STATEMENT OF THOMAS VAN ORMER

16 MR. VAN ORMER: Good afternoon, Mr. Chairman and
17 Commissioners. My name is Tom Van Ormer. I'm the Director
18 of Purchasing for East Bay Tire Company, which is located in
19 Fairfield, California. I appreciate the opportunity to
20 speak today in opposition to Titan's petition.

21 East Bay Tire is a San Francisco area
22 family-owned business that was started in 1946. East Bay is
23 primarily a distributor of OTR tires for commercial,
24 industrial, and agricultural after market applications; but
25 I make the point that we are a wholesaler and a commercial

1 tire dealer as well. We do put tires on. We have service
2 trucks, et cetera, that go to site or on our own pad. We
3 have 150 plus employees in California, Hawaii, and Arizona.
4 We sell virtually all major brand products from most of the
5 major suppliers to the U.S. market and about 50 percent of
6 our own sales are under our own Dog Pound private label
7 tire.

8 I've worked in the wholesale and commercial tire
9 business since 1976, all with my present employer East Bay
10 Tire. I've held positions as salesman, sales manager,
11 international sales manager, and my current position as
12 director of purchasing for over 10 years and serve on our
13 company's board of directors. During college I even worked
14 in the tire business at the tire plant in Cumberland,
15 Maryland.

16 I've dealt with all the major U.S. suppliers as
17 well as most of the largest non-U.S. based manufacturers and
18 have bought and sold tires worldwide. EBT, I think, is a
19 dealer in good standing with Titan still, I hope, after
20 today with whom EBT values our relationship of over 20 years
21 and over 50 years dating all the way back to the Pirelli
22 Armstrong days and the factories that they purchased, Good
23 year, et cetera.

24 Also with Camso, the Alliance Tire Group here,
25 ATG and BKT as well as Michelin, all four divisions,

1 Bridgestone, Firestone, Goodyear, Continental, General,
2 Yokohama, Toyota, and the newly formed Trelleborg Mitas, to
3 name a few.

4 I understand that East Bay Tire is one of the
5 largest U.S. customers for Camso, which I am always glad to
6 hear. The large majority of Camso's tires sold to East Bay
7 carry the Dog Pound brand name and are sold under or
8 trademark private label. Our website Dog Pound Tires.com
9 has a great deal of information on these tires if you're
10 interested.

11 East Bay has been selling under the Dog Pound
12 label since 1994; however, from its inception and
13 particularly the past 10 years, we've had difficulty
14 obtaining production from U.S. producers. Denman Tire and
15 Rubber Company, which closed in 2010, produced tires for Dog
16 Pound for eight years. But after they closed, selling their
17 assets to Titan, we've repeatedly asked Titan and other U.S.
18 suppliers to partner with East Bay for supply of at least
19 some of these tires that we sell. There's been no interest
20 shown, particularly by Titan, to our proposals regarding
21 private label and we understand it.

22 No discussions regarding price volume or other
23 terms have taken place for many years regarding our private
24 label product lines. Instead, Titan has been unwilling to
25 even address our proposal for at least the past five years.

1 Faced with this, East Bay or Dog Pound has had no choice but
2 to source from non-U.S. suppliers. Fortunately, East Bay
3 has found in Camso a loyal partner for our construction and
4 Skid-Steer tire lines. We greatly value superior loyalty,
5 supplier loyalty, and service and over the years we've
6 forged a strong relationship with Camso built on this
7 quality and service.

8 Our experience with the unwilling U.S. suppliers
9 could not be more different. And it's not just Titan, as
10 our proposal for a private brand supplier has also been
11 rebuffed by Bridgestone and Firestone, STA, which is
12 Specialty Tires of America, and Goodyear prior to their Ag
13 industrial sale and with small exceptions Carlstar. In
14 reality, there is not enough interest to produce these types
15 of products available in the U.S. It is not just a question
16 of price.

17 The next area I would like to address is after
18 market competition. You've already heard about the high
19 degree of differentiation in OTRs, which I fully agree with.
20 From my viewpoint in the market, customers such as East Bay
21 Tire value reliability, availability, and consistent quality
22 at least as much as price. Other factors that must be
23 present are reasonable delivery times and after sales
24 services, such warranty and returns provisions. To say that
25 price alone drives or controls decision-making would not be

1 accurate.

2 As a further point regarding pricing, some
3 suppliers, like Camso, price their product with very few
4 additional programs, other than warranty and return, so the
5 invoice price, in general, is quite close to the actual or
6 final net price. Others like Titan have a complex web of
7 discounts, rebates, allowances, offsets, customer-specific
8 reductions, prepaid expenses, and promotional programs that
9 seem to impact virtually every purchase. To actually
10 compare prices on a net/net basis, one would need to do an
11 extensive analysis of all programs, including year-end
12 adjustments and not just look at the invoice price to the
13 customer.

14 My experience is that if such analysis were
15 conducted Camso and Titan's pricing would show a mix bag
16 across the Skid-Steer line, with Camso sometimes higher than
17 Titan and sometimes lower, but for the reasons I stated
18 above, comparative pricing between Camso and Titan is not
19 something I look at because of the greater importance of
20 other factors that I've already covered.

21 And as to the other suppliers in the after
22 market, I can state with confidence that the low pricers
23 that we see in the market are not in this room today.
24 They're from China and still are from China and we get
25 offers from them every single day and are selling into the

1 U.S. at increasing volumes and few restrictions as to tread
2 patterns, copies, quality, compounding, et cetera. Indeed,
3 if all I wanted was the lowest price, I would not be doing
4 business with any of these companies in this room.

5 That completes my statement. I would be glad to
6 answer any questions that you might have.

7 MR. GURLEY: Good afternoon. My name is John
8 Gurley of Arent Fox representing BKT.

9 We have heard this afternoon why the U.S.
10 industry is not injured by reason of subject imports. We
11 will hear now from Mr. B.K. Bansal of BKT. Mr. Bansal has
12 come all the way from very warm Mumbai to very chilly D.C.
13 to provide some context on development in the Indian market
14 as well as third markets. His comments go to the heart of
15 Petitioners' threat analysis and help demonstrate that
16 imports from India are no threat to the U.S. industry. Mr.
17 Bansal.

18 STATEMENT OF B. K. BANSAL

19 MR. BANSAL: Good afternoon, Chairman,
20 Commission, ladies and gentleman. My name is B. K. Bansal.
21 I'm the CFO of Balkrishna Industries Ltd. I have worked
22 with BKT for over 12 years. BKT is a 30-year-old company
23 and has customers around the world. In fact, BKT sells OTR
24 tires to customers in 130 countries.

25 I want to talk today about the market situation

1 in India and third countries. As you saw from the legal
2 brief we filed, BKT has substantial export markets,
3 including key countries in Europe and Asia. In fact, the
4 stock report confirms that almost 88 percent of India
5 exports were sold to markets other than the U.S. This is
6 consistent with BKT's own experience. Our most important
7 market is European Union. Indeed, exports to European
8 Union accounts for over 55 percent of BKT's total exports.

9 We have heard today that there has been a
10 downturn in the OEM markets in the U.S. To some extent,
11 that has been true in Europe for certain sectors; however,
12 India's and BKT's exports to Europe have actually increased
13 during the last one to two years. BKT's exports to Asia
14 have also grown over the past year and we expect this to
15 trend to continue. We already have a strong relationship in
16 key countries such as Philippines, Vietnam, and Indonesia.
17 As these countries continue to invest infrastructure and
18 full production, we expect that demand for our OTR tires
19 will increase.

20 I also want to say a few words about the Indian
21 home market for OTR. Indian is one of the fastest
22 developing markets in the world. For the last three years,
23 its GDP has increased by an average of 6 percent. We
24 believe GDP will increase by 7 percent over the next two,
25 three years. With a population of over 1.2 billion this

1 kind of growth makes the Indian market increasingly
2 attractive.

3 BKT sales in the home market have increased over
4 35 percent in last year. We expect that trend to continue.
5 In fact, with this year's heavy and widespread monsoon rains
6 and an increasing infrastructure and construction projects
7 sales of OTR tires in India are projected to increase over
8 15 percent in 2017. This will help all Indian producers of
9 OTRs.

10 Petitioners mentioned that there some new
11 capacity in India. It is correct that BKT built a new
12 facility about 18 months ago. Some other Indian companies
13 have also increased capacity; however, such increases are
14 understandable. We made the decision to build the Bhuj
15 plant in 2010 when there was a significant shortage of
16 capacity globally and because we wanted to manufacture
17 higher grade, larger tires for which the older plants did
18 not have capacity BKT's new Bhuj plant was built for
19 specific reasons that go beyond the U.S. market. The Bhuj
20 plant has been opened since 2015; however, BKT's exports to
21 United States have actually declined since we opened this
22 new plant.

23 We firmly believe that because of the growth in
24 Indian home market and our exports to key markets in Europe,
25 Asia, and Africa that the vast majority of our new capacity

1 will be used on sales in those markets. As stated in the
2 public staff report, capacity utilization for Indian
3 products is around 80 percent. Given the nature of OTRs
4 where there are thousands of SKU, this is a high amount.
5 Our industry is not like the steel industry. The many
6 variants of OTR tires require BKT and other Indian producers
7 to change molds and other equipment on a constant basis.
8 This factor limits the effective actual products and
9 capacity of BKT and other Indian producers.

10 As we have heard today, the demand for OTR in
11 the United States has changed in last two, three years and
12 BKT has adjusted its commercial practices accordingly. In
13 reaction to changing market condition in the United States,
14 BKT pulled back in the United States because the U.S. market
15 could not support additional sales. As a result, BKT
16 shipments to the United States have declined as much as 50
17 percent from 2012. This trend started well before the
18 petition was filed and was the result of precisely decline
19 and demand.

20 We do not want to imply today that the U.S.
21 market is unimportant to us; however, U.S. sales for BKT was
22 a clear minority of total sales and we think for most
23 exporters in India this is the same situation.

24 Thank you for allowing me the opportunity to
25 speak today and I look forward to any questions you might

1 have.

2 STATEMENT OF KEVIN O'BRIEN

3 MR. O'BRIEN: Mr. Chairman, in the few minutes
4 remaining, I'd like to just briefly address the issue of
5 cumulation. This is Kevin O'Brien from Baker and McKenzie.
6 The staff report in the final phase of this investigation
7 was much more detailed and specific in the data that it was
8 able to obtain, and for that we very much thank the staff
9 for doing an excellent job.

10 When the Commission looks at that data, what it
11 will see in particular are the myriad sub- and sub-sub
12 segments of the market, of which you've heard quite a bit
13 this afternoon. Camso, which is the overwhelming producer
14 and exporter from Sri Lanka, occupies essentially one of
15 those sub-sub segments, aftermarket, small-sized, bias ply,
16 construction.

17 Now within that market, you've heard a very
18 large percentage of Camso's sales are private label. The
19 data is in the confidential submissions and the staff
20 report. But when you take OTR Blackstone, which is a
21 private label customer, and you take East Bay, which is a
22 private label customer, it is quite clear Titan is not even
23 trying to get that business.

24 You take those sales, in our view, completely
25 off the table, and they are a considerable amount of the

1 sales. You then look at sales that Titan does make of its
2 LSW tire, and those are absolutely unique products. There
3 is no competition from Camso or anybody else for those
4 sales. So when you start to look at the subsection that we
5 actually operate in, it is tiny compared to the OTR market.
6 Then when you do look at whatever else is remaining, you
7 have the testimony East Bay Mr. Van Ormer and the Commission
8 record, which shows that issues like customer loyalty and
9 reliability and quality are all involved.

10 So there is no, in our view, reasonable way to
11 conclude that there is price to price competition between
12 either Camso and Titan or Camso and the Indian producers,
13 because essentially the same facts apply. The other point
14 that I will mention is that as the staff report notes, the
15 sales from Camso and from Sri Lanka are declining.

16 The notion that we are causing injury is simply
17 at odds with our sales volumes and with our market share
18 volumes. So that speaks to the different channels of trade
19 and the different segments in which we operate, and we
20 believe speaks quite clearly to the fact that Sri Lanka
21 imports should not be cumulated with Indian imports. Thank
22 you very much. That completes my testimony.

23 MR. NOLAN: I think we're out of time.

24 MR. BISHOP: You have 30 seconds remaining.

25 MR. NOLAN: I think we'll let the question and

1 answer start. Thank you very much.

2 CHAIRMAN WILLIAMSON: Thank you. I want to
3 thank all of the participants in this afternoon's panel,
4 particularly those who have traveled from very far away to
5 come today. We very much appreciate having your testimony.
6 This afternoon, we'll begin the questioning with
7 Commissioner Kieff.

8 COMMISSIONER KIEFF: Thank you very much, and as
9 I mentioned to some of you during the break. I have to
10 leave in a few moments, and I, like my colleagues, greatly
11 appreciate Everyone coming and presenting, as well as
12 following up in the post-hearing. So I want to ask the flip
13 side of my rubber hits the road question from the morning.

14 So as I understand the arguments for negative,
15 they basically boil down to gosh, there are many segments
16 and there are some real differences, and you and your
17 opponents are not meeting each other in the exact same
18 segments in a way where if you were absent, they would be
19 getting more. I get that. That's fine. It seems to me
20 given the combinations of the attributes evidenced on this
21 slide presently up, there's some quick math we can do.

22 There's a decent number of pair-ups we have to
23 explore. That's a lot, and instead of having conversation
24 about the many where there isn't a match, I would like to
25 instead ask this question where there might be a match. So

1 on page 4-15 of the staff report, which is Table 4-5, I see
2 some numbers. It's BPI so I won't give specifics.

3 But I would invite both sides to glance at this
4 page and then explain. It seems to me for the negative case
5 to win, the following has to be shown. Number one, the
6 horizontal columns where there are more than trivial numbers
7 that show the presence of both imports and domestic, so
8 there is in effect a match-up, that in those areas there's
9 some concrete reason why the domestics are already in effect
10 at their max, that they could not do more.

11 Because it seems to me their argument is they
12 want to do more, they can do more, and they are present in
13 these horizontal rows in the chart where you are present,
14 and therefore you're hurting them. Now there are all sorts
15 of interesting questions about, you know, all of the other
16 stuff. But just on this, just this kind of prima facie
17 match-up, isn't that in effect where the rubber hits the
18 road to get to a negative?

19 MR. NOLAN: I'll start us off. It's Matt Nolan
20 for BKT and I'm sure Eric will weigh in on this too. For
21 starters, that is part of the equation. That is not, in our
22 view, all the equation for the simple reason that the
23 pricing patterns that you have is not really highly
24 representative -- because it's so many SKUs it's hard to get
25 a good example with a small number of tires.

1 However, I would point you to a couple of things
2 when you're looking at those pricing series charts. One,
3 look at what happens when only the U.S. petitioners are in a
4 market, and what happens to pricing and what happens -- what
5 happens through the market in that situation, where there's
6 no import competition?

7 COMMISSIONER KIEFF: I mean I get that.

8 MR. NOLAN: Yeah.

9 COMMISSIONER KIEFF: I'm just trying to confess
10 my legal problem with what you're arguing. In other words,
11 I'm not factually disputing your argument. I love economic
12 analysis of data. I mean to suggest that as I understand
13 our precedent, there have been -- there seems to be law that
14 either guides us or compels us to reach an affirmative in a
15 case where there is this kind of head to head competition
16 shown on chart page 4-5, if I'm reading the chart right,
17 that as long as that volume effect is present and there's a
18 colorable overall impact effect, that even if the pricing
19 effect didn't quite line up, we'd still be probably
20 compelled to go affirmative.

21 MR. NOLAN: I guess part of my -- I mean I
22 confess I can't look at the chart because I have witnesses
23 right next to me.

24 COMMISSIONER KIEFF: That's fine. No, no, no,
25 that's all right, and again I'm not trying to --

1 (Simultaneous speaking.)

2 MR. NOLAN: You put your finger -- but you put a
3 finger on a piece of this equation in the last statement,
4 volume. This case really comes down to all about volume,
5 what happened to volume, right? The U.S. says they lost
6 volume. They lost sales. For starters, if you look at
7 Titan's financials, just their financials without looking at
8 any BPI, the degree to which they lost sales far outweighs
9 any increase in imports during the POI, that it's almost
10 incredible to suggest that that could be a contributor to
11 injury.

12 For you to find that the volume effect was
13 really substantial, you have to find that that volume had an
14 impact, the import volumes had an impact, a material impact.

15 COMMISSIONER KIEFF: I really -- I'll go back
16 and I'll rethink the way I asked the question, and I really
17 invite you to tell me in writing later why it's a bad
18 question, because I'm totally open to that. But as I
19 understand the law and I get that stuff wrong too a lot, so
20 I have no problem with you telling me why I got that wrong.

21 But as I understand it, the law may require us
22 to merely ask not the questions you're rebutting, but a
23 different question. The different question is not -- I mean
24 you're putting out that there are lots of segments where
25 what you're saying is right, and what I'm saying back to you

1 is let's assume, as I did with the morning panel, that on
2 these arguments you're totally right.

3 Couldn't they still win, unfortunately for you,
4 if and unless you can explain why either in the few -- in
5 the couple of -- in the couple of horizontal rows where your
6 product and their product are both present, there's some
7 concrete reason why the number for their product could not
8 be larger? Now I understand that's an alternative state of
9 the world. We're not living in that state of the world, and
10 we're going to -- both sides are in effect are going to have
11 to ask us to make inferences about that alternative state of
12 the world.

13 But what I'm trying to figure out is is there
14 something in the record that should make us really
15 comfortable that either your absence would lead to better
16 performance by them, or would not lead to better performance
17 by them? So for example, are there particular ties between
18 the folks who are buying from you and you that means they
19 wouldn't switch to them? They might switch to non-subject
20 or they might do something else. They might roll their own,
21 whatever.

22 I'm trying to figure out, because I think
23 that's, I think at least as I understood the answers to my
24 questions in the morning, they would be happy winning on
25 that thread alone.

1 MR. EMERSON: This is Eric Emerson. Again, I
2 also can't look at the confidential table; otherwise, I
3 would go to APO jail. But I guess there are -- there is I
4 think also an issue of materiality as well.

5 COMMISSIONER KIEFF: Okay, all right.

6 MR. EMERSON: I don't think it's necessarily
7 fair to say that a Petitioner wins if it is demonstrated
8 that imports sold any product in the marketplace. I don't
9 think a Petitioner can win if -- I don't think the
10 Commission's question has been in the past that unless you
11 can demonstrate that a Petitioner was unable to sell one
12 more unit that, you know, the presence of imports in the
13 marketplace is necessarily --

14 COMMISSIONER KIEFF: And I get materiality
15 points, and the question is are the numbers on that chart so
16 low that they're below a threshold?

17 MR. EMERSON: I would ask you to turn to the
18 confidential version of our brief, pages 18 and 19, where
19 what we do is we set out again both segments, and we
20 identify what portion of the domestic industry's total
21 shipment, the volume decline was in one particular segment,
22 ag OE, what percentage of it was there relative to our
23 import increase in that particular segment.

24 COMMISSIONER KIEFF: But I think that's a
25 different segment than the ones where the numbers match up

1 on the chart. I think it's --

2 MR. EMERSON: Again, the chart I don't have in
3 front of me.

4 MR. NOLAN: I think we need to put that in a
5 post-hearing.

6 (Simultaneous speaking.)

7 MR. NOLAN: --without opening our books up.

8 COMMISSIONER KIEFF: And I don't mean to --
9 again, I don't want anyone to be either on the spot or these
10 are not gotcha questions. These are questions that are
11 designed to --

12 MR. NOLAN: Well, you're making us put our
13 thinking caps on. That's fine.

14 MR. O'BRIEN: Commissioner Kieff, if I can just
15 really briefly for Sri Lanka, again it's just worth noting
16 briefly. Our largest client by far and away is a private
17 label client that Titan has no interest in supplying. Same
18 with our second largest client.

19 So in terms of is there any there there, is
20 there any materiality there, we believe that when you
21 actually look at a customer by customer, there simply isn't
22 and Titan wouldn't be selling any more product.

23 COMMISSIONER KIEFF: And I'll just invite both
24 sides in the post-hearing on that particular component of
25 it. If there happens to be any contemporaneous business

1 records in your files that can confirm your respective
2 interpretations of that issue that would be very helpful,
3 because I take it your view is going to be your particular
4 relationships are sticky and they wouldn't switch, and their
5 view they're going to be oh my gosh, we want to sell to
6 those people and we've been trying to sell to them.

7 So my question to both sides back would be so
8 show us that in your business records, that you tried to do
9 the sales and that your people aren't switching. Anyway, I
10 apologize for going over and that I have to leave, but I
11 will review the rest of the transcript and look forward very
12 much to the post-hearings as well, and thank you all for
13 coming.

14 MR. O'BRIEN: Thank you.

15 CHAIRMAN WILLIAMSON: Okay. Commissioner
16 Schmidtlein.

17 COMMISSIONER SCHMIDTLEIN: Okay, thanks. I
18 think I want to try to follow up on this line of questioning
19 if I can. This was going to be also my primary question,
20 and I know you don't want to turn to these confidential
21 tables because you have the witnesses sitting besides. But
22 if I could just sort of lay the premise here.

23 If you look at Appendix D, which I'm sure you're
24 all familiar with because that is where this segmented data
25 is, and you look at D-27, which shows the shipments from all

1 sources, right? So this is essentially apparent consumption
2 broken down by segment. So when you look at each of these
3 segments, you see that each of them increased over the POI
4 except Ag OEM, right.

5 So the only segment where we see a decrease in
6 demand is Ag OEM. Every other segment is actually
7 increasing slightly, right. So then you look back and you
8 look at D-3, which shows U.S. shipments, and you compare
9 that to D-7 which shows India, and then you've got Sri Lanka
10 on D-11, and you see that -- let's put aside ag OEM for a
11 moment. But in each of these segments, U.S. has lost
12 volume, right. Volume has gone down for the U.S. in the Ag
13 aftermarket, construction and industrial OEM, construction
14 and industrial aftermarket.

15 Now U.S. did go up in Mining and Other
16 categories. Then when you look at India, you see that India
17 has gained in ag aftermarket in the construction/industrial
18 OEM, in the construction/industrial aftermarket and in the
19 mining, which was very small compared to the others. So I
20 guess my question, and you can look at Sri Lanka as well.
21 Sri Lanka gained in the construction/industrial OEM, as well
22 as Ag OEM. Frankly, there's a small increase there.

23 But given that you've got the U.S., and we don't
24 have a breakdown of market share by segment over the course
25 of the POI, so we can't see that kind of detailed data. But

1 given that they've lost volume in each of these other
2 segments and subject imports have gained volume, is that
3 evidence of injury?

4 If the argument here is materiality, why is that
5 not material, because I think that is the Petitioners'
6 argument. They said we're not claiming that the majority of
7 the injury came from subject imports. We're just claiming
8 that some of it did and what did come from it is material.
9 So I understand the numbers are confidential, but presumably
10 you've looked at this already and have some idea. Like why
11 is that not material?

12 MR. NOLAN: And I guess I would start off by
13 saying if you ^^^^ we're not disputing that Indian imports
14 did increase during the POI. That would be an inescapable
15 conclusion because the facts support that clearly. The
16 facts also support the fact that the degree to which demand
17 declined during this period far outshines --

18 COMMISSIONER SCHMIDTLEIN: But it only declined
19 in OEM Ag, right. You all ^^^^ we have the breakdown. We
20 can see.

21 MR. NOLAN: That is probably the principal
22 market for Titan.

23 COMMISSIONER SCHMIDTLEIN: Let's put that aside.
24 Let's talk about the other, because India gained in that
25 segment too, which is my second question. Why is India

1 gaining in Ag OEM when demand is falling off a cliff? So
2 let's put that aside for a second. Let's just look at the
3 other segment where demand is not declining, and we know
4 that because we have all of this segmented information. Why
5 are imports gaining volume?

6 MR. EMERSON: This is Eric Emerson. Some of
7 this goes a little bit to some of what Mr. Mazzola spoke
8 about earlier, which was the degree to which the domestic
9 industry, in particular Titan, had failed to invest
10 sufficiently in the aftermarket segment of the market
11 throughout the POI. I think that -- and I'd ask maybe Mr.
12 Clark to speak to this as well, the relationship of Titan to
13 the aftermarket over perhaps a slightly longer period of
14 time, to put this, the POI in a little bit of context. Can
15 you talk about that Jim for a minute?

16 MR. CLARK: Yeah. This is Jim Clark with
17 Alliance Tire. The discussion that Mr. Emerson's referring
18 to is if you went back to the 2005-2007 period, when the
19 industrial sector, agricultural sector was booming, Titan
20 enjoyed quite a benefit during that time and left the
21 aftermarket sector on its own. So if an aftermarket
22 customer came in and asked for tires, they were told to get
23 in line and if they had any available after they were doing
24 supplying their OE customers, they'd be happy to provide
25 them.

1 They created an open door for supplies to be
2 brought in from other locations. When 2009 came around,
3 2007, 2008 and things collapsed, 2009 came around, Titan was
4 back into the market with their hand out, looking at the
5 aftermarket.

6 As things continued to improve, we get to
7 2012-2013. Titan was doing well again with OEM providers.
8 There was a gap created in the aftermarket sales. It wasn't
9 being filled domestically, and it created an opportunity for
10 aftermarket suppliers from other countries to come in and
11 provide that.

12 We're in the same situation here right now, and
13 I know that it's difficult. I can't see the chart. I don't
14 know what the chart looks like. I can speculate that it
15 shows some, you know, gross drop, you know, increase in
16 India imports and a gross drop in U.S. sales.

17 I think what, and again I'm absent of the chart.
18 I think what Mr. Emerson and my colleagues behind us are
19 trying to outline is is that if you take it in its singular
20 context of just looking at that chart, it's going to look
21 like yeah, India sales increased and U.S. sales decreased.
22 What actually happened is yeah, U.S. sales decreased and
23 they lost share because OE customers went away.

24 The India sales increased because they were
25 providing a sector. They were providing tires to a sector

1 of the market, that Titan and other manufacturers here had
2 no interest in providing.

3 COMMISSIONER SCHMIDTLEIN: The Ag aftermarket
4 you're talking about?

5 MR. EMERSON: The Ag aftermarket, that's
6 correct. And to an extent the construction market too. As
7 the Commission looks at this --

8 COMMISSIONER SCHMIDTLEIN: So okay.

9 MR. EMERSON: I just, you know, I sit here
10 frustrated that that behavior can be rewarded by a
11 Commission like this and ^^^^

12 COMMISSIONER SCHMIDTLEIN: Can you be a little
13 more specific though? When you say "Titan has no interest
14 in the ag aftermarket" --

15 MR. EMERSON: I hope I didn't say "no interest."
16 I said that in their priority, they sell wheels and tires.
17 When they sell a wheel, when they sell just a tire, they're
18 already behind the eight ball, because they have
19 infrastructure and manufacturing capability that requires
20 them to sell the wheel and tire together.

21 When they go to the aftermarket, they're not
22 selling wheels. They're only selling tires because the
23 wheel already exists on the machine. They have very little
24 interest. It's a survival mechanism at this point to sell
25 just tires, and the minute the OE market picks up again,

1 they'll do the same thing they did in 2007. They'll do it
2 again. They'll abandon ^^^^ they'll put the aftermarket as
3 a secondary position. They'll sell their wheels and tires
4 to their OEs. They'll max out their production and their
5 capability based on their existing infrastructure, and when
6 OE collapses again in 2025 or 2027, they'll come running
7 back to the aftermarket again, and they'll come running back
8 to this Commission like they did with the Chinese imports.

9 COMMISSIONER SCHMIDTLEIN: So I just want to
10 understand exactly what you mean. So is Titan turning down
11 customers? Are they not, their sales people aren't calling
12 on customers with regard to aftermarket tires? Like how
13 exactly is it that -- when you say they -- their priorities
14 are such that this isn't a priority for them and that's why
15 they gave up sales? What do you -- exactly what do you
16 mean?

17 MR. CLARK: Okay, so two points to that. Mr.
18 Van Ormer, one of the customers with Camso back there just
19 said to the Commission that for five years he's been asking
20 them to come in and talk to him. If they've got the grizz
21 squad and all these resources on the ground, then why can't
22 Mr. Van Ormer, who's a guy that's been in business for 50
23 plus years, get Titan to come in and talk to them about
24 sales?

25 Specific to the resources they have on the

1 ground, I hope the Commission heard this morning. They
2 talked specifically about the grizz squad going directly to
3 end users. An end user is a farmer. I don't sell to
4 farmers. I sell to tire distributors and dealers. The tire
5 distributor and dealer then goes to the farmer with the
6 services they have, the ability to mount the tire, to change
7 the tire out in the field and put that tire on.

8 I don't go to end users. Our industry doesn't
9 go to end users. Titan though feels as though they need to
10 change the dynamics of the industry and go to the end user
11 to try to sell tires. It frankly upsets the industry as a
12 whole, and I don't think that you get a lot of support from
13 the aftermarket industry for Titan's behavior.

14 COMMISSIONER SCHMIDTLEIN: Okay, and do you
15 think this is the same case for the construction/industry
16 segment, that they don't have ^^^^ the priority is not that
17 segment, and that's why they lost volume?

18 MR. CLARK: It's so easy to -- if you really
19 look at the foundation of the company, there's two points I
20 want to make. Titan started as a wheel manufacturer. Just
21 for clarity to the Committee, a wheel is that steel rim that
22 the tire mounts to. That's what they started with. They
23 then added tires and they became Titan Tire.

24 Every time they sell only a tire, they're behind
25 the eight ball. They have the wheel that they wanted to

1 sell with the tire but they're not able to. So their
2 priority in selling, whether it's to OE or the aftermarket
3 is always going to be OE first because the OE customer takes
4 the wheel and the tire together. An aftermarket customer
5 only wants the tire 99 percent of the time, because the
6 wheel already exists.

7 MR. EMERSON: And just one final point,
8 Commissioner Schmidtlein.

9 COMMISSIONER SCHMIDTLEIN: Yeah.

10 MR. EMERSON: I do think that dealers know this.
11 I mean these dealers have been in business for decades.
12 They see the cyclical nature of Titans' interest in the
13 aftermarket. I do know that one of the witnesses from Titan
14 testified earlier today that during the POI, they were quite
15 interested in the aftermarket. I'm sure that's true, and
16 they were interested in the aftermarket because the OE
17 market has died down.

18 But these dealers have been in business, you
19 know, the ones you've heard testimony from today, for
20 decades and decades and have seen this, you know, coming and
21 going. Dealers, distributors need a reliable source of
22 supply year-in and year-out. They can't have a supplier
23 who's going to be here for a few years and then pull back
24 for a few years, when they then have to go on allocation.

25 They do need to stick with suppliers who are

1 committed to the aftermarket, who have invested in the
2 aftermarket like Alliance, like BKT, that they know they can
3 count on as time goes by.

4 COMMISSIONER SCHMIDTLEIN: So you think all of
5 the entirety of the decline that we see for U.S. producers,
6 not just Titan because there is obviously more than just
7 one, and these numbers are inclusive of all of them, is
8 because dealers don't want to do business with them because
9 they're not a reliable supply?

10 MR. EMERSON: I don't know that I am in a
11 position to say that that's the full answer, the full
12 explanation to that question. But I -- but from what I
13 understand from speaking with my client, I believe that to
14 be a contributing factor.

15 MR. NOLAN: And just to add to that, there's a
16 pretty powerful incentive here. You know, one long term
17 contract with Deere, Caterpillar or C&H will feed a lot of
18 production. To get that same thing in the aftermarket, you
19 have dozens of distributors and dealer relationships you've
20 got to deal with, and you've got to constantly work those
21 relationships.

22 It's a very different dynamic between those two
23 markets. If you flip back and forth, you're not going to
24 breed the degree of loyalty necessary to say well, I'm
25 always going to go back to Titan because they're always

1 going to be there when I need them. If they're there when I
2 need them when it's, you know, certain times, but they're
3 not going to be there when I need them other times, but
4 these other producers are always going to be there when I
5 need them.

6 The factors that you've seen in the staff report
7 on availability, reliability, those types of things start to
8 become a much bigger part of the equation. Frankly, Titan
9 hasn't done a very good job of promoting their reliability
10 or availability on a consistent basis.

11 COMMISSIONER SCHMIDTLEIN: And what about the
12 other producers, Goodyear?

13 MR. NOLAN: I mean we can't comment on everybody
14 particularly, but I think those producers are design their
15 programs for the OE market. What are you going to see on a
16 John Deere tractor? You're going to see a Goodyear, a
17 Firestone, maybe a Titan tire. You're never going to see a
18 BKT tire on it, you're never going to see an Indian tire on
19 that new tractor, and that makes sense.

20 But if you invest your time and energy in that
21 market, in that OE market, which is very lucrative when the
22 times are good, then you can't cry foul too much when times
23 are bad because you've put your eggs in that basket. Maybe
24 not solely, but if it's a principle focus of your marketing
25 program to go into that sector, and that sector goes down,

1 it's not so easy to flip a switch and say well, we're going
2 to go over to the other market when the other people have
3 been working that market for ten years.

4 COMMISSIONER SCHMIDTLEIN: Okay, all right.

5 MR. BULGER: Maybe one other comment, too. You
6 mentioned the others like Goodyear, outside of the farm side
7 or the Michelins or what have you, and these companies made
8 a conscious effort to move upmarket. They're selling larger
9 tires, they're selling radial tires. They're not
10 manufacturing bias ply tires anymore for the market place,
11 because there is a hundred manufacturers of bias ply tires
12 globally, and it's a more commoditized market.

13 So it doesn't bring the margins, it doesn't
14 bring the profitability. So where you see these folks
15 investing is in new technologies, larger tires, you know,
16 what you'd call giant tires where there's much better
17 profitability in that range of products. So that's the
18 reasons why you -- they're not here today.

19 COMMISSIONER SCHMIDTLEIN: Uh-huh, okay. All
20 right. I apologize for having gone over so --

21 CHAIRMAN WILLIAMSON: That's okay. Continuing
22 on the same line, and I don't want to go into a long tirade,
23 but I would want to ask you to explain Mr. Carpenter this
24 morning, who I think has been a long-term distributor of
25 these products, and has -- I guess had a long-term

1 relationship with Titan. I can invite him post-hearing, if
2 he wants to -- they want to put anything on the record, kind
3 of what you're saying.

4 But is he an exception? I mean are there other
5 folks like that out there? I mean I know Mr. Van Ormer's
6 got a different perspective but --

7 MR. CLARK: I would defer to Mr. Van Ormer to --
8 this is Jim Clark, Alliance Tire. I'd defer to Mr. Van
9 Ormer to add some comment. But there's only one thing or
10 two things I wanted to mention. When you heard Mr.
11 Carpenter this morning, he's on Titan's Dealer Council. I
12 can easily --

13 (Simultaneously speaking.)

14 MR. CLARK: Yeah. He is a dealer-distributor in
15 Michigan, so he represents, you know, a five location shop
16 in Michigan. He does specialize in agriculture and he
17 specializes in putting agriculture tires on products out in
18 the field. He buys our products. He buys them today. He
19 stated that he no longer deals with us. He does.

20 I think that in his written testimony or his
21 beginning testimony, he spoke to the fact that there were
22 quality issues. We looked through our warranty records. We
23 didn't see anything but --

24 (Simultaneous speaking.)

25 MR. CLARK: What I wanted to say was here, what

1 I thought was interesting is he said later, he said that the
2 problem wasn't that I didn't want to order for him or
3 anything. I had to order six months in advance to get
4 container orders, and sometimes they arrived in July when I
5 needed them in April.

6 MR. CLARK: I don't know what else to say to you
7 except after the Commission's over, I'm going to go back to
8 him and tell him I'll guarantee him -- .

9 CHAIRMAN WILLIAMSON: We've had lots of these
10 Family Feud things. I didn't know they were on both sides.
11 I don't want to get -- I'm just trying to get to this
12 concept that, you know, what Titan was talking about, it
13 sounds like they had to have distributors about the country
14 in order
15 to -- I mean you're talking with themselves direct.

16 MR. CLARK: They absolutely have to. They have
17 to have distributors in order to sell their tires because
18 they do not have a servicing capability. We were having a
19 discussion about this earlier. I don't know if there's a
20 misunderstanding by the Commission, but they don't have the
21 ability to change a tire out in the field. They don't have
22 the trucks or the people.

23 CHAIRMAN WILLIAMSON: No, they made that
24 perfectly clear this morning.

25 MR. CLARK: Okay, very good.

1 CHAIRMAN WILLIAMSON: So I'm saying I
2 understand.

3 MR. CLARK: Right. So I think what you would
4 ask, a good question to ask Titan would be -- well, I don't
5 think you can ask it fairly either, because he'll tell you
6 they have hundreds of distributors and hundreds of dealers.
7 So do we. I mean I don't know how to answer the question.
8 I'm sorry.

9 CHAIRMAN WILLIAMSON: Both of y'all are set up,
10 or at least, if you're going to play in this market, you
11 have to have a certain type of infrastructure and certain
12 type of network.

13 MR. CLARK: Absolutely. And I'll even compare
14 our infrastructure network -- as Mr. Mazzola mentioned
15 earlier today, we introduced 125 new products this year.

16 CHAIRMAN WILLIAMSON: I'm not disagreeing. I'm
17 saying you've got to have some kind of -- but sometimes
18 y'all were talking as if they didn't have any. And that
19 just didn't square. You can talk about quality, who's
20 better and all that kind of stuff, and I understand that's
21 --

22 MR. BULGER: Mr. Chairman, maybe I can -- I'd
23 like to chime in on this. Bob Bulger from Camso. One of
24 the things that we have seen over the last ten years anyway
25 is, really the wholesaler channel has been squeezed to some

1 degree, because there are companies, and Camso is one of
2 them, and some of the other people in the room. But we have
3 DCs in the U.S. market. We are the distributors.

4 CHAIRMAN WILLIAMSON: DCs?

5 MR. BULGER: Distribution Centers. And we sell
6 to tire dealers, as well as wholesalers. And there are a
7 few of them who do very well at it, but they have a
8 particular brand. They have a particular way of going to
9 market.

10 Mr. Van Ormer with EBT is one of those, where they've
11 developed a private brand, they developed a marketing
12 program behind that.

13 It is much more difficult for a distributor to
14 buy a branded product and differentiate that to a tire
15 dealer, when that tire dealer has that same access to buy
16 direct from that manufacturer. So in many cases over the
17 last number of years, you've seen these wholesalers get
18 squeezed. And in a lot of cases, many of them disappeared.

19 So that is one of the things that you have to
20 take into account when you're talking about a wholesaler
21 versus a tire dealer. There's many very large tire dealers
22 in this market that aren't going to be buying -- they don't
23 buy from wholesalers. When you talk about the smaller tire
24 markets of this world, they're the Les Schwabs, they buy
25 directly from the manufacturers. Most major tire dealers

1 do.

2 And in that environment, there's no room for a
3 wholesaler. A wholesaler has to create their value, and
4 again, I think in certain cases, and EBT's an example,
5 they've been able to do that. But they're the exception.
6 Tom, I don't know if you wanted to say a couple words?

7 MR. VAN ORMER: The only thing I wanted to be
8 clear with Titan is, Titan did not choose to build private
9 brand tires for us. That is all that I said.

10 CHAIRMAN WILLIAMSON: And I heard that loud and
11 clear.

12 MR. VAN ORMER: And so it is -- but it is not --
13 I'm also a dealer for them, and I do get very good supply
14 from them on their Titan, or Goodyear brand product.

15 CHAIRMAN WILLIAMSON: Thank you. That helps
16 clarify it some.

17 MR. ROBINSON: If I may shed a little of light.
18 I think that the --

19 CHAIRMAN WILLIAMSON: Sir, you better identify
20 yourself.

21 MR. ROBINSON: Brian Robinson from BKT. I think
22 the customer that we're referring to, the person that we're
23 referring to this morning, was in a unique situation in that
24 they were both a distributor and an installer. And what
25 they spoke to was their inability to make profit on a

1 premium brand product.

2 What he didn't differentiate was, was that
3 through a distribution channel or was that through an
4 installation channel. And I think that's very relevant to
5 the conversation, because he would be doing all the
6 value-add services to put the tire into service versus
7 reselling it, like a traditional distributor would. So
8 that's something that we probably should ask that customer.

9 CHAIRMAN WILLIAMSON: Okay. You have identified
10 barriers that prevent subject imports from adding
11 significant share of the OEM market. What, if any, barriers
12 prevent domestic producers from gaining a larger share of
13 the aftermarket?

14 In other words, what advantages do subject
15 imports have in the aftermarket that domestic producers do
16 not share? And I guess you would sort of say, well, if you
17 haven't been spending the last twenty years or fifteen or
18 ten years trying to sell in the aftermarket, you're not
19 gonna get it. Is there anything else --

20 MR. EMERSON: This is Eric Emerson. I think
21 that's exactly right, Commission Williamson, is the -- I
22 don't know, and again, I would defer to anyone here from the
23 company side. I don't know that anyone from the companies
24 would suggest that they have inherent advantages. Again,
25 I'll be corrected if I'm wrong there.

1 But I do think it's the consistent commitment to
2 that segment of the market that has allowed them to, you
3 know, to be able to continue to make sales and be viewed as
4 a valuable and valued supplier in that segment of the
5 market.

6 MR. CLARK: This is Jim Clark from Alliance Tire
7 again. And I'll speak only for Alliance Tire in this case.
8 But our commitment to the domestic industry is 125 new
9 products that we released this year to help the vehicles
10 perform better.

11 It is five warehouses that we've expanded from
12 two. It's availability because I think when you look at the
13 average farmer in the United States, and the tire dealer
14 that's intermediary between them, when a piece of equipment
15 is down in the field, everybody is losing revenue and the
16 ability to service that farmer becomes critically important.

17 Having a product available and having the right
18 product available is key. I think that some of the Tier 1
19 competitors that we have talked about today, and you talk
20 about the U.S. market and their investment, they are happy
21 to work with the OE providers, provide a tire to that OE
22 provider, have the equipment come out and hope to get the
23 sale after, when that tire wears down or has a failure.

24 And what we, how we earn our right to that
25 business every day is a good quality product that's

1 specifically oriented and tailored to their needs. I do not
2 force my customers to buy a proprietary wheel and tire
3 product. I offer them a substitute product for the product
4 that they currently have, and I do it in an efficient manner
5 by having it available in inventory and accessible to them.
6 That's my investment.

7 CHAIRMAN WILLIAMSON: Okay. Thank you. Yeah?

8 MR. BULGER: Mr. Chairman, Camso may be a little
9 unique in this respect in that we are first and foremost a
10 material handling tire manufacturer. It's for tires that go
11 on forklifts. Construction is a smaller business than our
12 material handling business; where we have an advantage would
13 be that we can bring that full basket of products to service
14 both the material handling customers of a tire dealer, as
15 well as their compact construction, and not only in tires
16 for construction, but we also manufacture construction
17 tracts for CTLs and mini-excavators.

18 So we have a different range of products that
19 covers a sizeable opportunity with some of our dealers. And
20 you've got to keep in mind at the end of the day, the
21 products we're talking about -- when we're talking to tire
22 dealers -- represent 5% of their volume altogether. I mean
23 it's just not a huge piece. So if they can go to one vendor
24 and pick up all those products and not have to deal with
25 multiple vendors, then that's an advantage, and it's one

1 that certainly that we push at Camso.

2 CHAIRMAN WILLIAMSON: Okay, thank you.

3 MR. O'BRIEN: And Mr. Chairman, the material
4 handling tires are not part of the case. That's the point.

5 CHAIRMAN WILLIAMSON: Okay, let's stick to
6 what's part of this case. But thank you for those answers.
7 And I realize --

8 MR. ROBINSON: While it is a matter of focus on
9 us for BKT to focus primarily on the aftermarket, I would
10 say that the plaintiff has an advantage, simply because
11 there's an OE tire on there to begin with, and once that
12 tire wears out, provided that the user had a good experience
13 with the tire, chances are they'll replace with the same
14 tire that was on there when it came from the factory. And
15 we're vying to replace that tire with an alternative. So we
16 actually have to sell against what's already on that vehicle
17 to start with.

18 CHAIRMAN WILLIAMSON: Thank you for those
19 answers. My time has expired. Vice-Chairman Johanson?

20 VICE-CHAIRMAN JOHANSON: Thank you, Chairman
21 Williamson, and I would like to thank all of the people on
22 the afternoon panel for participating today. In particular,
23 Mr. Bansal, thank you for coming all the way from India. I
24 know that it's a very long way to travel here.

25 In his opening statement of this morning,

1 Terence Stewart stated that the underselling margins in this
2 investigation are greater than tier premiums for the
3 domestically-produced product. Could you all please discuss
4 this contention of Mr. Stewart?

5 MR. EMERSON: This is Eric Emerson. It's
6 difficult to discuss in an open forum. Certainly we have
7 done our best to calculate in our brief what we consider to
8 be the tier differences between the U.S. producers as a
9 whole and the Indian and Sri Lankan producers as a whole,
10 and I do believe that that was a question that Commissioner
11 Schmidtlein had asked about earlier, pointing to a
12 particular page in our brief as to how that calculation was
13 done, or asked the petitioners to comment on it.

14 I think once you take that into account, I think
15 that some instances--not all--but some instances of
16 underselling are reversed essentially, but not all. But I
17 think really the most, as important, I would say as the tier
18 differences, is the information you have in the record about
19 how customers in this industry are not as price-sensitive in
20 their purchases as they are in other industries. And I
21 think this is a point where we and petitioners have a fairly
22 strong disagreement with how to characterize the record that
23 was developed in the pre-hearing staff report.

24 So I think, in terms of the underselling
25 analysis, I think the tier issue, the quality issue, knocks

1 down a number, though not all of the instances of
2 underselling. But I think our more fundamental point is
3 that the underselling analysis tells you less in this case
4 because of the relative lack of price sensitivity of U.S.
5 purchasers.

6 VICE-CHAIRMAN JOHANSON: Thank you, Mr. Emerson,
7 for your response. The volume of subject imports was 1.3
8 million tires in 2015, valued at \$279 million and had
9 increased by 29% from 2013 to 2015, and this can be seen in
10 the staff report at Table C-1. Why isn't this volume of
11 subject imports particularly in a market with demand
12 declines significant?

13 MR. NOLAN: I think we'd start with -- obviously
14 we're going to go back to the segmentation issue. If you
15 look at the volumes, I think in the BKT brief, the Exhibit
16 13, there's a chart where we actually kind of break out
17 between the construction markets and the mining markets and
18 that may be part where Commissioner Schmidtlein's questions
19 are coming from.

20 What you see is such a huge change in relative
21 market shares based on what's happening with demand
22 patterns, right? And it just -- physical you cannot account
23 for it with imports. I mean we're talking quantum changes
24 in demand. The degree of the drop in demand in OE for
25 agriculture is so much larger than the increase in imports,

1 subject imports, that you start asking yourself the
2 question, well, even on a gross basis, what else is going on
3 here, because obviously the demand drop had a significant
4 impact here.

5 Then if you start looking at it from the
6 standpoint, well, okay, how much of those subject imports
7 went into that OEM market when the demand was dropping? And
8 then you start to calculate out, well, how much of the
9 percentage of the drop-in demand was really the reason why
10 that the U.S. industry was having an issue? And you start
11 coming to the conclusion that the subject import increases
12 in those segments was so small relative to the drop-in
13 demand in that segment, that the drop-in demand was the
14 reason for the issue.

15 And that takes us back to the regression
16 analysis that Tom was talking about earlier that was done
17 about, what happens if you factor out -- Assume prices were
18 what they were in 2015. Assume that imports did come in at
19 the rate that they came in. But let's assume out the
20 drop-in demand, and what happens to that industry? And the
21 answer is, they've fared pretty well.

22 Now, of course, we're running an analysis, and
23 the staff can run the same analysis independent of ours if
24 they would like and we would encourage them to do that,
25 because I think you'll come up with the same conclusion.

1 The changes in the volumes are much less impactful, if you
2 look at it from the standpoint of what's happening in market
3 segment changes that are occurring during the period.

4 VICE-CHAIRMAN JOHANSON: Thank you, Mr. Nolan.
5 Respondents cited Titan's SEC filing that explains that
6 Titan has concentrated on increasing its presence in the
7 tire aftermarket. And this can be found in the BK brief at
8 Page 9. So it's clear, not only from the SEC filing, but
9 from other information provided in this investigation that
10 Titan has a presence in the aftermarket. How is competition
11 attenuated in the aftermarket?

12 MR. EMERSON: I think that the -- when we look
13 at -- I don't think there's -- just to make sure our
14 position is clear, I don't think anyone on this panel is
15 suggesting that Titan is not present in the aftermarket.
16 Titan is present in the aftermarket. It's in their filings.
17 It's in the data that the Commission has collected.

18 I think the question is whether or not Titan is
19 being viewed as a reliable supplier in the aftermarket, and
20 I think that to the extent there may be attenuated
21 competition there, you may be looking at dealers, for
22 example, who are viewing -- dealers and distributors who are
23 looking at Titan on the one hand, and companies like
24 Alliance, BKT, Camso and the other, in terms of their
25 reliability and commitment to that particular market

1 segment.

2 I don't know that I've got a better answer for
3 you right now as to attenuated competition in the
4 aftermarket. I'll turn it over to other counsel if they do.
5 But I would note that.

6 MR. NOLAN: I would just add to that, that if
7 you look at the breakdown of the degree to which the OE
8 market was relevant to the U.S. producers relative to the
9 aftermarket at the start of the period of investigation,
10 where it went by the end of the period of investigation,
11 obviously there was a change that took place, but to me,
12 that change took place because they realized Deere &
13 Company, C&H and Caterpillar aren't buying.

14 And so we either have a plant that's not going
15 to be doing anything because our regular customers have
16 decreased their shipments, their orders by 30%, or we've got
17 to change our stripes and move back into the aftermarket
18 again. But the problem with that is, is you can't be a
19 fare-thee-well aftermarket participant. You've got to
20 either be there or not.

21 And you can be there at a small percentage rate
22 with a set number of regular dealers that you're going to
23 supply. Or you can be there in a much larger context. And
24 I submit to you that they were not there in a larger
25 context, and they tried to get there in the larger context

1 because their original equipment market collapsed.

2 You just can't do that quickly. Especially if
3 you've developed a reputation as somebody that'll drop you
4 the second the OE market comes back. And clearly their
5 focus was on the OE market.

6 MR. O'BRIEN: I would just add, again, in the
7 aftermarket you do have the private label issues that are
8 not in the OE market that we've discussed before. And
9 you've also got -- when a Titan tire has to be replaced,
10 there really isn't competition for that tire, if it's an LSW
11 tire because it's a unique design to Titan.

12 So there's no competition under those
13 circumstances. Either in the private label instance,
14 Titan's not interested, or in the LSW, there's really nobody
15 else that can supply it. And then beyond that are all the
16 other issues of loyalty, reliability, consistency that we've
17 spoken about earlier.

18 VICE-CHAIRMAN JOHANSON: All right. Thank you
19 for your responses. The yellow light is coming on right
20 now, so I'm going to come back with some further questions
21 later. Thank you.

22 CHAIRMAN WILLIAMSON: Okay. Thank you.
23 Commissioner Broadbent?

24 COMMISSIONER BROADBENT: Thank you, Mr.
25 Chairman. Let's see. Mr. Van Ormer from East Bay Tire.

1 You stated that you rely on imports from Camso to serve your
2 private label Dawg Pound tire label. Have you seen an
3 increase in your sales of Dawg Pound tires? Do you compete
4 with Titan with you sell Dawg Pound tires?

5 MR. VON ORMER: I'm sorry? Do I compete with
6 Titan?

7 COMMISSIONER BROADBENT: Yeah.

8 MR. VON ORMER: No. I don't really compete with
9 Titan with Dawg Pound. The Dawg Pound label is designed for
10 our wholesale division to have and build our own value in
11 our own product. And we very much go with our own
12 personality on it. Now, I do sell Titan products when
13 they're requested. I sell Goodyear and Titan, you know,
14 like skid steers and etcetera like that. And we stock them.

15 COMMISSIONER BROADBENT: What is the personality
16 of a Dawg Pound tire?

17 MR. VON ORMER: The personality? It's -- oh
18 boy, that's a good question -- it's to be able to provide a
19 great deal of variety and dependability on product to
20 customers who don't want to be selling the same tire as
21 everybody else. In other words, if we sell a -- if we have
22 a Dawg Pound dealer in an area and he knows that he'll be
23 the only one selling the Dawg Pound tire, and that's what
24 we've tried to do. We've tried to build this -- I have a
25 built force by many different people and we try to, so that

1 they can build a value in it and sell the tire and not be
2 competing against --

3 COMMISSIONER BROADBENT: I know when I go to the
4 dog pound, I'm never really sure what I'm going to get.

5 MR. VON ORMER: I beg your pardon?

6 COMMISSIONER BROADBENT: I'm just kind of
7 teasing a little bit. I'm just trying to get the marketing
8 label, just to understand it.

9 MR. VON ORMER: Well, the dog pound was
10 probably, basically created after a round of golf with beers
11 and --

12 COMMISSIONER BROADBENT: Great.

13 MR. VON ORMER: -- dinner afterwards to decide
14 with who we are, we came up with great names like Dirty Dog
15 and, you know, Bad Dog and Big Dog. At some point, yeah,
16 but it was just designed to have something that was
17 differentiated from other tires.

18 COMMISSIONER BROADBENT: Understood. Yes,
19 that's great. Thank you. Are your tires, are the sales of
20 Dawg Pound increasing right now?

21 MR. VON ORMER: Yes.

22 COMMISSIONER BROADBENT: Great. And this is
23 probably, maybe for you, Eric Emerson. Do end-users of
24 vehicles using OTR tires generally replace OEM tires with
25 aftermarket tires of the same make and brand? How prevalent

1 is aftermarket replacement using identical brands and SKUs?

2 MR. EMERSON: I'm going to turn it over to Jim
3 first.

4 MR. CLARK: And I would ask that the others
5 chime in on this also, but as already been said today,
6 generally the tire that's on the vehicle, if you take a look
7 at, let's say, four tires that are matching, we'll just call
8 them Tire A, if one of them fails, you don't wanna have
9 three As and a Z on there. So the natural inclination is to
10 replace it with the tire that's on there. And as we brought
11 up earlier today, we have to have some pretty compelling
12 reasons for that customer to want to change. And I don't
13 know. Brian, you want to chime in?

14 MR. ROBINSON: First changeover is exceptionally
15 high. Second changeover, third changeover, you tend to
16 start selling other products. Unless, of course, the
17 consumer had a poor experience with the tire to begin with,
18 at which point they would be looking for an alternative when
19 it came time for changeover.

20 COMMISSIONER BROADBENT: Okay. Good. Thank
21 you. We have seen a lot of arguments about quality tiers or
22 brand categories within this investigation. Just as we've
23 seen in other tire investigations. How important are
24 quality tiers in this market compared to the other
25 investigations on tires that the ITC has analyzed? I'll

1 throw that open, maybe Matthew? Mr. Nolan?

2 MR. NOLAN: I'll let our witnesses gather
3 themselves, because they should be answering this more than
4 the lawyers, but I would say for starters, it matters a
5 great deal. Walking into this investigation, I had never
6 heard of Camso or BKT, but I have heard of Michelin,
7 Goodyear. I've heard of Bridgestone, Firestone, and those
8 brand names mean a lot.

9 And if you're a farmer in the Hinterland, you're
10 probably going to know those names, probably better than we
11 do. But you're not necessarily going to know some of these
12 other names nearly as well. And so what's your predilection
13 going to be? If I buy a new set of tires, I'm looking for
14 the brand that I know, right?

15 Even on a passenger tire, so brand makes a big
16 difference. And that affects tier, and it's not -- part of
17 it's quality, part of it's reliability, part of it's after
18 sale service. But part of it is advertising, right? You've
19 developed this brand. Why did Titan buy the Goodyear name?
20 If not to secure that Tier 1 brand, which allows you to
21 charge a premium for essentially the same tire made in the
22 same place. Right? So brand matters.

23 MR. CLARK: Specific to Titan and Goodyear, I
24 hope the Commission understands that the way a tire is
25 constructed is, it starts off as a, a blank donut, if you

1 will. Or what we call a green tire. And then it's placed
2 into a mold, and the mold shapes the tire, puts the name on
3 the side of the tire and the tread pattern.

4 In Titan and Goodyear's cases, they have many
5 tires where they put it in the mold and it comes out as a
6 Goodyear, and then they take a plate and they put it over
7 the Goodyear name, they take the same mold, press the same
8 tire and it comes out as a Titan tire. So the only
9 difference between that tire that's coming out of the same
10 factory, every component of it's the same except for the
11 name on it.

12 They have a premium that is driven by the
13 Goodyear name, and a second tier that is driven by the Titan
14 name, but it's the same tire. So when you look at brand
15 preferences, and whether or not brand carries an opportunity
16 for them to sell at a higher or premium price, it's clearly
17 demonstrated there.

18 COMMISSIONER BROADBENT: Okay. Let's see. I
19 think this is for Mr. Bulger with respect to Sri Lanka.
20 What accounts for the decrease in subject imports from Sri
21 Lanka during the period of investigation?

22 MR. BULGER: In terms of the decrease in
23 imports, really it's been more related to the overall
24 market. I mean, again, we saw some declines in the
25 construction market where we sell our products. We are

1 seeing, you know, it's a very, as everyone can attest in
2 this room, it's a very competitive market and I think we're
3 all scrambling to get a -- maintain a share of a shrinking
4 pie.

5 Now, as I said earlier, it does appear that the
6 construction business has more or less flattened out. We're
7 hoping that we're going to see some new investment with the
8 new administration coming on board, and some new
9 infrastructure investment that will essentially float all
10 ships. But it has been a very interesting last couple of
11 years in terms of the market.

12 COMMISSIONER BROADBENT: Okay. I'm kind of
13 wrestling with market share shifts in a lot of these sub
14 segments of the market. Even if the Commission were to
15 attribute much of the industry's decrease in sales to demand
16 trends, wouldn't market share shifts and specific sub
17 segments of the market suggest that the U.S. industry lost
18 market share in part as a result of subject import
19 competition?

20 MR. NOLAN: I guess part of the answer to that,
21 from my perspective is, is you're both looking at an
22 absolute drop in demand overall, but precipitated by
23 particular sectors in particular, which is causing a lot of
24 other factors. People are trying to shift from OE to
25 aftermarket, right? That's part of what Titan's been trying

1 to do.

2 Other producers that can produce other products
3 are trying to shift. And so what makes this case so
4 devilish and difficult for the Commission, and you guys are
5 putting your fingers on it as we're having this discussion
6 is, because there's so many pieces to this puzzle, it's
7 really hard to say that taffy can pulled and this is going
8 this direction and this is going this direction.

9 They're all, in the sense of they're all being
10 tires, yes, but they're all different markets and are
11 reacting to different dynamics and so, you know, we could be
12 talking about four different cases here easily. And the
13 change in the markets, you know, on an absolute basis -- did
14 imports increase? Yes. Did their market share increase
15 somewhat? Yes. Is the demand decline far outweighing any
16 of those factors? Yes.

17 If demand had maintained its current pattern,
18 would we be sitting here? And I submit to you, we probably
19 would not be sitting here having this discussion. If they
20 had not lost as much of the market, the OE market, there
21 would not be a case brought.

22 MR. EMERSON: Let me add if I could just two
23 other comments to that. The first is, particularly again in
24 the agricultural OE segment, it's important for the
25 Commission to keep its eye also on nonsubject imports and

1 movements in nonsubject import volume, so it's not
2 necessarily the case that an increase in subject import
3 volume necessarily came at the expense of the domestic
4 industry.

5 The second point that we didn't really get into
6 in our brief, because candidly the world was already complex
7 enough, but we did talk about at the preliminary stage, Mr.
8 Mazzola spoke about in the agricultural original equipment
9 market, an even further level of granularity in that market,
10 whereas over the POI sales of very large tractors declined
11 significantly.

12 In fact, sales of smaller tractors increased
13 during that period of time. Small for perhaps dairy farms.
14 There is testimony from the preliminary transcript that
15 suggested that grain farmers, you know, bought fewer to the
16 big, big, big tractors. But as grain prices decreased,
17 that's a boon to dairy farmers who are able to increase
18 their production and they invested then in smaller tractors
19 as well. Which take smaller tires.

20 Now, again, the Commission staff got good, more
21 granular data, but even at the level that you have it, it
22 maybe isn't even as clear as it could be because, even
23 within the ag OE segment, not all of those tires are equally
24 interchangeable. There are size differentials, further
25 end-use differentials. It just becomes a little bit too

1 burdensome to collect data on. But that's also important to
2 keep in mind, too. Those are not perfectly fungible,
3 perfectly interchangeable tires.

4 MR. CLARK: I do want to add -- I know we're out
5 of time, but I want to add one last comment. As the OE
6 market declined, the aftermarket improves. The reason why
7 this happens is because new equipment coming into the field
8 usually supplants and retires old equipment.

9 As the purchasing of new equipment declined,
10 farmers were forced to -- end-users construction people were
11 forced to take older machines and put more tires on them.
12 So you're going to see a natural increase in the aftermarket
13 sales as the decrease happening in OE. Whereas we were
14 primary supplier to aftermarket, our sales did improve.
15 Because there was more aftermarket sales occurring. OE
16 declined, Titan naturally felt that impact.

17 I think it's very important and I don't think
18 that we've talked about it a lot today, but I hope that the
19 committee can see that that decline in OE is very important
20 to look at because aftermarket did improve because they're
21 taking machines and asking them to work longer, and when you
22 take a machine and ask it to work longer, things are out of
23 alignment, tires wear quicker, all kinds of other things, so
24 aftermarket sales where we were focused on, improved. OE
25 sales declined. Share shifted.

1 MR. O'BRIEN: Commissioner Broadbent, can I just
2 make two quick points? One is the Sri Lankan market share
3 dropped. As the overall volume dropped, so did the market
4 share. So it's a little different from that perspective.
5 But I also wanted Mr. Van Ormer to speak about the sourcing
6 of the other U.S. producers, such as a Michelin and
7 Bridgestone and Firestone, which also has affected the data.

8 MR. VAN ORMER: I believe that Michelin and many
9 of the other ones are taking some of this production out of
10 Europe, that they were, you know, that they were not
11 necessarily bringing into this country with the economy in
12 Europe, you know, going down and taking some of this
13 production away. I think that's, you're starting to see
14 some of that with a lot of these multi, you know, the larger
15 companies that have worldwide operations.

16 CHAIRMAN WILLIAMSON: Commissioner Schmidtlein.

17 COMMISSIONER SCHMIDTLEIN: Okay, thanks. So I'd
18 like to go back to that question that we were speaking of,
19 the OEM markets and what was going on in those markets. As
20 we discussed in the first round, demand declined in Ag OEM.
21 Demand actually went up in construction/industrial OEM. So
22 can you talk to me about why subject imports increased their
23 volume in the Ag OEM?

24 MR. MAZZOLA: This is Dominic --

25 COMMISSIONER SCHMIDTLEIN: When demand was going

1 down --

2 MR. MAZZOLA: This is Dominic Mazzola of
3 Alliance Tire, and I'm the Vice President of OE Sales for
4 Alliance, so I'll try to answer this. In the segment that
5 Eric, one of the segments that Eric mentioned where demand
6 is increasing is utility tractors. These are smaller
7 tractors that typically use bias ply tires, and this is a
8 segment where we are, you know, we are strong I would say
9 over a long period of time, not just the POI.
10 We've been selling these type of tires to regional equipment
11 companies including John Deere and Case New Holland going
12 back well before the POI. So there's been some increase in
13 our business due to the increase in demand for that segment
14 that is counter-cyclical because the dairy farmers and
15 cattle farmers are -- their input costs have gone down
16 because the grain that they need to feed the animals is
17 cheaper. So they're buying more equipment. So that's one
18 segment.

19 Another area we've seen some gains in original
20 equipment has to do with the type of tires being used on
21 some of the secondary equipment for liquid manure tanks and
22 other secondary equipment, fertilizer spreaders. We've seen
23 increases in those markets because we're particularly strong
24 in the type of tire that the market is moving more to, which
25 is floatation tires.

1 Alliance is actually known as perhaps the world
2 leader in the manufacture of floatation tires. We have the
3 broadest product line in the market and many of the
4 machinery that typically might have been sold on a tire that
5 has say, you know, been in the market 50 or 60 years, 40
6 years, their equipment manufacturers are switching to these
7 floatation type of tires, to give better performance to the
8 farmer.

9 They get less ground compaction when you move
10 the equipment through the field, which is what Titan is
11 talking about with the LSW. The same thing applies to the
12 secondary equipment. We are very well positioned in terms
13 of our product offering to supply that market.

14 COMMISSIONER SCHMIDTLEIN: So does the U.S.
15 industry not produce a tire that competes with these tires
16 that you're talking about?

17 MR. MAZZOLA: They have a relatively limited
18 product line compared to what we supply and what BKT
19 supplies in the floatation market. BKT and Alliance are
20 probably number one or two, and Trelleborg also, you know,
21 which is -- that started in Europe is also strong in that
22 market.

23 COMMISSIONER SCHMIDTLEIN: In this OEM segment?

24 MR. MAZZOLA: Yes.

25 COMMISSIONER SCHMIDTLEIN: Okay, and for

1 construction, do you have any products that compete in OEM
2 construction/industrial?

3 MR. MAZZOLA: Yeah. We're a supplier of skid
4 steer tires and backhoe tires, you know. Those markets have
5 been up and down. And again, we're a long-time supplier to
6 most of those companies, John Deere and Case, Bobcat,
7 Caterpillar. We supply all of those customers with skid
8 steer tires.

9 COMMISSIONER SCHMIDTLEIN: So in your view, the
10 sales that were lost by the domestics in these OEM segments
11 didn't have anything to do with price? It was more your
12 product line is broader?

13 MR. MAZZOLA: I'm saying that specifically in
14 the agricultural segment, yes.

15 COMMISSIONER SCHMIDTLEIN: And construction?

16 MR. MAZZOLA: In construction I can't say with
17 certainty that that's the only reasons.

18 COMMISSIONER SCHMIDTLEIN: Okay. Anybody else
19 would like to comment on this panel with regard to why
20 subject imports gained volume in either of those OEM
21 segments, in the Ag segment or construction/industrial?

22 MR. MAZZOLA: Let me back up on the
23 construction/industrial. A lot of the small utility
24 tractors, like in our case we classify those tires as
25 industrial type of tires. The 40 horsepower and under

1 market segment had a huge increase in demand over this
2 period. So in our case, if you looked at skid steer and
3 backhoe tires, if you pulled those out you would see that
4 we have not increased but we've actually decreased on the OE
5 side in those segments.

6 But it's been somewhat overwhelmed by the
7 increase that we've seen in these utility tractors. Again,
8 and this is all business that we've had going back to 2005.
9 It's just that the customers that we have, John Deere in
10 particular, has made great strides in that market, and
11 that's what's driving our sales increase.

12 MR. NOLAN: I would add that this is actually
13 reflected in Titan's own investor presentations. Their
14 2015, which I think is Exhibit 12 in the BKT brief, if you
15 look at page 15 on the section "Agricultural Drivers," their
16 first bullet point is "mixed shift, large horsepower
17 equipment," what they call "big iron," four wheel drive
18 tractors and combines continue a cyclical downturn which
19 began in 2014.

20 Smaller HP tractor demand remains strong, but at
21 lower ASP and gross margins, which is where Titan did not
22 invest a lot in production. They're known as -- I think
23 they're known as a big iron producer, right? That's their
24 niche, right, the big tractor tires, those big John Deere
25 tractors, the larger models with the wheels, with the wheel

1 assemblies on them.

2 So you know, there's a mixed shift. Again, I
3 kind of ^^^^ I'm not being very artful about this. But if
4 the mixed is shifting and Titan is admitting that there's a
5 mixed shift in size tire demand, and they specialize in the
6 big section of the market and the market's going to the
7 smaller section where these guys are more predominant as a
8 historical matter, you're going to see volume shifts that
9 occur.

10 But I might add that the volume shift that you
11 witnessed, again if you think of it in terms of factoring
12 out the tremendous drop in demand, that increase is a lot
13 smaller. And remember, if you start from 100 units and then
14 the total demand goes to 60 units and one stays the same and
15 you had 20 units, you go from 20 percent to 30 percent of
16 the market just because of the demand curve going down.

17 So we've got to be a little bit careful about
18 making sure we're, you know, what we're -- and that's again
19 makes this one complicated, because the demand shift is so
20 pronounced here that you're trying to isolate and tear it
21 apart, right?

22 COMMISSIONER SCHMIDTLEIN: Well no. Actually,
23 I'm responding to you all wanting to segment this market
24 overall. That is why we're looking at all of these
25 different market segments.

1 MR. NOLAN: Yes, and it makes it more difficult,
2 because the easier thing to do is to collapse it all into
3 one piece. But obviously that just seems intuitively
4 incorrect to me, because of the way -- because there's so
5 many pieces to this market, and because they are behaving
6 differently. Even on a basis of just looking at the volume
7 trends, you yourself said they're behaving differently. So
8 something else has to be going on here, and you need to pull
9 that apart.

10 COMMISSIONER SCHMIDTLEIN: Right, and that's why
11 I'm trying to get to are these -- is this loss in volume for
12 the U.S. subject to the subject imports based on price or
13 based on something else?

14 MR. CLARK: Jim Clark again from Alliance. Just
15 for sake of clarity, the image that's up on the screen right
16 now, the green tractor is what we would call a mid-size or a
17 low horsepower tractor. You can see the size of the tires
18 on that. If I was standing next to that machine, it would
19 be very small. The big tire in the rear would come up to my
20 hip.

21 Now if you come to this machine on the far left,
22 you would see the size of that machine. That tire would be
23 as tall as me. There are 12 tires on that machine and 12
24 wheels. This is where Titan sells. This is the market that
25 got impacted.

1 COMMISSIONER SCHMIDTLEIN: Yeah, I understand
2 that. But I know you can't look at the numbers --

3 MR. CLARK: Right. But you look --

4 COMMISSIONER SCHMIDTLEIN: I'm sorry. I don't
5 want to run out of time again. I've run too far over again.

6 MR. CLARK: Absolutely.

7 COMMISSIONER SCHMIDTLEIN: But the number of
8 tires that they're selling in the aftermarket is not
9 insubstantial, right.

10 MR. CLARK: No. I'm not debating --

11 COMMISSIONER SCHMIDTLEIN: Arguing that -- so
12 that's why, I mean and I know you can't look at the numbers.
13 But arguing that, and sometimes these terms aren't really
14 helpful, that are like that's not their interest or that's
15 not, you know, and then you look at the numbers and it
16 doesn't really ^^^^ that sort of characterization doesn't
17 really help me understand what's going on.

18 Now I know you've argued that these sales that
19 they ^^^^ the volume that they lost in the aftermarket was
20 because they're not viewed as reliable. At least that's how
21 I understood the argument from the first round, right, that
22 when they lost volume over the POI in the aftermarket, that
23 was because they tried to increase their sales and people
24 didn't think that they were reliable and therefore they
25 couldn't increase their sales, right? That's sort of how I

1 understood it.

2 MR. CLARK: Right.

3 COMMISSIONER SCHMIDTLEIN: And I'm thinking I
4 probably know what your answer to this next question's going
5 to be, but when you look at the pricing products, right, and
6 you look at the aftermarket breakout, which we've done for
7 farm and for the three construction/industrial, if you're
8 arguing that they're losing sales because they're not
9 reliable, and people are coming to us because we're more
10 reliable, why do we see such consistent underselling?

11 MR. EMERSON: But I think, Commissioner
12 Schmidtlein, when you do look at those pricing charts, and
13 we analyze the four largest ones in our brief, I think it's
14 important not to look just -- and I'm sure you will -- but
15 it's important to look not just at the price levels of
16 price, but the volume trends that accompany those price
17 series.

18 It's hard to square the trends in underselling,
19 the increases in underselling in some instances and
20 decreases in subject import volume, or decreases in --
21 decreases in the amount of underselling, and yet decreases
22 in -- got that backwards, sorry. Yeah, increases in margins
23 of underselling, yet decreases in subject import volume.

24 COMMISSIONER SCHMIDTLEIN: Yeah, but I guess my
25 question is --

1 MR. EMERSON: Those two don't go together.

2 COMMISSIONER SCHMIDTLEIN: Yeah. That goes to
3 -- I'm just really responding to your argument, that in the
4 aftermarket it's all about reliability, and the U.S. is
5 losing sales or losing volume because they're not viewed as
6 reliable and these suppliers are. They're viewed as
7 reliable. They've been in the market. They've got
8 established relationships.

9 And so my question is if that's true, why do we
10 see such consistent underselling, because in the U.S.
11 market, right, why wouldn't you be pricing your product if
12 you are able to offer this superior aspect of reliability,
13 and the market already knows that according to you, because
14 you're ^^^^

15 MR. EMERSON: Yeah.

16 COMMISSIONER SCHMIDTLEIN: Why are you
17 underselling to the extent you are? Why aren't you selling
18 -- you know, I understand like, you know, there's a tier
19 difference and your argument that well, within each of these
20 pricing products, regardless of how specific the description
21 is there are tiers, and therefore, you know, the subject
22 imports are always going to be a lower tier and that
23 explains part of the underselling. Does it explain all of
24 the underselling, especially when you're telling me you're
25 more reliable? Why would you undersell the U.S. product?

1 MR. EMERSON: I think the tier, I think the
2 quality differences as expressed in the differences in tiers
3 account for a substantial portion, certainly not all, but a
4 meaningful portion let's say of the underselling that you
5 see. I think that you've got differences -- you've got a
6 lack of price sensitivity in on the part of purchasers, a
7 lack of --

8 COMMISSIONER SCHMIDTLEIN: So wouldn't that
9 suggest you'd be pricing higher, right? You're reliable,
10 they're not that price sensitive. Let's price our product,
11 you know. Why is there such a margin?

12 MR. EMERSON: Alternatively it suggests that
13 they're not buying us because we're low priced. Yeah, that
14 price is a relatively less significant driver in their
15 purchasing decision.

16 MR. NOLAN: Yeah. I mean this story goes back
17 to the -- sort of I mean how we're asking the question. If
18 the underpricing, underselling is really as a significant
19 factor, then why isn't the Indian market just taking the
20 U.S. to town right now? Why didn't those numbers quadruple?
21 Why didn't they go up a lot more, because you would think
22 logically with the underselling that is persistent and
23 pervasive in the market, that there would be a significant
24 trend upwards?

25 We see a modest trend here, not you know, I hate

1 to say go back to steel because that's where I get killed
2 all the time. But this is not like a steel case. This is a
3 much more moderate trend, particularly if you factor out the
4 demand decline. If you try to figure out how to isolate that
5 factor and just look at the increase in imports based on
6 2013, the numbers are not nearly as significant.

7 I'm not saying they didn't go up, but the impact
8 is much less than one would expect compared to just looking
9 at 2015 in a static environment. But you go back to one,
10 there have been price differences in this market for a long
11 time. Certainly precedes this case. So there's always been
12 some degree of price differential, and we'll say well, is it
13 completely up to the tiers or the brand or not? We can
14 argue how much is attributable to brand identity, how much
15 is attributable to tier.

16 But let's start with the premise that there is a
17 difference in the price. Did that delta change during the
18 POI or did it remain stable? If it didn't change very much
19 and the volumes didn't change that much, then what is the
20 impact of the underselling at that point? The underselling,
21 it can't ^^^^ you can't attribute that to price suppression
22 or price depression, because the effect doesn't seem to be
23 apparent.

24 There's no volume effect to it and it doesn't
25 seem to have affected patterns in behavior, much less though

1 if any -- if anything compared to whether you're
2 predominantly an aftermarket supplier and have developed
3 those relationships, which would be a more cogent answer to
4 me, because the pricing itself would lead you to believe
5 that volumes should quadruple during the POI, and that just
6 didn't happen.

7 COMMISSIONER SCHMIDTLEIN: Okay. I'm sorry.
8 And now we're down to three here so thank you very much.
9 I've greatly exceeded my time.

10 CHAIRMAN WILLIAMSON: No, that's okay. You've
11 kind of clarified. To follow up on that, now Petitioners
12 have argued that domestic and imported brands are reported
13 as being in the same tier, and there therefore is no
14 premiums expected for those brands where you have the, you
15 know, the domestic brands being say at Tier 2 and imports
16 being at Tier 2.

17 So that's sort of suggesting is there -- so if
18 there's not underselling, what else could explain the price
19 variance between tires that are in the same tier, and I
20 think it's -- I think from the charts that we're showing
21 that there are -- there are cases, there are tiers where you
22 have imports and domestic product.

23 MR. O'BRIEN: Chairman Williamson, maybe I can
24 start.

25 CHAIRMAN WILLIAMSON: Yeah, yeah. Identify

1 yourself.

2 MR. O'BRIEN: Kevin O'Brien for Camso.

3 CHAIRMAN WILLIAMSON: Mr. O'Brien, I'm sorry
4 yeah.

5 MR. O'BRIEN: Because we did want to mention
6 several issues we have with the pricing data, in addition to
7 what you're saying, which maybe it can explain it. The Sri
8 Lankan product does not show up very much in the
9 product-specific data requested by the staff. But more than
10 that --

11 CHAIRMAN WILLIAMSON: You have the pricing
12 tables don't you?

13 MR. O'BRIEN: Yes.

14 CHAIRMAN WILLIAMSON: Okay. I've looked at
15 three or four of them and they sure are there.

16 MR. O'BRIEN: Yeah. But one of the big problems
17 is that the Titan product does not follow the definition in
18 every situation. So if we report a product that is of a
19 certain profile, and then Titan reports that same product
20 but with a very different profile that's outside of what the
21 staff asked, you're going to get very different pricing.

22 CHAIRMAN WILLIAMSON: And I assume we need to
23 raise that with the staff.

24 MR. O'BRIEN: That's what we've got. That's
25 exactly -- it's quite evident from the staff report.

1 CHAIRMAN WILLIAMSON: Okay. We'll see
2 post-hearing what, yeah.

3 MR. O'BRIEN: Yeah, and then the other -- just
4 the other, two other just quick points. You know earlier
5 today, Titan dismissed the issue of Chinese low prices by
6 saying in part oh these are small volumes. You can't really
7 draw any conclusions. But that's -- that same argument
8 should be looked at very closely with respect to the
9 products that were selected, and I'll go into that more in
10 the post-hearing brief.

11 But this whole issue of how representative the
12 pricing data is is to our mind a very open question. You
13 heard both of the Camso witnesses, Mr. Bulger spoke about
14 Camso prices on basically a net basis, whereas Mr. Van Ormer
15 said that Titan has myriad allowances, rebates, discounts,
16 etcetera. There is a very, very strong concern that we have
17 two different prices being reported.

18 We're reporting a net price on a Product A, they
19 are reporting -- I don't know what they're reporting. But
20 it's not the same Product A, that's for sure. So that's
21 part of the issue that we have.

22 CHAIRMAN WILLIAMSON: Okay. So we'll see, but
23 hopefully post-hearing we'll sort out some of that
24 particular issue. But what about the other -- there are
25 other products that are -- where there's this tier overlap.

1 I mean those are the -- the ones you're talking about are
2 just from Sri Lanka. What about the others?

3 MR. EMERSON: Commissioner Williamson, this is
4 Eric Emerson. At pages eight and nine of our brief, what
5 we've tried to do is we've tried to help the Commission. So
6 when the Commission asked the question and put in I think it
7 was Table 2-1 in the brief, where the Commission basically
8 arrayed all of the answers for each of the producers into
9 Tier 1, Tier 2, Tier 3 by domestic and import, in our view
10 some of those categorizations were perhaps not as accurate
11 as they could be.

12 For example, one company might have been put
13 into, for example, Tier 2. When if you take a look at the
14 purchaser data, which we think is the more accurate data for
15 determining which company's brands, pardon me, fall into
16 which tiers because after all it's the purchaser that's
17 making those determinations, not a producer on its side.

18 CHAIRMAN WILLIAMSON: And the marketers who are,
19 through advertising the product, they're the ones making the
20 distinctions.

21 MR. EMERSON: Exactly, exactly, and the
22 purchasers are the target of that marketing. So we focused
23 on the purchaser. What we did was rather than take what I
24 think the staff did was let's assume you had, you know,
25 Brand X and it received more votes for Tier 2 than it did

1 for Tier 1, it got put into Tier 2 in the summary chart.

2 To our mind, that wasn't quite fair, because
3 that really it was floating somewhere between Tier 1 and
4 Tier 2 in terms of the number of votes that it received,
5 obviously an inexact science. So in pages eight and nine
6 what we tried to do is calculate a bit of a weighted average
7 tier assignment for each of the brands that was there.

8 We then later tried to do a weighted average of
9 all the U.S. brands together and all of the Indian and all
10 the Sri Lankan brands together, so that you could use that
11 tier difference to help understand some of the underselling
12 data a bit better. CHAIRMAN WILLIAMSON: Okay.

13 MR. EMERSON: I don't know if that helps but --

14 CHAIRMAN WILLIAMSON: We'll take a look at it,
15 because after five cases I've become very skeptical about
16 the concept of tiers.

17 MR. EMERSON: Well I think --

18 CHAIRMAN WILLIAMSON: But that's -- that's not
19 going to help us here.

20 (Simultaneous speaking.)

21 MR. EMERSON: No, no, no.

22 CHAIRMAN WILLIAMSON: But I will take a look at
23 that. I get your point, that but it's -- marketing is
24 everything I think, and how people market the concept of
25 tiers is also interesting. Let's take a bigger picture,

1 though. The producers assert that increases on the volume
2 of subject imports came at the direct expense of domestic
3 producers, which bore the full brunt of the increases, the
4 average price effects and lost sales and margins, you know,
5 their argument.

6 If you do take a look at the numbers, whether
7 it's by categories or, you know, of OE or aftermarket in
8 agriculture and construction and all, you would seem to
9 think that okay, overall demand went down, went down quite a
10 bit, but the imports, their shares either held their own or
11 went up in general. And so why isn't this, their argument
12 credible here?

13 I mean what you tried to do is by -- what you've
14 been arguing is you disaggregate all this stuff, and that's
15 not the story. But then when you still look at the numbers
16 they still -- the end result is that's what you're seeing.

17 MR. NOLAN: Let me start, maybe start from a
18 slightly different premise, and I'm using data completely
19 from the public version of the staff report in Titan's 2015
20 annual report. According to Titan, between 2013 and 2015
21 they lost something like \$770 million in sales because of
22 the market decline, okay. \$770 million, the decline in net
23 sales.

24 CHAIRMAN WILLIAMSON: That's their allocation to
25 the market?

1 MR. NOLAN: That's their net, that's just their
2 annual report, but you know, it has agriculture,
3 construction, it has all the sectors in it.

4 CHAIRMAN WILLIAMSON: But you said due to market
5 decline?

6 MR. NOLAN: Due to market -- well, due to just
7 decline in sales.

8 CHAIRMAN WILLIAMSON: Right, yeah.

9 MR. NOLAN: The total increase in imports value
10 during that period, \$38 million. 768 million down, 38
11 million up.

12 CHAIRMAN WILLIAMSON: Okay.

13 MR. NOLAN: How is it possible that the imports
14 were the driver in this equation when so much of this is
15 attributable to, by their own admissions in their annual
16 reports, softness in the markets, declines in the market,
17 rapid declines in demand from OE sector. You look at time
18 and time again, in every report that they issue, they're
19 attributing this to the market going south on them.

20 So if you accept the fact that they had just a
21 tremendous -- this is just Titan. I'm not talking about the
22 other U.S. producers, because I haven't looked at their
23 reports. I just have the Titan annual report in front of me
24 while you were talking this morning. But that's just one,
25 and we're talking over \$700 million in decline, and they're

1 attributing this to softness in their markets.

2 CHAIRMAN WILLIAMSON: Okay.

3 MR. NOLAN: And I'm just saying imports, which
4 is less than five percent of that decline, is a material
5 factor.

6 CHAIRMAN WILLIAMSON: Okay. I get your point,
7 although the numbers of ^^^^ at least the volume numbers
8 would suggest that, you know, the imports.

9 MR. EMERSON: But Commissioner Williamson, if I
10 could then trouble you after the hearing to take a closer
11 look at our brief, the Alliance brief at page 34, this is,
12 you know, really our getting down to the, I think the core
13 issue of causation here. On page 34, one of the
14 things that we do is tally the total volume of sales lost
15 due to foreign -- that was shifted from domestic producers
16 to foreign producers on the basis of price. So this really
17 is the specific question, I think, that in particular
18 Commissioner Schmidtlein that you were asking about as well.

19 You see subject imports going up; you see the
20 domestic shipments going down, you know. Is there a causal
21 link here between those two? I think here on page 34, we've
22 looked at the purchaser data. There's one anomalous
23 purchaser that we think maybe didn't quite understand the
24 question correctly, setting them aside for a moment.

25 The balance of purchasers who said I shifted

1 from U.S. to an import source because of price is an
2 absolutely trivial amount. Now you would expect that if you
3 saw these large shifts in market share from domestic to
4 foreign because of this massive underselling, this question
5 228 out of the purchaser's questionnaire should have been
6 loaded with examples from --

7 You had 50 purchaser responses. Loaded with
8 examples where a purchaser said yeah, I switched a lot
9 because of this lower price. You don't see that. Again,
10 the figures are confidential, so I'm characterizing. But I
11 would point you to that place.

12 CHAIRMAN WILLIAMSON: Good, good, and I invite
13 Petitioners to respond to those points post-hearing.

14 MR. EMERSON: Sure.

15 CHAIRMAN WILLIAMSON: My time has expired. Vice
16 Chairman Johanson.

17 VICE CHAIRMAN JOHANSON: Thank you Chairman
18 Williamson, and I guess I'm the last Commissioner up today.
19 I know it's been a long hearing, but I have to say it's a
20 very interesting subject, so you all work in a very
21 interesting field. I've been looking all day at these six
22 people and that one tire right there. It's very
23 impressive, and then I look at the little tire. So I do
24 realize that you all make all sorts of interesting products.

25 Could you all please comment on the Petitioners'

1 assertion at page four of their brief that the export
2 orientation of foreign producers is primarily targeted at
3 the United States, their largest and most valuable export
4 market, even in a period of weak demand. What makes the
5 United States such an attractive market?

6 MR. NOLAN: I'll start out for BKT. It is a
7 market for BKT and for India at large, but it is certainly
8 not their largest market by a fairly-well. I think Mr.
9 Bansal already testified this morning that over 88 percent
10 of Indian exports go to markets other than the United
11 States. So the U.S. is not their predominant market. In
12 fact, Europe is the predominant market, correct?

13 And that they operate a fairly robust market in
14 India, which is a rapidly growing country and I think BKU
15 said that the Indian market is expected to go up 15 percent
16 next year. Those are pretty impressive numbers, and would
17 support expansion or upgrading of plants over there, because
18 you're not building the plant to satisfy demand last year.
19 You're anticipating where it's going to go next year and the
20 year after.

21 If you're looking at 15 percent growth rates in
22 your home country, you're going to want to build a better
23 plant to make sure you can satisfy that demand when it comes
24 into effect, or as it comes into effect. I think a couple
25 of other things. John, you want to chime in?

1 MR. GURLEY: Yes. I think Matt said it
2 correctly. I think the staff report does say the U.S. is
3 the largest market when you compare it to a specific
4 country, and so I think what Mr. Bansal was saying is that
5 we consider the EU to be a much larger market for us. I
6 know it's represented over 55 percent of our exports.

7 MR. EMERSON: And this is Eric Emerson on behalf
8 of Alliance. I think I'd like to answer this in the
9 post-hearing brief because of the confidentiality. But I
10 think our figures should bear out very similar trends.

11 VICE CHAIRMAN JOHANSON: All right. Thank you,
12 Mr. Emerson. I look forward to reading that, and that
13 brings me to my next question, and that is are the off the
14 road products produced in India and Sri Lanka, which are
15 exported to the U.S. market, are those capable of being used
16 in the Indian and Sri Lankan home markets, or are they
17 different products, because I understand that farm sizes in
18 India and Sri Lanka are probably different than those in the
19 United States.

20 MR. BANSAL: Not entirely. But as I said or
21 somebody said, that almost 1,000 SKU we export into U.S.
22 market. But in there out of it, only maybe 100 or 200 can
23 be used. So we know it is altogether different market.

24 VICE CHAIRMAN JOHANSON: Okay. That's what I
25 would assume.

1 MR. BULGER: Just Bob Bulger for Camso. With
2 regards to Sri Lanka, we only produce the construction
3 tires, and those are used, you know, around the world in the
4 same, you know, the same sizes for the range that we
5 manufacture.

6 VICE CHAIRMAN JOHANSON: Okay, thanks. I would
7 assume that. I was getting more at the farm market, the
8 agricultural market.

9 MR. MAZZOLA: This is Domenic Mazzola for Alliance
10 Tire. I want to also state that the tires that we
11 manufacture in India that we ship to the United States, we
12 ship the same type of tire. The sizes may be different, but
13 the same type of tire made with the same type of materials
14 anywhere in the world and they will work, and that includes
15 India. India may have some unique sizes specific to their
16 market that might not be used in other markets, but they are
17 the same materials, the same type of construction, the same
18 types of treads. So the tires, the same types of tires,
19 made for the U.S. market we sell and can be used anywhere in
20 the world.

21 VICE CHAIRMAN JOHANSON: Alright, thank you, Mr.
22 Mazzola.

23 Petitioners noted in their prehearing brief that
24 Indian, Sri Lankan, and domestic producers have all received
25 quality and performance awards from original export

1 manufacturers. This can be found at page 28 of the
2 Petitioners brief.

3 I know that at least one witness today spoke on
4 awards received by, I believe it was, Sri Lankan producers.
5 But it does appear to me that if producers in all three
6 countries receive any similar types of awards, if that is
7 indeed the case, that it would show that there are quality
8 issues that all producers apparently are producing tires of
9 comparable quality? And so the issue of price would be
10 important?

11 Can you all address this issue?

12 MR. O'BRIEN: Commissioner Johanson, this is Kevin
13 O'Brien for Camso. The main point we were making is the
14 award that was referred to by Toyota to Camso is for a solid
15 tire. It's not a pneumatic tire. And you can extrapolate,
16 but it's simply an incorrect statement to say that we got
17 the award for a tire that's relevant to this case.

18 I mean we would consider that we make a high
19 quality product, but the evidence we would put forward would
20 not be that award from Toyota.

21 VICE CHAIRMAN JOHANSON: How about some of the
22 other awards?

23 MR. NOLAN: I think BKT has gotten a few over the
24 years, but frankly everybody in the industry gets awards.
25 So I guess I'm not so sure, just as Commissioner

1 Williamson's not so set on the idea of quality and branding
2 being such a big deal, I'm not sure that gets you that far,
3 either, in a way. And I shouldn't be saying that because
4 brand I think does matter here. But personally I think it's
5 more of an advertising thing, as much as anything else.
6 Because really it's the perception that you're creating the
7 market. I have to have that Goodyear tire because, well,
8 it's a Goodyear tire. And I'll pay more for it. And there
9 are a lot of people who think that way. That's not
10 abnormal.

11 You've done a great job of building your brand
12 name. I think BKT would like to say it's striving very hard
13 to close the gap with people like Titan. They are pushing
14 hard on quality. They're pushing hard on marketing.
15 They're trying to develop presence.

16 I would expect them to try to be closing the gap
17 over the next 5 to 10 years and becoming more and more
18 accepted in the market, and probably reducing any price
19 difference that exists as a result of that process. But
20 they're not there yet.

21 BKT still isn't necessarily a household name, not
22 the way all these other producers are.

23 VICE CHAIRMAN JOHANSON: But I assume that it
24 would make the products relatively easier to sell, right, if
25 you are recognizing the quality of the product.

1 MR. NOLAN: And over time they will be more and
2 more accepted. And as they're more accepted, sales will
3 increase. And if your competitor isn't producing as good a
4 product, then they'll lose volume and sales.

5 And is that because of unfair pricing? Or is
6 that because you're making a better mousetrap and doing a
7 better job selling it in the marketplace?

8 VICE CHAIRMAN JOHANSON: Alright. Well that
9 concludes my questions. I'd like to again thank all of you
10 for appearing here today.

11 CHAIRMAN WILLIAMSON: Commissioner Schmidtlein?

12 COMMISSIONER SCHMIDTLEIN: Okay, I do have a
13 couple more. These pictures of all this farm equipment
14 makes me sort of homesick. I grew up in a farm town in
15 Missouri, and I spent many summers in my youth hoeing
16 soybeans with a hatchet, which was good money for a
17 teenager, until Monsanto created Round-Up Ready, and then
18 put all those teenagers out of business. So no one does
19 that anymore, but I did.

20 So I wanted to actually go through--well, we
21 can't go through the chart because it's confidential, but to
22 sort of lay it out and then maybe you can follow up in the
23 post-hearing brief.

24 In particular I'm looking at page D-29, which is
25 a chart that shows all sources of product sold in the United

1 States, and has a breakdown of the unit values of those
2 products. And it breaks it down by market segment.

3 And so in particular what I'd like--and both
4 sides can address this in the post-hearing--when you look at
5 the agricultural OEM unit values, right? So this is for the
6 entire U.S. market. And you see a decline. And I
7 understand that the Respondents' argument is that the
8 decline in prices and unit values is due to the decline in
9 raw material cost, right?

10 So when you look at the ag OEM segment, you see a
11 decline in unit values. When you look at ag aftermarket,
12 you see a much bigger decline in the unit value, almost
13 triple, not quite but almost. And so one question is:

14 Why is the decline in the Ag aftermarket so much
15 bigger than the Ag OEM market? And does that suggest that
16 subject imports are having an impact on pricing there since,
17 as you all have testified, that's where subject imports are
18 focused? So you see a bigger decline in unit values in that
19 segment, according to this chart.

20 My other question is: When you look at the
21 construction industrial aftermarket unit values, again
22 aftermarket, you see an increase in unit value. So if raw
23 material costs are being passed through, it's transparent
24 what the price of rubber is and so forth, why are we seeing
25 prices increase, or unit values increase in the aftermarket

1 for construction industrial? Which again this chart is, you
2 know, total consumption. It's all sources of product.

3 And the point of that question is, so really how
4 are raw material costs affecting price? Right? So if you
5 see this, like you've got one segment really dropping, or
6 subject imports play a larger role, you could argue that's
7 because of subject imports, right? But then you've got
8 another segment aftermarket that actually isn't going down
9 at all. Why isn't that going down? Aren't those tires made
10 of rubber?

11 You know, so I invite both sides to try to answer
12 that.

13 MR. NOLAN: We will certainly address it in the
14 post-hearing brief on our side. There are a couple of
15 comments that just come to mind as you're sort of speaking
16 to us.

17 One is, during the presentations this morning the
18 folks at Titan alluded to the contracts, their long-term
19 contracts with the OE suppliers and how those have indices,
20 raw material indices, that are factored into the pricing,
21 and you'll have some grace period, but then it has to
22 reflect the changes in raw material prices. So it's built
23 into the contracts there to some extent, right?

24 But it's not built into the aftermarket. The
25 aftermarket, there is no--you know, the farmers--the

1 wholesalers aren't requiring that degree of certainty in the
2 market. They're not reacting in the same way. A Deere or a
3 Caterpillar is building it into their contract. And so
4 you're going to see some decline as a result of that, but
5 what happens in the aftermarket functions differently.

6 And I guess we need to address that for you in
7 the post-hearing, because I'm definitely not satisfying you
8 with the answer.

9 COMMISSIONER SCHMIDTLEIN: Well, like you said,
10 we've looked at consumption overall, and those other
11 segments besides Ag OEM you see consumption is strong.
12 Right? So wouldn't that be a bit of a balance, a
13 counterbalance to the decline in raw material costs?

14 MR. NOLAN: It would, but there's also the other--
15 there are so many other factors. I mean, this gets so
16 difficult. Brian has just been whispering, what about
17 product mix? How does the product mix change and affect the
18 pricing patterns?

19 COMMISSIONER SCHMIDTLEIN: But aren't they all
20 made of rubber?

21 MR. NOLAN: But they weigh different amounts.
22 Different amounts of rubber in a different tire.

23 COMMISSIONER SCHMIDTLEIN: Okay.

24 MR. ARNOLD: This is Bob Arnold, Alliance Tire.
25 Generally when you see swings like that in unit prices,

1 you're either seeing a decline in larger sizes, or a big
2 increase in smaller sizes. And that's kind of the fallacy
3 of looking at units. That's why we break it down into
4 smaller segments where we can really analyze comparable
5 sizes.

6 So that's generally what happens when you're
7 seeing that kind of swing.

8 COMMISSIONER SCHMIDTLEIN: Okay.

9 MR. MAZZOLA: This is Domenic Mazzola with
10 Alliance Tire. I think another factor to consider is that
11 the decline in the production of all the producers for the
12 Ag OE segment is so big that everyone's looking for
13 somewhere to sell those tires. And that in itself, the
14 slowdown in OE, there's so much extra capacity it puts
15 pressure on the aftermarket. There are more players trying
16 hard to sell tires in the aftermarket.

17 COMMISSIONER SCHMIDTLEIN: Okay. Alright, I don't
18 have any further questions. Thank you all very much.

19 CHAIRMAN WILLIAMSON: If there are no further
20 questions from Commissioners, are there any questions from
21 staff?

22 MR. PETRONZIO: This is Ed Petronzio, Office of
23 Investigations. Staff has no questions.

24 CHAIRMAN WILLIAMSON: Okay, there are no questions
25 from Staff.

1 Petitioners, do you have any questions for this
2 panel? I see a 'no' there?

3 MR. STEWART: No questions.

4 CHAIRMAN WILLIAMSON: Then I want to thank this
5 panel for their testimony. We appreciate very much you all
6 coming, especially those who traveled, as I noted before.
7 And I will dismiss you, and we will come to time for closing
8 statements.

9 I note that Petitioners have five minutes from
10 direct, and five minutes for closing, for a total of 10
11 minutes. And Respondents have no time from direct, and they
12 have five minutes for closing, for a total of five minutes.

13 So we will have to have concise statements.

14 We will begin closing statements as soon as the
15 room has settled.

16 (Pause.)

17 If you'll sit down, we'll have the closing
18 statements. Ms. Drake, you may begin when you're ready.

19 CLOSING REMARKS OF ELIZABETH DRAKE

20 MS. DRAKE: Thank you very much. Elizabeth Drake
21 for the Petitioners.

22 First I'd like to thank the Commissioners for
23 their attention throughout today's hearing, especially the
24 strong survivors still with us at this late hour. And I
25 would really also like to thank the Commission staff for all

1 of their hard work compiling the record in these
2 investigations.

3 We believe the record strongly supports an
4 affirmative determination on both India and Sri Lanka.

5 Turning first to the issue of cumulation, the
6 Commission should cumulate subject imports from both
7 countries. The imports are highly fungible and they meet
8 all other factors for cumulation.

9 Contrary to Camso's claims, there is more than a
10 reasonable overlap of competition among OTR tires from all
11 sources. They claim to be focused in the construction
12 industrial market. In particular, they said this afternoon
13 that aftermarket for compact construction bias ply tires
14 under 25 inches in diameter. This is not a small niche
15 market. More than 40 percent of Indian imports are shipped
16 to construction industrial, as well as a substantial
17 portion of domestic OTR tires.

18 As Mr. Bulger admitted, he competes with Titan in
19 this segment of the market. And there is no support for the
20 idea that Titan or any other domestic producers have
21 abandoned this market or been unable to serve this market
22 for, for example, an unwillingness to provide private
23 labels.

24 Mr. Van Ormer testified that Denwen used to
25 produce private label for him but went out of business. One

1 question is, maybe those prices for those private label
2 tires weren't quite sustainable and that may be one reason
3 that Denwen went out of business, and the reason that Titan
4 has not provided those tires is because of price not because
5 of an unwillingness or inability to produce those tires.

6 And beyond those accounts, as Mr. Hawkins
7 testified and in his declaration they've identified dozens
8 of accounts where they compete directly with Camso's tires.
9 We included in our prehearing brief a copy of price
10 comparisons that one particular account between Camso's
11 tires and Titan Goodyear tires. There are many models
12 represented. And in all instances, Camso's tires are the
13 lowest priced and that competition is based on price.

14 Your prehearing staff report shows there's not
15 only overlap in the segment but there's overlap in specific
16 sizes and specific weights. There's no inability to produce
17 bias tires. Mr. Brewer testified this morning that the
18 majority of what they produce in Des Moines is bias.

19 Camso also appeared to focus solely on the
20 aftermarket in terms of claiming a lack of overlap, but of
21 course Camso is also in the OEM market, as your staff report
22 shows. And there's also substantial overlap among the tiers
23 for Sri Lankan product and Indian and domestic product.

24 Camso also raises the issue of volume trends as
25 being something that should be considered in cumulation.

1 The Commission's practice is not to consider differences in
2 volume trends in cumulation for present injury. Potentially
3 for threat it may be relevant, but we would ask the
4 Commission to not just look at absolute volume trends but
5 also volume relative to domestic production and to domestic
6 consumption, and also to look at pricing trends and future
7 projections of volume, all of which support cumulating Sri
8 Lanka and India.

9 Moving on to volume, the volume of imports is
10 significant both absolutely and relative to domestic
11 consumption and production. And that's clear whether you
12 look at the market overall or whether you look at particular
13 market segments. These increases came at the direct expense
14 of domestic producers.

15 The number of purchasers who decided to report
16 that they actually did this is less probative than the
17 actual data that the Commission has collected regarding the
18 extent of the loss of market share to subject imports.

19 Moving on to price, we do think this is a price
20 sensitive market. And while the Respondents this afternoon
21 said well there are other factors that are also important,
22 of course that is true. But domestic and subject tires are
23 rated as comparable, and most of those factors again
24 reaffirming that price is the one where they're not rated
25 comparable because subject imports are priced lower.

1 Obviously we have pervasive, near universal
2 underselling at significant margins, and so the Respondents
3 ask the Commission to ignore its own underselling data, or
4 to discount that data. We don't think that there's any
5 reason to do so here.

6 First of all, claims that Titan may have failed
7 to include discounts in its reported data are just not true.
8 They worked very hard to make sure that all of their
9 discounts were included to comply with the Commission's
10 instructions, and that is just pure speculation on behalf of
11 Respondents.

12 Yes, there is small product coverage, but that is
13 just the nature of the market, and it was the nature in the
14 first China OTR case and the Commission still looked at
15 underselling data there.

16 We also looked at categories where there was more
17 import competition and compared those to those without
18 import competition, and showed that the price declines that
19 occurred were more steep where import competition was
20 prevalent.

21 We believe this record supports a finding of
22 price depression, and particularly given the fact that the
23 industry's cost price squeeze increased. There were several
24 comments about the products that were chosen were not
25 representative. There was an opportunity to comment on

1 draft questionnaires. Staff took those comments into
2 account.

3 We think these are representative enough. And
4 it's true that, yes, Titan for a product order or two might
5 have had to report a slightly different product, but that's
6 what the Commission's instructions are, to try to get as
7 comprehensive pricing data as possible. When they don't
8 produce a particular product, they report for the closest
9 product that they do produce and identify what that is.

10 And the subject imports that have risen in volume
11 in a declining market and broadly undersold, and depressed
12 prices have caused material injury. Nearly every domestic
13 indicator has declined over the period. And while declining
14 demand has also harmed the domestic industry, rising subject
15 imports have only exacerbated these challenges by seizing
16 domestic market share and driving down prices.

17 The fact that demand declined does not prevent an
18 affirmative determination. The fact that a CEO or a
19 chairman would mention an investor conference call that
20 demand is declining obviously does not prevent an
21 affirmative determination.

22 I also don't believe that injury can be blamed on
23 nonsubject imports. In order to make an affirmative
24 determination, subject imports must be more than a minimal
25 or tangential cause of injury, a threshold that is easily

1 met here.

2 The Commission need not isolate the injury caused
3 by other factors. It need not find that subject imports are
4 the principal cause of the injury, and need not weigh the
5 injury caused by subject imports against the injury caused
6 by other factors.

7 As our witnesses testified and the Commission
8 record shows, highly interchangeable subject imports took
9 domestic market share through pervasive price undercutting,
10 forcing domestic producers to lower prices, lose sales,
11 reduce production, lay off workers, and suffer declining
12 profitability.

13 I would like to briefly address some of
14 Respondents' arguments that maybe this injury was
15 self-inflicted by various mistakes that the domestic
16 industry particularly Titan has made.

17 First there's the argument that Titan is not a
18 good aftermarket supplier, that they prefer the OE market
19 where the loss of--decline in demand was concentrated.

20 First, this idea that Titan is a bad aftermarket
21 supplier is simply completely unsupported, or the domestic
22 industry as a whole is completely unsupported by the record.
23 Table 2-14 in the Commission's staff report shows that
24 domestic suppliers are rated as superior to subject
25 suppliers and aftermarket services and distribution.

1 Seventy-nine percent of purchasers report that they are
2 superior or comparable to Indian suppliers. Eighty percent
3 report they are superior or comparable to Sri Lankan
4 suppliers.

5 Second, this idea that somehow domestic suppliers
6 can't supply directly to dealers but can only do so through
7 wholesalers is simply untrue. Respondents cited Les Schwab
8 as a dealer that wants to source directly. That's a major
9 customers of Titan's. There's simply no barrier to serving
10 those types of customers.

11 Titan has been serving the aftermarket ever since
12 Titan was created for 20 years. They have not gone in and
13 out of the market. They have never abandoned the market.
14 They have been a major, one of the biggest players in that
15 market for decades. There is simply no support for this
16 contention that they have abandon3ed the market.

17 They have one of the largest sales forces. They
18 have people in every state to service their aftermarket
19 customers. There simply is no basis to claim that they have
20 abandoned the market.

21 And I would just like to note, even in the OE
22 market that's not a place where subject imports are absent.
23 The idea that you'll never find a Deere Tractor with an
24 imported tire on it is simply false. After that, the
25 Alliance witness said, oh, yeah, we serve Deere. We serve

1 CNH. We serve Case. We've served Bobcat. So, yes, you
2 will find them on OEMs as well as in the aftermarket. The
3 same with domestic producers.

4 Second, moving on to this idea that the injury is
5 self-inflicted because of low quality of domestic tires, or
6 low availability of domestic tires? Again, simply not
7 supported by the facts. The Commission staff report shows
8 that domestic producers are rated as superior or comparable
9 to Indian and Sri Lankan suppliers on availability. Ninety
10 percent to ninety-three percent of purchasers reporting that
11 U.S. suppliers are superior or comparable to Indian and Sri
12 Lankan suppliers on reliability, 87 percent to 93 percent of
13 purchasers. Superior on quality meeting minimum
14 specifications, 100 percent.

15 Superior or comparable on quality exceeding
16 expectations, 90 percent to 93 percent. Superior or
17 comparable on technical support and customer service, 80 to
18 90 percent. And 100 percent of purchasers report that
19 domestic producers usually or always meet minimum quality
20 specifications.

21 This is clear in the responses you have gotten,
22 and it is clear in the testimony of Mr. Carpenter this
23 morning, and it was clear in the testimony of Mr. Van Ormer
24 this afternoon where he said that Titan is a great supplier
25 and meets quality and service.

1 So the material injury that the domestic industry
2 has suffered is not due to any of these other red herring
3 factors, but due to subject imports, and that's why we
4 respectfully ask for an affirmative determination.

5 Thank you.

6 CHAIRMAN WILLIAMSON: Thank you.

7 Mr. Nolan or Mr. O'Brien, you may begin when
8 you're ready.

9 MR. NOLAN: Do you want to go first?

10 CLOSING REMARKS OF KEVIN O'BRIEN

11 MR. O'BRIEN: Yes, I'll go first.

12 Thank you, Chairman Williamson and Commissioners,
13 just a few quick points. I did want to at least read into
14 the record, we did get the Commerce final determinations
15 this afternoon, and Camso's subsidy margin is 2.18 percent.

16 The Commerce Department found zero dumping
17 margins for Alliance or BKT. And subsidy margins of 4.9
18 percent for Alliance, and 5.36 percent for BKT. So that
19 record is complete.

20 Just very quickly, there are so many broad-brush
21 statements made by Titan today and in its brief that we just
22 urge the Commission to drill down into the facts. Ideas as
23 if Camso has an exclusive national contract with FedEx,
24 can't really stay on the record when that tire is not part
25 of this case. It's a complete misstatement.

1 As I say, I would go on and on, but the reference
2 to Rigid building a plant in Sri Lanka, those are for
3 passenger tires. And that's a plant that won't be up for
4 another two years at best. So overstatements, while they
5 might be appropriate in some cases, in this case are
6 particularly inappropriate.

7 You have to drill down. When you do that, you
8 see that many--that Camso occupies one subniche of the
9 market, and a very large proportion of its sales are private
10 label; that Titan admittedly has no interest in. It
11 speculates it's because of price, but that's pure
12 speculation, absolute speculation. The hard fact is they
13 have no interest to even respond to inquiries.

14 There are additional facts that are in our brief,
15 and we've mentioned before on cumulation, and we just urge
16 the Commission to give it careful consideration. Thank you.

17 CLOSING REMARKS OF MATTHEW NOLAN

18 MR. NOLAN: Alright, so this is Matt Nolan. I
19 will keep it short and sweet, hopefully. Thank you for
20 listening to us today. This has probably been more
21 exhausting than usual in a lot of respects because there's a
22 lot of moving parts to this, and that always makes the
23 analysis more difficult.

24 So let's try to put this back into context where
25 we started. It is clear that this market exhibits a high

1 degree of segmentation. There is no such thing as a single
2 OTR market. There's an ag market, a construction market, a
3 mining market, an original equipment market, an aftermarket,
4 et cetera, et cetera, et cetera.

5 It seems clear that there are also brands and
6 tiers. Whether you believe that the brand should exist, or
7 whether it really is worth what you put into it, the fact of
8 the matter is there is such a thing as brand, and brand does
9 matter. And it does affect price. And most purchasers
10 would submit that that is a true statement. And the market
11 at large indicates that that's a true statement. Because if
12 you look at a tire that's a Titan and a Goodyear and they
13 look like the same tire, one will cost more than the other.
14 It's a truism.

15 So it is hard to escape that fact. Titan seeks
16 to maximize the fact that imports are the problem. And they
17 like to not tell you about the other side of this equation,
18 which is the 25 percent decline in OEM demand during one
19 year; the 30 percent decline in Titan's OEM dedicated
20 production in 2015. Their declines in OTR OEM production
21 by their own reports, the declines in construction tires for
22 the OE market by their own annual reports. All significant
23 double-digit losses in production in the OE market where
24 they specialize.

25 We have never said that they are not present in

1 the aftermarket. But if you just look at the numbers, the
2 relative percentage of production that goes into the OE
3 market versus the aftermarket, at the beginning of this POI,
4 or go back to the Prelim and look at 2012, you will see a
5 very distinct pattern over where the focus of the energy is,
6 where the focus of the production is, and clearly where the
7 focus of the marketing is.

8 So if you're focusing your energy in the original
9 equipment market, and in that market the bottom falls out of
10 that market, then you don't have a market. You have lost
11 market share because of something that happened other than
12 subject imports. Subject imports did not cause the decline
13 in farm incomes. Subject imports did not cause the pause in
14 construction activity. Subject imports did not cause the
15 decline in commodity prices leading to the collapse or
16 reduction in demand for original equipment in the mining
17 sector.

18 What those things did do was cause farmers and
19 equipment buyers to hang onto their equipment longer and
20 replace old tires with other tires. In other words, they're
21 going into the aftermarket. And the aftermarket is more
22 well represented by imports. Quite simple.

23 The U.S. likes you to think that underpricing is
24 an issue here. However, the Commission has already found as
25 a preliminary matter that underselling did not cause price

1 depression or suppression, and we think that that should
2 continue in the final.

3 There simply is not volume effect associated with
4 the underselling that went on, and we believe that that
5 finding should be affirmed in the final.

6 Thank you very much. We look forward to
7 providing post-hearing briefs.

8 CHAIRMAN WILLIAMSON: Thank you. I again want to
9 thank everyone for participating in today's hearing and
10 closing statement. Post-hearing briefs, statements
11 responsive to questions, and requests of the Commission, and
12 corrections to the transcript must be filed by January 11,
13 2017.

14 Closing of the record and final release of data
15 to parties is January 27, 2017. Final comments are due
16 January 31st, 2017. And with that, this hearing is
17 adjourned.

18 (Whereupon, at 4:29 p.m., Wednesday, January 4,
19 2017, the hearing was adjourned.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Certain New Pneumatic Off-the Road-Tires from India and Sri Lanka

INVESTIGATION NOS.: 701-TA-552-553 and 731-TA-1308

HEARING DATE: 1-4-17

LOCATION: Washington, D.C.

NATURE OF HEARING: Final

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: 1-4-17

SIGNED: Mark A. Jagan
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