

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:
TRUCK AND BUS TIRES FROM CHINA

) Investigation Nos.:
) 701-TA-556 AND 731-TA-1311 (FINAL)

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Place: Washington, D.C.
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UNITED STATES OF AMERICA
BEFORE THE
INTERNATIONAL TRADE COMMISSION

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

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Tuesday, January 24, 2017

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

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Chairman Rhonda K. Schmidtlein

5 Vice Chairman David S. Johanson

6 Commissioner Irving A. Williamson

7 Commissioner Meredith M. Broadbent

8 Commissioner F. Scott Kieff

9

10

11

12 Staff:

13 William Bishop, Supervisory Hearings and Information

14 Officer

15 Sharon Bellamy, Records Management Specialist

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17 Nathanael Comly, Investigator

18 Raymond Cantrell, International Trade Analyst

19 Michele Breaux, International Economist

20 Charles Yost, Accountant/Auditor

21 David Goldfine, Attorney/Advisor

22 Elizabeth Haines, Supervisory Investigator

23

24

25

1 Congressional Witnesses:

2 The Honorable Tim Kaine, United States Senator, Virginia

3 The Honorable Brian Higgins, U.S. Representative, 26th

4 District, New York

5

6 Opening Remarks:

7 Petitioner (Terence P. Stewart, Stewart and Stewart)

8 Respondents (Max F. Schutzman, Grunfeld, Desiderio,

9 Lebowitz, Silverman & Klestadt LLP)

10

11 In Support of the Imposition of Antidumping and

12 Countervailing Duty Orders:

13 Stewart and Stewart

14 Washington, DC

15 on behalf of

16 The United Steel, Paper and Forestry, Rubber,

17 Manufacturing, Energy, Allied Industrial and Service Workers

18 Intentional Union, AFL-CIO, CLC ("USW")

19 Stan Johnson, International Secretary-Treasurer, USW

20 Billy Wright, President, USW Local 1155

21 Jody Juarez, President, USW Local 307

22 Thomas O'Shei, President, USW Local 135

23 Bruce Chamblee, Managing Partner and General Manager,

24 Dorsey Tire Co., Inc.

25

1 Kenneth Button, Senior Consultant, Economic Consulting
2 Services

3 Jennifer Lutz, Senior Economist, Economic Consulting
4 Services

5 Emma Peterson, Economist, Economic Consulting Services

6 Terence P. Stewart, Elizabeth J. Drake and Philip A.
7 Butler - Of Counsel

8

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

11 Grunfeld Desiderio Lebowitz Silverman & Klestadt LLP
12 Washington, DC

13 on behalf of

14 The Sub-Committee of Tire Producers of the China Chamber of
15 Commerce of Metals, Minerals & Chemicals Importers &
16 Exporters; China Rubber Industry Association ("CRIA")
17 Guizhou Tyre Co., Ltd.; Guizhou Tyre Import and Export Co.,
18 Ltd.; GTC North America, Inc.; Aeolus Tyre Co., Ltd. and
19 Tyres International

20 Yu Yi, Vice Chairman, China Chamber of Commerce of
21 Metals, Minerals & Chemicals Importers & Exporters

22 Gary Schroeder, Director, Global Truck & Bus Tires,
23 Cooper Tire & Rubber Company

24 Chris Kennedy, Vice President, Finance, Triangle Tire
25 USA, LLC

1 Dan Pearson, President, Northwest Tire, Inc.
2 Andrew Szamosszegi, Principal, Capital Trade
3 Incorporated
4 Travis Pope, Associate, Capital Trade Incorporated
5 Chen Yang, Attorney, Jincheng, Tongda & Neal
6 Zheng Xu, Attorney, Jincheng, Tongda & Neal
7 Max F. Schutzman, Ned H. Marshak, Andrew T. Schutz and
8 Eve Q. Wang - Of Counsel

9
10 Grunfeld Desiderio Lebowitz Silverman & Klestadt LLP
11 Washington, DC

12 on behalf of
13 The Institute of International Container Lessors, Ltd.
14 ("IICL") and its members

15 Steve Blust, President, IICL
16 Dan Jackson, Senior Tire Manager, TRAC Intermodal
17 Gregg F. Carpene, Executive VP and Chief Legal Officer,
18 TRAC Intermodal

19 Bernard J. Vaughan, Chief Legal Officer and Executive
20 VP of Administration, Flexi-Van Leasing, Inc.

21 Ned H. Marshak, Andrew T. Schutz and Eve Q. Wang - Of
22 Counsel

23
24
25

1 Rebuttal/Closing Remarks:

2 Petitioner (Elizabeth J. Drake, Stewart and Stewart)

3 Respondents (Ned H. Marshak, Grunfeld Desiderio Lebowitz

4 Silverman & Klestadt LLP)

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1 PROCEEDINGS

2 9:30 a.m.

3 MR. BISHOP: Will the room please come to
4 order?5 CHAIRMAN SCHMIDTLEIN: All, good morning. On
6 behalf of the U.S. International Trade Commission, I welcome
7 you to this hearing on Investigation No. 701-TA-556 and
8 731-TA-1311 final, involving Truck and Bus Tires from China.9 The purpose of these investigations is to
10 determine whether an industry in the United States is
11 materially injured or threatened with material injury, or
12 the establishment of an industry in the United States is
13 materially retarded by reason of imports of truck and bus
14 tires from China.15 Schedules setting forth the presentation of
16 this hearing, notices of investigation and transcript order
17 forms are available at the public distribution table. All
18 prepared testimony should be given to the Secretary. Please
19 do not place testimony directly on the public distribution
20 table.21 All witnesses must be sworn in by the Secretary
22 before presenting testimony. I understand that parties are
23 aware of the time allocations. Any questions regarding the
24 time allocations should be directed to the Secretary.
25 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 will be submitting documents that contain information
5 you 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, Madam Chairman. Senator Mark
9 Warner of Virginia has submitted written testimony for
10 today's hearing. He is unable to join us and has asked that
11 his statement be accepted for the record.

12 CHAIRMAN SCHMIDTLEIN: All right, without
13 objection. Very well. Let's proceed with our first
14 Congressional witness.

15 MR. BISHOP: Our first Congressional witness is
16 the Honorable Tim Kaine, United States Senator from
17 Virginia.

18 CHAIRMAN SCHMIDTLEIN: Welcome Senator Kaine.
19 You can proceed when you're ready.

20 STATEMENT OF THE HONORABLE TIM Kaine

21 SENATOR Kaine: Chairman Schmidtlein, Vice
22 Chairman Johanson and ITC Commissioners, thanks for the
23 opportunity to appear today to testify in support of the
24 United Steelworkers in the case for imposition of
25 anti-dumping and countervailing duties against unfairly

1 traded Chinese imports of truck and bus tires.

2 I believe that an affirmative vote and a
3 positive outcome in this case is vital to the future
4 stability of the domestic truck and bus tire industry,
5 including more than 2,000 workers at the Goodyear truck and
6 bus tire plant in Danville, Virginia. Over 1,800 of the
7 workers are members of Steelworkers Local 831, and they're
8 looking for the chance to compete fairly and on a level
9 playing field with China.

10 Goodyear has a long history in Danville, which
11 is on the southern border of our state, and just by
12 coincidence I'm going to be with Mayor Gilstrap, the Mayor
13 of Danville, Virginia later this afternoon. Since the
14 groundbreaking of this plant in 1965, the plant has been
15 expanded 40 times and it's produced more than 100 million
16 truck and aircraft tires for numerous uses, including in the
17 United States and both in domestic capacity and the United
18 States military.

19 The Danville plant is the largest producer of
20 commercial truck and bus tires in North America, and
21 Goodyear is the city's largest and highest-paying private
22 employer. Virginians recognize that these are great jobs,
23 and they're the exact kind of American manufacturing jobs
24 that we all want to protect and support.

25 I have a personal history with this plant. When

1 I was governor of Virginia in June of 2008, I helped
2 Goodyear secure millions of dollars in state
3 performance-based grants and community funding to support at
4 that time a \$200 million modernization program at the
5 Danville plant to improve technology and production. It was
6 my hope that the investment would enable the plant to
7 continue to produce more innovative commercial truck tire
8 products, and serve as a testament to the manufacturing
9 possibilities in Virginia.

10 Many of you might know the Danville area. It's
11 an area that has a heavy manufacturing work ethic, but an
12 area that's lost a lot of manufacturing jobs since the early
13 1990's. Unfortunately, since this modernization investment
14 in 2008, the domestic market for truck and bus tires has
15 been distorted by trade activities carried out by Chinese
16 producers.

17 Between 2013 and 2015, Chinese imports grew 41
18 percent. Chinese producers shipped more than 8.9 million
19 tires in 2015, which was 60 percent of total imports that
20 year. Unfortunately, the data show that imports have
21 reached nearly 60 percent of consumption here in the United
22 States. We need to address rapidly increasing tire imports
23 from China, to ensure American manufacturers have a level
24 playing field on which to compete.

25 The domestic market is now dominated by Chinese

1 imports as more truck and bus tires sold in 2015 were
2 manufactured abroad than in the United States. The data
3 show Chinese producers have dumped these tires in the U.S.
4 While the value of Chinese exports to the U.S. increase from
5 2013 to 2015, the average unit value of Chinese truck and
6 bus tires has dropped sharply.

7 By underselling at values less than the cost of
8 production at home, Chinese imports gained U.S. market share
9 at the expense of domestic producers. These unfair trade
10 practices have been confirmed by the Department of Commerce,
11 which preliminarily found that the subsidy margins, ranging
12 from 17.06 percent to 23.38 percent, and dumping margins of
13 30.36 percent.

14 Because of these high margins, our domestic
15 producers start many steps behind, unable to keep up with
16 increased demand and are left racing to catch up with
17 foreign competition. While they are constantly making
18 innovations in efficiency investments, our U.S. truck and
19 bus tire industry cannot compete successfully on this biased
20 conditions.

21 Chinese subsidization and dumping are having
22 visible negative economic consequences on the domestic
23 industry generally. During cyclical periods of high demand,
24 such as the spike in demand between 2013 and 2015, I
25 understand that the Danville plant has been able to boost

1 production and shipments.

2 However, shipments during this spike in demand
3 in this domestic industry fell by 5.7 percent overall, and
4 starting this year Goodyear has reduced the number of tires
5 produced daily in Danville. These production declines
6 deeply impact American workers, who suffer lower overtime
7 and take-home pay and ultimately, if unfair trade is not
8 stopped, they suffer layoffs. Each time a worker is laid
9 off, as you know so well, the community is directly
10 impacted, and I have a particular heart for this community
11 because it's suffered some of the most significant job
12 losses in recent decades in Virginia.

13 Along with my colleague from Virginia Senator
14 Warner, whose written testimony was entered without
15 objection, I won't sit back and watch these imports continue
16 to harm the manufacturing sector in Virginia and the in the
17 United States. If left unchecked, I fear there will be
18 further production cuts and layoffs in Danville and
19 elsewhere.

20 To conclude, I am a supporter of trade, and I
21 believe that trade under the right conditions with strong
22 enforcement benefits our economy. That is a view I know we
23 all share. But our policies must support the American
24 middle class workers in Danville and elsewhere. A first
25 step in igniting such change is an affirmative result in a

1 trade remedy case such as this.

2 We've already seen the positive results that
3 orders from the ITC can have in the passenger vehicle and
4 light truck tire segment at a separate ITC hearing that I
5 provided testimony on to voice concerns with in the last 18
6 months. It's my hope that an affirmative final
7 determination when the Commission votes will likewise lead
8 to further innovation, investment in security in this
9 important domestic industry. I thank you for the
10 opportunity to appear today.

11 CHAIRMAN SCHMIDTLEIN: All right. Thank you,
12 Senator. Are there any questions for Senator Kaine? All
13 right. Thank you very much.

14 MR. BISHOP: Our next Congressional witness is
15 the Honorable Brian Higgins, United States Representative
16 for the 26th District of New York.

17 CHAIRMAN SCHMIDTLEIN: Welcome, Congressman.
18 You may begin when you're ready.

19 STATEMENT OF THE HONORABLE BRIAN HIGGINS

20 CONGRESSMAN HIGGINS: Good morning Madam Chair,
21 Vice Chair and Commissioners. I am pleased to be here today
22 to support the 1,300 workers at Sumitomo, formally a Dunlop
23 tire plant in Tonawanda, New York, including 975 members of
24 the United Steelworkers Local 135.

25 As a member of the House Ways and Means

1 Committee, I am pleased and very interested in promoting
2 policies that encourage economic growth in American
3 manufacturing, and the good jobs that manufacturing provides
4 to the nation, and also my community of western New York.
5 The data in these cases is clear. Chinese imports of truck
6 and bus tires have rapidly increased in the last three
7 years, from 6.3 million tires in 2013 to almost nine million
8 in 2015.

9 This growth has occurred due to unfair trade
10 practices. The Commerce Department has preliminarily
11 determined that many Chinese tires are dumped into the
12 United States. If this market distortion is allowed to
13 continue, the jobs of American workers and the liability of
14 continued American manufacturing of truck and bus tires will
15 be in jeopardy. The Tonawanda plant in my Congressional
16 District currently has a capacity to increase production by
17 50 percent.

18 If unfair trade policies that allow subsidized
19 Chinese exports into the United States are corrected, as
20 these cases would do, this plant would certainly grow. This
21 Commission should help aid that growth. The Commission has
22 a record of ruling in favor of American manufacturing.
23 According to the Buffalo News, the Tonawanda plant has
24 announced plans to double production of passenger vehicle
25 and light truck tires from 5,000 to 10,000 tires a day over

1 the next four years, partly due to your previous decisions
2 relating to those products. We hope the Commission can
3 make a similar determination here.

4 Right now, our workers face a one-two punch from
5 China, as 39 documented Chinese programs under investigation
6 by the Commerce Department offer unfair subsidies to Chinese
7 truck and bus tire companies. These program distortions
8 make it difficult for American made goods to come to market.
9 I believe that action by you in the next month can take away
10 these key distortions, and level the playing field in this
11 very important sector.

12 Thank you again for giving me the opportunity to
13 testify today. I want to thank Thomas O'Shei and Leo Gerard
14 of the United Steelworkers for raising my awareness about
15 these important issues. I urge you to vote affirmatively in
16 this case on February 22nd. Your role is critical to
17 restoring free and fair trade in the truck and bus tire
18 sector. Thank you.

19 CHAIRMAN SCHMIDTLEIN: All right. Thank you
20 very much Congressman. Any questions? All right, thank
21 you.

22 MR. BISHOP: Madam Chairman, that concludes
23 Congressional testimony today.

24 CHAIRMAN SCHMIDTLEIN: All right. I guess we
25 can move to the opening statements.

1 MR. BISHOP: Opening remarks on behalf of
2 Petitioner will be given by Terence B. Stewart, Stewart and
3 Stewart.

4 OPENING STATEMENT OF TERENCE P. STEWART

5 MR. STEWART: Chairman Schmidtlein, Vice
6 Chairman Johanson, Commissioners and staff of the
7 Commission, good morning. When the USW filed these cases a
8 year ago, the U.S. market for truck and bus tires had come
9 through a period of strong growth, over 20 percent according
10 to the ITC preliminary injury determination.

11 But the domestic industry had been denied
12 participation in the vast majority of that growth, with only
13 a 2.5 percent increase because of the enormous growth of
14 imports from China. USW local presidents testified at the
15 preliminary injury conference that their plants had
16 experienced reduced production tickets, delayed investments,
17 reduced hours despite the strong market demand and had been
18 repeatedly told by management that these results flowed from
19 lost market share and low prices from China.

20 The preliminary record confirmed there was a
21 rapid loss of market share by domestic producers to Chinese
22 imports. Commerce's determinations that were released
23 yesterday have confirmed that Chinese imports have been
24 dumped and subsidized in very large margins. The prehearing
25 staff report compiled in this final phase of the cases and

1 public data confirm that the industry has in fact been
2 denied the opportunity to participate significantly in the
3 upside of the market growth, and that growth has slowed down
4 and in the OE segment turned negative in the last year.

5 Declining raw material costs have bottomed out
6 and increases are starting. But for the dumped and
7 subsidized imports, the U.S. industry's performance would
8 have been much stronger in 2014-2015 and the interim period
9 of 2016. Based on the public preliminary injury
10 determination data, we estimate lost volume of between 1.1
11 and 1.3 million tires in 2014 and 2015, lost market share
12 4-1/2 and 5.1 percentage points, lost sales revenue of \$340
13 and 375 million, lost operating income of \$111 and \$133
14 million, and lost employment of 506 and 616 jobs in those
15 two years.

16 Such massive losses by the domestic industry
17 caused by the rise in imports from China are a clear
18 indication of material injury. The vast majority of
19 producers, importers and purchasers view the products as
20 always or frequently interchangeable, and price as a very
21 important element in purchasing decisions.

22 Chinese product, just like domestic price, is
23 available for all truck positions, is offered side by side
24 with domestic product by many dealers, comes generally with
25 retread and/or casing warranties, have tires that have been

1 verified for low rolling resistance under the EPA's smart
2 weight program.

3 Many purchasers have confirmed switching volume
4 to Chinese product from domestic product during the POI,
5 with lower price being the key reason. Imports from China
6 undersold domestic products in the vast majority of
7 instances, 55 of 56 and by large margins averaging 40.5
8 percent in 2013 to 2015 according to your preliminary ITC
9 report.

10 Competition is direct and non-attenuated in all
11 segments of the market. The prehearing staff report
12 confirms that loss of market share in the key area of
13 competition was to subject imports and not to nonsubject
14 imports. While many questionnaire responses indicate the
15 existence of tiers, the major domestic producers have
16 products in each of the major tiers, and purchasers
17 acknowledge that customers compare products across tiers and
18 indeed many dealers show products from many suppliers in
19 various tiers side by side, and in response to inquiries
20 about available product for particular needs.

21 Major Chinese participants have acknowledged
22 publicly that they increased market share based on low
23 prices to truckers and the lower prices giving higher
24 profitability to dealer. However, without relief, the
25 domestic industry is threatened with additional material

1 injury. Imports increased 41.9 percent in the 2013-2015
2 period, and were up 24 percent in 2016 through June before
3 the preliminary CVD determination by Commerce.

4 Without relief, imports will continue to surge
5 into the U.S. Even further, Chinese producers who submitted
6 questionnaire responses to you, their excess capacity was
7 more than 18.7 million tires in 2015, a volume sufficient to
8 triple total Chinese exports that the U.S. received in 2015.
9 Chinese companies reported showing exports to the U.S.
10 growing at more than twice the rate of exports to the rest
11 of the world.

12 Export prices from China to the U.S. have been
13 higher than the rest of the world, making the U.S. a very
14 attractive market for additional volume. A number of the
15 subsidies found by Commerce are export subsidies and ten
16 countries around the world have existing orders on Chinese
17 truck and bus tires.

18 With declining growth in the U.S. market, a cost
19 structure that indicates higher raw material costs going
20 forward, we will see additional injury without relief.

21 Thank you very much.

22 CHAIRMAN SCHMIDTLEIN: Thank you, Mr. Stewart.

23 MR. BISHOP: Opening remarks on behalf of
24 Respondents will be given by Max F. Schutzman of Grunfeld,
25 Desiderio, Lebowitz, Silverman and Klestadt.

1 OPENING STATEMENT OF MAX F. SCHUTZMAN

2 MR. SCHUTZMAN: Good morning, Madam Chairman,
3 Commissioners. As typically occurs, Mr. Stewart and I
4 differ significantly on our view of the facts, the
5 interpretation of the facts and of course you will be judge
6 ultimately of those facts. This is the third investigation
7 involving tires from China the Commission has adjudicated in
8 the past approximately eight years.

9 Off the road tires in 2008, passenger vehicle
10 and light truck PVLТ tires in 2015, and now truck and bus TB
11 tires. Each of the first two investigations involved
12 considerably different products and businesses, and the
13 instant investigation is no exception. The TB tires
14 industry is nothing like the PVLТ tires industry, and the
15 differences are critical to your determination.

16 Consequently, you will hear from Respondent's
17 witnesses that when a purchaser buys a premium tire from one
18 of the Big Three, Goodyear, Michelin and Bridgestone, it is
19 not just buying a tire. It's buying a confluence of assets
20 and benefits that accompany the purchase of that tire. This
21 includes a substantial nationwide service and distribution
22 network, extended tire and casing warranties, national
23 account programs, company-owned and/or authorized retread
24 facilities, and a large nationally available inventory.

25 Even the better quality Chinese origin tires

1 have very few if any of these attributes, and the one time
2 use Chinese tires at the bottom of the market have none of
3 them. Because of this, there is no competition between
4 Chinese origin tires and premium American made tires, and
5 even at the so-called Tier 2 level, which includes
6 Firestone, B.F. Goodrich and Continental brands, competition
7 is virtually non-existent.

8 Retreads have been expressly excluded from the
9 scope of this investigation, but they clearly should not be
10 excluded from your consideration as an important condition
11 of competition. You see, U.S. producers derive significant
12 revenue from their retread operations, since they control
13 the overwhelming majority of U.S. retread business for TB
14 tires with their self-owned facilities or facilities that
15 are authorized by them operate much like franchises.

16 In considering the health of this industry,
17 retread operations are a critical factor in that
18 determination. Retreads compete mostly with imported TB
19 tires from China and elsewhere. In addition to the
20 foregoing, please carefully consider that over the course of
21 this Period of Investigation, number one, the domestic
22 industry as a whole performed exceptionally well.

23 Two, domestic industry capacity utilization
24 rates were very high. Three, domestic industry capacity to
25 produce TB tires cannot come even close to satisfying U.S.

1 market demand for those tires. Four, lower raw material
2 costs were the cause of lower unit values on domestic
3 industry sales to OEM and national account customers, not
4 Chinese imports.

5 Five, competition by subject imports was
6 principally with nonsubject retreads and nonsubject
7 imports, many of which are imported by the domestic industry
8 and not with U.S. produced TB tires. In short, the domestic
9 industry does not need and is not deserving of protection.
10 An ailing industry or one that is being injured by subject
11 imports does not commit billions of dollars in capital
12 expenditures to construct new plants in the United States
13 and modernize older ones, which is what is being done here.

14 Finally, there's likewise no basis on this
15 record to conclude that the domestic industry is being
16 threatened with material injury. This is because one, the
17 domestic industry is not in a vulnerable state, as I
18 mentioned. Two, the domestic industry itself projects
19 future success as evidenced again by the substantial
20 financial commitments made in new and older plants.

21 Three, competition between subject imports from
22 China and U.S. produced TB tires is extremely attenuated,
23 contrary to what Mr. Stewart represented. Four, China's own
24 internal policies pertaining to the TB tires industry in
25 China encouraged cessation of production by under-performing

1 factories, consolidation and reorganization to optimize
2 excess capacity.

3 Five, raw material prices in China are
4 increasing, which will result in increasing prices for
5 tires. Six, truck production in the domestic Chinese market
6 is also escalating, leading to greater domestic demand for
7 Chinese tires, and finally seven, exports from China of TB
8 tires to third country markets are significantly greater
9 than exports from China of TB tires to the United States.

10 All these factors demonstrate persuasively that
11 the domestic industry is not injured, is not threatened with
12 material injury in the foreseeable future by imports of TB
13 tires from China. I thank you.

14 CHAIRMAN SCHMIDTLEIN: Thank you, Mr. Schutzman.

15 MR. BISHOP: Would the panel in support of the
16 imposition of antidumping and countervailing duty orders
17 please come forward and be seated. Madam Chairman, all
18 witnesses on this panel have been sworn in.

19 CHAIRMAN SCHMIDTLEIN: Thank you. Mr. Stewart,
20 you may begin when you are ready.

21 MR. STEWART: Thank you, Madam Chairman. We will
22 start with Stan Johnson.

23 STATEMENT OF STAN JOHNSON

24 MR. JOHNSON: Good morning Madam Chairman,
25 Commissioners. My name is Stan Johnson and I am the

1 International Secretary Treasurer of the United
2 Steelworkers Union. I also Chair the Rubber and Plastics
3 Industry Conference for the USW. I have extensive
4 experience in the industry. I worked at Armstrong Passenger
5 and Light Truck Tire Plant in Madison, Tennessee for more
6 than twenty years. I left the plant to join the United
7 Steel Workers after the rubber workers merged with the USW
8 in 1996.

9 As part of my responsibilities I have been
10 involved in major bargaining for the tire companies that
11 employ USW members. The USW represents workers at 3
12 companies and 5 plants that produce truck and bus tires in
13 the United States including Bridgestone's plants in La
14 Vergne and Warren County, Tennessee; Goodyear's plants in
15 Danville, Virginia and Topeka, Kansas and Sumitomo's plant
16 in Buffalo, New York.

17 These five plants account for two-thirds of the
18 domestic industry's capacity to produce truck and bus tires.
19 It is on behalf of these members which represent the
20 majority of Domestic Production that our Union filed these
21 petitions on truck and bus tires from China.

22 As in so many other segments of the tire
23 industry, China has aggressively targeted our market with
24 dumped and subsidized tires over the last few years. These
25 unfairly traded imports have taken shipments and market

1 share from Domestic Producers, deeply undercut prices and
2 prevented our industry from participating in an
3 extraordinary period of growth in domestic demand. Meaning
4 there have been fewer jobs, shorter hours, lower wages for
5 all workers in the industry that would have existed under
6 conditions of fair trade.

7 In short, Chinese truck and bus tires have
8 materially injured the Domestic Industry and they threaten
9 further material injury if relief is not provided. Based
10 upon the Commission's Preliminary Determination and Staff
11 Report, as the economy recovered and commercial trucking
12 activity increased, demand for truck and bus tires jumped
13 significantly by more than 20 percent from 2013 to 2015 but
14 the Domestic Industry was prevented from participating in
15 almost any of this rapid growth demand.

16 One would expect the Domestic Industry to reap
17 significant benefits from such an upswing in the demand
18 cycle, increased shipments, production and employment.
19 Indeed, any industry must maximize the benefits of rising
20 demand to protect itself from the inevitable downturns that
21 will surely follow. The truck and bus business has
22 struggled significantly for significant parts of the last
23 decade or so and strong performance during a cyclical upturn
24 is critical to the long-term health of the industry.

25 However, as your preliminary report shows,

1 despite significant increase in demand during the period,
2 domestic shipments increased by just 2.5 percent. Further
3 growth commensurate with demand was thwarted by a massive
4 surge in unfairly traded imports from China which ballooned
5 by almost 42 percent. Chinese Imports grew at a rate of
6 more than twice as rapid as the growth in demand as China
7 pumped an additional 2.6 million tires into the market, it
8 seized over 58 percent of the increase in demand while the
9 Domestic Industry only got 6.5 percent.

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

20 The way the Chinese Producers were able to seize
21 shipments and market share from Domestic Producers was
22 through widespread price undercutting. The Preliminary
23 Staff Report shows the Chinese Imports undersold Domestic
24 Product in 55 out of 56 comparisons with an average margin
25 of underselling of 40.5 percent. The record of these

1 investigations shows the Chinese Imports compete head to
2 head against domestic tires. Price drives sales and it's
3 the low price of Chinese Imports that have shifted so many
4 customers to the Chinese products; deprived the Domestic
5 Industry of growth and eroded domestic market share.

6 USW has witnessed the impact of the surge in
7 low-priced truck and bus tires firsthand in our plants. I
8 am pleased to be joined by USW Presidents from three of
9 those plants today; Bridgestone's Warren County Plant in
10 Tennessee, Goodyear's Plant in Topeka, Kansas and Sumitomo's
11 Plant in Buffalo, New York. These Presidents will explain
12 the real-world impact of Chinese Imports on our industry.

13 Despite a 21 percent increase in demand,
14 production at these plants has remained largely flat or
15 fallen and even as demand is projected to increase in the
16 future, our employers are not increasing production tickets.
17 Instead, production tickets were cut at each of these three
18 plants in 2016 and will remain down in 2017 unless relief is
19 provided. The reason management has given for the
20 reductions? The loss of market share to low-priced Chinese
21 Imports.

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

1 Some of our plants have also been starved of investment over
2 the period. Our local Presidents will testify to specific
3 investment projects that have been discussed at their plants
4 but put on hold as a result of Chinese Imports eroding
5 domestic shipments and market share.

6 It is truly tragic during such a dramatic
7 increase in demand that the Domestic Industry has merely
8 been treading water instead of reinvesting in its own
9 future. It is not just the USW that sees Chinese Imports as
10 a source of the Domestic Industry's problem. Management
11 also discusses the import problem with us on a regular basis
12 during contract negotiations, at interim meetings and at the
13 local plant level management is constantly bringing up the
14 issue of Chinese Imports, their low prices and rising volume
15 and the market share they are taking away from Domestic
16 Producers.

17 The result has been a delay in capital
18 expenditures, reduction in daily production and fewer
19 workers at the plants in communities across our country.
20 This is despite our employers' efforts to maximize market
21 share by expanding their lower priced brands. Because of
22 the rapid growth of low-priced Chinese truck and bus tires,
23 Goodyear, Bridgestone and Michelin all introduced or
24 expanded lower-priced product lines since 2013 to try to
25 stem the loss of market share.

1 Domestic Producers typically have good, better,
2 best offerings; both within a brand and among a portfolio
3 brands. Bridgestone has Bridgestone, Firestone and Dayton
4 Brands. Goodyear has Goodyear, Dunlop and Kelly. Michelin
5 has Michelin, BF Goodrich and Uniroyal. Bridgestone and
6 Goodyear produce various brands in the same facilities and
7 on the same equipment with the same workers. We believe the
8 same is true for Michelin.

9 At our plant, our employers have introduced and
10 expanded the Dayton and Kelly lines specifically to try to
11 stop market loss share. The only reason they did not
12 succeed was the unfair competition from Chinese Imports that
13 has hurt all segments of the business. Relief from these
14 imports will create a significant opportunity for Domestic
15 Producers and workers. As our local Presidents will
16 testify, their three plants alone could quickly ramp up
17 production by 1.5 million tires on existing equipment and
18 with existing employees. At Goodyear's Topeka Plant for
19 example the company has not yet reduced the workforce
20 despite significant production cuts in 2016. These workers
21 and those at other plants are available to ramp up
22 production if the orders are imposed.

23 In addition, if planned investments which have
24 been deferred or finally made, total annual production could
25 increase by over 2.8 million tires above current levels and

1 within a year. These are massive opportunities for the
2 industry and our members but they also underscore the
3 potential production and investment that has been lost to
4 Chinese Imports. The industry needs relief and we have seen
5 the benefits that relief can have.

6 The orders on passenger vehicle and light truck
7 are a pointing case. Since the orders on passenger and
8 light truck tires from China were imposed, imports from
9 China and total imports are down. Domestic shipments are
10 up, reversing a trend of dramatic contraction of Domestic
11 Production.

12 Finally, imports threaten further injury if
13 orders are not imposed. As in so many other industries,
14 China has a massive excess capacity in truck/bus tire
15 production. It currently has the capacity to produce every
16 single truck tire demanded in the entire world and that
17 capacity is still growing, fueled by large and distorting
18 government subsidies just like in the steel and aluminum
19 sectors of which the Commission is well aware, the tire
20 industry is yet another sector where the Chinese Government
21 policies have resulted in global excess capacity of enormous
22 proportions.

23 These global problems created by China cost U.S.
24 companies and their workers growth opportunities and too
25 often have led to plant closures and layoffs as the

1 cost-adjustments are borne by the U.S. and other countries,
2 their companies and their workers. The only way for Chinese
3 Producers to maintain production is to export their way out
4 of the problem and the U.S. with its large market, rising
5 demand and high prices is the number one target for such
6 exports.

7 During the Period of Investigation Chinese
8 Producers report their exports to the U.S. grew by 30.9
9 percent, more than twice the 14.3 percent growth in Chinese
10 exports to the rest of the world. Our imports from China
11 continue to surge right up to the time of Commerce's
12 Preliminary Countervailing Duty Determination as other
13 governments around the world have imposed antidumping orders
14 on truck and bus tires from China, Chinese Producers will
15 only further intensify their focus on the U.S. Market and
16 continue to undercut prices to gain market share.

17 A continued surge of low-priced imports from
18 China into a market where growth is slowed will cut
19 employment, hours, overtime and pay for the men and women
20 who work in America's truck and bus tire plants. The result
21 will be continuing injury to a Domestic Industry that has
22 already been denied the opportunity to participate in the
23 high growth of the past few years and if raw material prices
24 continue to rise as forecast, the industry will be even less
25 able to withstand significant pricing pressure from Chinese

1 Imports and a continued lack of needed investment in this
2 very important industry.

3 That is why our Union filed these petitions and
4 that is why I am here today to ask you for an affirmative
5 Final Injury Determination. Thank you.

6 STATEMENT OF BILLY WRIGHT

7 MR. WRIGHT: Good morning. My name is Billy
8 Wright. I am the President of USW Local 55. We represent
9 workers at Bridgestone's Plant in Warren County, Tennessee.
10 I have worked for more than 22 years at the Warren County
11 Plant. I have held positions in the banbury and mixing
12 sections of the plant and through my Union positions I have
13 gained familiarity with other sections of the plant as well.

14 Our plant is dedicated to the production of truck
15 and bus tires and we are Bridgestone's largest truck and bus
16 tire plant in the United States. Our plant makes the full
17 range of truck and bus tires for all positions and we have
18 produced tires for original equipment manufacturers as well
19 as the replacement market.

20 We make truck and bus tires sold under the
21 Bridgestone brand as well as Bridgestone's firestone and
22 Dayton Brands. Though demand for truck and bus tires has
23 increased significantly in recent years, our plant has not
24 seen any benefit in terms of similar increases in
25 production, employment or investment. Our daily production

1 ticket was 9,000 tires in 2013, below our maximum capacity
2 and it stayed at that level through the end of 2015.

3 In other words, during a period when demand in
4 the U.S. was increasing by roughly 21 percent, production at
5 Bridgestone's largest plant remained flat. Because of its
6 inability to make sales, over the past couple of years
7 Bridgestone has been building inventories, both at its
8 million tire warehouse in Lebanon, Tennessee and at the
9 150,000 tire warehouse at our plant. The warehouse at our
10 plant is currently at near-full capacity.

11 Due to the inventory buildups, Bridgestone cut
12 our daily production ticket in January 2016 to 8,900 tires a
13 day. In the next month it was reduced to 8,800 tires. We
14 went back up to 8,900 tires in October of last year and are
15 currently at that level. Our sister plant in La Vergne,
16 Tennessee has also been forced to reduce its daily ticket in
17 2016.

18 When we asked management why they were cutting
19 production they told us that Chinese tires were killing the
20 market and the sales simply weren't there for the company.
21 Due to the production cuts, days have been taken out of the
22 schedule and dates have been added to shutdown periods.
23 These days are taken without pay. In addition, there is
24 less overtime available to our members, which is an
25 important source of additional income for their families.

1 Instead of overtime, we are now in a situation
2 where members who finish work early simply just go home.
3 Many of our workers are working less than 40 hours a week.
4 Bridgestone has tried to compete for market share by
5 shifting more production to our Firestone and Dayton Brands
6 but it has not been enough to bring more overall volume to
7 our plant. Unless Bridgestone can increase sales and work
8 down its inventories, we will likely see further reductions
9 to production.

10 If these trends do not reverse this year, taking
11 days out of the schedule and reducing overtime, having
12 workers work less than 40 hours will not be enough. At some
13 point layoffs will be on the table. Our plant has also been
14 forced to forgo capital investments because of the unfair
15 competition from Chinese tires and imports. We have
16 discussed plans to add a banbury mixer to increase our
17 internal rubber supply as well as some additional
18 tire-building equipment with management many times.

19 It was at one point slated to go forward in 2015
20 in a market where demand rose quickly from 2013 to 2015 it
21 was only logical to make an investment that would let us
22 increase production by about 15 percent in order to keep our
23 market share but in August of 2015, Bridgestone's CEO came
24 to visit our plant and told us that the new investment would
25 be put off indefinitely. He told us that the investment

1 would not happen until the company's sales picked up. He
2 told us we had already produced more tires than we can sell
3 when the company is losing market share to cheaper Chinese
4 tires.

5 If orders are imposed on dumped and subsidized
6 tires from China it will have important benefits for our
7 plant. We could easily increase production to 9,200 to
8 9,300 tires a day on existing equipment and with existing
9 employees. We routinely source rubber from our sister plant
10 in La Vergne and with additional rubber supply from that
11 plant we can increase production to 10,000 tires a day on
12 existing equipment. That's an additional 420,000 tires a
13 year with no new equipment.

14 In addition, if the project to add a banbury and
15 other equipment were finally given the go-ahead we could be
16 making 12,000 tires a day or more within a year raising our
17 annual production by another 700,000 tires. We have the
18 excess capacity and other parts of the production line to do
19 this. If we could sell the tires, this is where management
20 would like use to be. They recently told me that this case
21 would help to move those investments forward.

22 Such increases in production would also help our
23 members get overtime work and overtime pay again giving
24 significant boost to family income. Any production would
25 also help us add positions and hire new employees giving

1 more members of our local community what we have been so
2 fortunate to have, high-skilled, high-waged union jobs and
3 good benefits. If Chinese Imports are not stopped, we will
4 only see more of the same. More lost hours, additional
5 cuts in production, more opportunities for our plant and our
6 community unrealized and put on the shelf.

7 Ultimately if Chinese Imports keep increasing at
8 the rate they have, I'm afraid the outcome will be even more
9 dire. Steeper production cuts, shifts taken out of the
10 schedule and layoffs for our members. I am here today on
11 behalf of those members to ask the Commission to help give
12 us a fair shot by making an affirmative determination in
13 this case. Thank you.

14 STATEMENT OF JODY JUAREZ

15 MR. JUAREZ: Good morning. My name is Jody
16 Juarez. I am the President of USW Local 307, which
17 represents workers at Goodyear's Plant in Topeka, Kansas. I
18 have been working at the Topeka Plant for over 30 years. I
19 have experience building bias tires and in component
20 processing and I now work in the plant's banbury and mixing
21 operations.

22 In addition to truck and bus tires, our plant
23 also makes a small amount of light truck tires and some
24 large off-the-road earth mover tires. We make truck and bus
25 tires under the Goodyear, Dunlop and Kelly Brands. Our

1 tires are made for both the original equipment market and
2 the replacement market. All brands are made on the same
3 equipment by the same employees. Production of truck and
4 bus tires at Goodyear's Topeka Plant is suffering due to
5 unfair competition from imports from China. From 2013 to
6 2015 truck and bus tire production at our plant was flat to
7 declining. Despite the large increase in demand for truck
8 and bus tires over the period we had a daily ticket that
9 ranged from 5300 to 5700 in 2015. That ticket has now been
10 sharply reduced.

11 In the first couple of months of 2016 as Chinese
12 imports continued to surge into the market, our ticket was
13 reduced to only 4100 tires a day. The final surge of
14 imports prior to preliminary relief caused an inventory
15 overhang of production being cut during the summer months to
16 as low as 3200 tires. Our ticket is currently fluctuating
17 but we have come back up to as high as 3500 tires a day.

18 Despite the sharp declines in production that we
19 had in 2016 throughout the year, our inventories increased.
20 I would estimate that we added 50,000 tires to our plant's
21 inventory in 2016 and are currently holding 90,000 tires in
22 inventory. That is enough inventory for the factory to
23 simply shut the doors for nearly a month. Due to lackluster
24 production, management has taken many days out of the
25 schedule. In 2016, two days were taken out at Easter, an

1 entire week was taken out for 4th of July, four days were
2 taken out over Labor Day holiday, five days were taken out
3 of the month of October and nine days were taken out over
4 Christmas and New Year's.

5 For most of these days the factory would normally
6 be working around the clock. We have already been notified
7 that additional days will be taken out of the schedule in
8 2017. The component prep section of the plant is also not
9 operating at full shifts. We have not been operating at
10 full capacity since 2013, a situation that is even worse
11 today. A couple of our banbury mixers are currently shut
12 down. A number of our tire-building machines are being
13 cleaned or sitting idle instead of producing tires.

14 With the current labor in our tire room and our
15 full equipment utilization we could be producing 6200 tires
16 a day. Significantly above the 5700 tires made in 2015 and
17 far more than the 3200 to 3500 tires we are making today.
18 With some additional investment in new curing lines and new
19 tire-building equipment we could easily produce 7200 tires a
20 day or more. In fact, our plant has stopped two new
21 carrying lines from Goodyear in order to take full advantage
22 of our building capacity and enable us to hit 7200 tires a
23 day but the company has not committed the funds needed to
24 make the investment.

25 We were also expecting to get a new mixer in 2014

1 but the investment was not made in our plant. In short,
2 there has been no new equipment added to our plant at all
3 since 2013. Management's explanation for the drop in
4 production and failure to invest in new equipment is that
5 there are fewer tires being ordered and Goodyear has lost
6 market share to China. This is despite Goodyear's efforts
7 to increase its offerings of more economical tires under its
8 Kelly Brand in order to compete.

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

16 Instead our production has been cut repeatedly.
17 Our equipment is sitting idle and our workers are underused.
18 The reason for the problems our plant has experienced is
19 rapid growth in low-priced tires from China. Management has
20 confirmed this. In the interim management has specifically
21 discussed their concerns about competition from cheaper
22 tires from China entering the market. The downward spiral
23 our plant is on is unsustainable in a capital intensive
24 industry like tire-making. When demand is high is when
25 our plant needs to be running full out, when new

1 investments should be made and when our members should be
2 working full shifts, earning overtime and training new
3 hires. Instead, the opposite has occurred. All because of
4 the surge in dumped and subsidized tires from China. If
5 orders are imposed on these imports, our plant can react
6 immediately. We have the raw materials, the labor and the
7 equipment to start producing more tires tomorrow and to keep
8 producing more tires the days and months after that.

9 Despite the significant declines in production in
10 2016 we have not had any layoffs. Some workers who have
11 been able to keep their shifts are doing maintenance and
12 cleaning. Management has explained that they do not want to
13 reduce the workforce because of the additional cost of
14 having to hire and train people if production picks up. I
15 have never seen Goodyear do this before and can only guess
16 that management is waiting to see what happens with these
17 cases and is expecting that if there are orders, our
18 production will pick up quickly.

19 For the workers, I can say we are ready. We can
20 ramp up from 4100 tires to 6200 tires a day with no new
21 equipment and the addition of two carrying lines can bring
22 us to 7200 tires a day or more in short order. We hope the
23 Commission will vote in the affirmative to give us the
24 opportunity to compete. Thank you.

25 STATEMENT OF THOMAS O'SHEI

1 MR. O'SHEI: Good morning. My name is Thomas
2 O'Shei. I am president of the USW Local 135. Our Local
3 represents workers at the Sumitomo Tire Plant in Buffalo,
4 New York.

5 I was hired at the plant in 1990 as a curing
6 press operator in the truck department. I have also built
7 passenger vehicle tires at the plant, and for the last 19
8 years I've been building medium radial truck tires.

9 In addition to truck and bus tires, our plant
10 also produces passenger vehicle, light truck, and motorcycle
11 tires. Our plant makes truck and bus tires principally for
12 the replacement market.

13 We make tires under Goodyear's Dunlop and Kelly
14 Brands, as well as Goodyear's name-brand tires, with the
15 vast majority of our production focused on Kelly-branded
16 tires. We make tires for all positions, including steer,
17 drive, and trailer.

18 Our plant has been hard hit by the rising tide of
19 truck and bus tires from China. Our production of truck and
20 bus tires peaked at 2,300 a day in 2014. In 2015, it fell
21 nearly 10 percent to 2,100 tires a day.

22 Our production continued to fall in 2016, and was
23 as low as 1,700 a day during the summer of last year, a 25
24 percent drop from 2014. In October of last year, our
25 production began increasing again and we were back up to

1 2,000 tires a day by the end of the year, where it currently
2 sits still below 2014 levels.

3 As you know, our plant used to be run as a joint
4 venture between Goodyear and Sumitomo. Goodyear exited that
5 arrangement in October of last year, and the plant has
6 reverted back to Sumitomo ownership.

7 Goodyear has an agreement to offtake a certain
8 volume of truck and bus tires for Sumitomo for five years,
9 but there is flexibility to reduce the volume or cease the
10 agreement altogether.

11 Currently it is expected that Goodyear will
12 reduce its purchases later this year, and then we are not
13 sure where we will be. If that occurs, any future
14 production of truck and bus tires at our plant will depend
15 on Sumitomo's confidence in the market and willingness to
16 bring its own brands for production.

17 Without our truck and bus operations, our entire
18 plant would cease to be viable. Unfortunately, because of
19 market conditions with rapidly increasing imports from
20 China, our plant has received little investment in recent
21 years.

22 During the entire period from 2013 to 2015, we
23 were not only denied investment in new equipment, Goodyear
24 was not even making the investments needed to maintain our
25 plant. This approach cut down on management's cost in the

1 short term, but it was not a viable strategy for our plant's
2 survival in the long term.

3 While some of our tire-building machines have
4 been upgraded, the majority have not. Currently scheduled
5 upgrades will depend on market conditions which management
6 has told me will be influenced by the outcome of this case.

7 Fortunately, the orders that were imposed on
8 passenger vehicle and light-truck tires from China are
9 starting to benefit our plant. Sumitomo is already
10 responding to the relief that has been provided from these
11 Chinese imports. As part of a five-year plan to increase
12 production of passenger vehicle and light truck tires, it is
13 planning to bring production of tires that are currently
14 produced in Thailand to our plant.

15 Last year, Sumitomo announced that it was
16 investing \$87 million into the Buffalo plant. The
17 investment is expected to more than triple PVLTV production
18 at the plant from 5,000 tires a day to 17,000 tires a day.
19 These are all very positive developments that underscore the
20 domestic industry's willingness and eagerness to ramp up
21 production when unfair imports from China are disciplined.

22 And that is why relief from dumped and subsidized
23 truck and bus tires is also so important to our plant. Even
24 with the recent increase in our ticket after preliminary
25 relief from imports was imposed, we are operating

1 significantly below capacity.

2 Our curing presses could be producing at least
3 2,300 tires a day, but with production at 2,000 tires a day
4 we currently have presses sitting idle. Our tire-building
5 machines could produce 3,000 tires a day, but many are shut
6 down as our production is only at two-thirds of that amount.

7 With the decline in production, we have also lost
8 hours in overtime pay at our plant. We have one eight-hour
9 shift a week where workers can earn time-and-a-half for
10 overtime pay. They can only be used for production if
11 demand is there. Over the past few years, that shift has
12 been used a lot less.

13 This case will make all the difference to our
14 plant. Just like the five-year plan for passenger vehicle
15 and light truck tires that Sumitomo has launched with orders
16 in place, they have expressed great optimism about our
17 potential if orders are also imposed on truck and bus tires
18 from China.

19 They believe they can increase our production by
20 as much as 30 percent above and beyond what we were
21 producing at our peak in 2014. Our Mixing Department and
22 existing tire-building equipment already have enough unused
23 capacity to reach this goal.

24 Management has discussed bringing in additional
25 curing presses to raise our curing capacity to 3,000 tires a

1 day, the same capacity we currently have in our Tire
2 Building Department.

3 We already have a pit dug that the presses could
4 be placed in, and completing the project would take about
5 six months to a year. The scheduled upgrade to our building
6 machines would also increase our capacity.

7 Management is also interested in bringing
8 Sumitomo's Falcon Brand to the plant for production, but all
9 of these plans, which would give a lifeline to our plant,
10 depend on one thing: the outcome of this case.

11 Based on what management has told me, I believe
12 production will remain well below capacity, hours will
13 continue to fall, and investments will continue to be very
14 difficult to justify if Orders are not imposed. If Orders
15 are imposed, we can quickly ramp back up to the 2,300 tires
16 we were producing in 2014 with existing employees and
17 equipment, increasing our annual production by 140,000
18 tires.

19 Plans to increase production even further to
20 3,000 tires a day could be implemented within 12 months,
21 adding another 245,000 tires to our annual production. Our
22 plant and our members have been slowly starved of production
23 and investment at a time when we should have experienced
24 growth in line with healthy and rising domestic demand.

25 Aggressively priced Chinese imports which rose

1 twice as fast as demand pushed our tires out of the market
2 and hurt our plant and our members.

3 We are optimistic that our plant can recover and
4 thrive. We are grateful that Sumitomo also has confidence
5 in our plant's potential, but these hopes can only be
6 realized if the playing field is level and competition is
7 fair.

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

12 Thank you.

13 STATEMENT OF BRUCE CHAMBLEE

14 MR. CHAMBLEE: Good morning. My name is Bruce
15 Chamblee and I am the Managing Partner and General Manager
16 at Dorsey Tire Company, Incorporated, a tire dealer based in
17 Pooler, Georgia. We have two locations, one in Pooler, a
18 suburb of Savannah, and a second location in Darien,
19 Georgia.

20 We service the Georgia market, but through our
21 alliance network we are able to provide services to our
22 customers regionally. Our company works in passenger and
23 light truck tires, truck and bus tires, and off-the-road
24 tires, but we are primarily focused on truck and bus tires.

25 We deal with regional fleets, national fleets,

1 and independent operators, but the majority of our business
2 is in small, regional fleets, including school bus fleets
3 and charter buses, and independent operators.

4 We carry a range of brands produced by
5 Bridgestone, Continental, Michelin, Goodyear, and Yokohama.
6 To compete across the market, tire producers provide
7 numerous brands that follow a good, better, best branding
8 strategy to provide customers with a range of product at a
9 different price point.

10 For example, in addition to their brand names, we
11 carry the Bridgestone, Firestone, and Dayton brands,
12 Continental's General brand, Michelin's BF Goodrich brand,
13 and Goodyear's Dunlop brand.

14 Since 2013, we have seen imports of truck and bus
15 tires from China impacting competition across large parts of
16 the market. The bulk of the customers are regional and
17 local fleets and independent operators, and they also make
18 up the majority of the market for truck and bus tires
19 overall.

20 These customers are very price sensitive. We
21 want a tire that performs, but they also are motivated by
22 price. These fleets and owner-operators are businesses that
23 need to focus on their bottom line, and that includes the
24 price of the tires that they buy.

25 For a regional fleet that purchases 2,000 tires a

1 year, spending \$10 to \$20 less per tire is a substantial
2 boost to their own financial performance and they are eager
3 to get those savings.

4 I carry primarily domestic tires, and I have lost
5 significant sales over the past few years because I have
6 refused to carry a lot of the Chinese imports. There has
7 been a big shift in the market in recent years, with more
8 fleets and owner-operators switching to lower priced Chinese
9 tires to save money.

10 In addition to losing sales volumes to
11 competitors that carry Chinese product, I have also seen
12 Chinese tires hurt the price of domestic tires. Regardless
13 of how a domestic brand may be classified within a
14 particular tier, it cannot withstand the competition from
15 Chinese tires priced as low as they have been and still
16 maintain its sales volume unless it lowers its own price to
17 compete.

18 There are simply no rigid barriers between tires
19 of different tiers that prevent imports from dragging down
20 prices across the market. Price sensitive customers compare
21 prices across tires of different brands, and when the price
22 of the tire of a competing brand gets low enough, they will
23 and do change brands.

24 This is a simple business decision. The
25 willingness of importers of Chinese tires to undercut

1 domestic prices so aggressively has allowed them to gain
2 significant market share and drive down domestic prices.

3 I want to thank you for letting me testify here
4 today and hope that you will vote in the affirmative.

5 STATEMENT OF ELIZABETH J. DRAKE

6 MS. DRAKE: Good morning, Commissioners. Excuse
7 me. Elizabeth Drake of Stewart and Stewart for Petitioner.
8 I would like to cover a few items in this PowerPoint
9 presentation.

10 (A PowerPoint presentation follows:)

11 First, a couple of data issues we'd like to raise
12 regarding the prehearing staff report, a quick discussion of
13 domestic like-product and critical circumstances, a review
14 of the conditions of competition that are relevant to this
15 market, a discussion of the increase in volume of subject
16 imports, the adverse price effects they have had, the
17 material injury they have caused, the further threat of
18 material injury that they pose.

19 The staff has done an excellent job of compiling
20 the record in these investigations, and the Staff Report in
21 general is a very reliable basis for the Commission's
22 decision, but there are a few issues that we wanted to flag,
23 some of which were raised in our prehearing brief. One is
24 about nonsubject imports. Another is about some of the
25 financial data from domestic producers, and another about

1 asset data from domestic producers.

2 First turning to nonsubject imports, we submitted
3 information showing that all of the increase in nonsubject
4 imports in 2016, in fact more than all of the increase, is
5 due solely to imports from Thailand. And Customs District
6 Data show that these tires are actually misclassified, and
7 they are of the weights of passenger vehicle and light truck
8 tires and not truck or bus tires.

9 We therefore think that all of these tires should
10 be excluded from the Commission's interim data. A few were
11 also misclassified in 2015. This is an issue that USWS
12 Petitioner in the passenger vehicle case had already raised
13 with Customs prior to viewing the Staff Report and continues
14 to pursue, but we think it is important in order to ensure
15 the reliability of your data in the interim period, and Thai
16 export data also support our conclusion that these tires are
17 misclassified.

18 Turning to the financial data, we have some
19 concerns based on the fact that the major domestic producers
20 are part of large, multi-national companies. They are not
21 supposed to include their retread operations, of course, in
22 their results. Some of them have related party distribution
23 arms where shipments are supposed to be valued at
24 arms-length value.

25 We suggested some questions in our prehearing

1 brief that could be posed to domestic producers to ensure
2 they are reporting their data correctly. But just one
3 example is that a discrepancy between the ratio of SGNA to
4 sales that's apparent in the preliminary data versus these
5 producers' annual reports. You'll see your preliminary data
6 shows a low SGNA ratio of 11 to 12 percent, whereas the
7 annual reports show ratios ranging from 14 to 26 percent,
8 suggesting that they failed to fully allocate their
9 corporate SGNA to what's reported for their U.S. truck and
10 bus tire operation.

11 We see similar discrepancies when we look at
12 assets. It appears there's been an under-allocation of
13 global assets to U.S. truck and bus tire production. While
14 your preliminary data shows sales to assets ratios of 3 to
15 4, meaning there would be \$3 to \$4 of sales for every \$1 of
16 assets, publicly audited annual reports in fact show global
17 sales to assets ratios much more in line with what you would
18 expect of about 1 to 1. So we believe this is another
19 issue that the Commission should follow up on with the
20 domestic producers.

21 Turning to domestic like-product, the Commission
22 preliminarily determined that the domestic like-product was
23 all bus and truck tires co-extensive with the scope. We
24 believe it should continue to make that finding in the final
25 determination. We agree with the Commission's determination

1 that there is no basis to exclude the 10x20 bias ply tube
2 type tires used on intermodal chassis. There are other
3 tires made within the scope that can be used on these same
4 intermodal chassis radial tires that can be used in an
5 interchangeable size.

6 We have other bias tires that are made in the
7 U.S. There's no difference between the production process
8 for different kinds of bias tires, and it's very similar to
9 the radial process, et cetera. So in short we just do not
10 believe there are any clear dividing lines that justify
11 excluding these tires.

12 Turning to critical circumstances, yesterday
13 Commerce released its decision finding critical
14 circumstances for all of the Respondents in the antidumping
15 investigation, and one of the mandatory respondents, and all
16 the mandatory respondents in the CBD investigation. There's
17 been a sharp increase in imports and inventory since the
18 filing of petitions and ahead of the preliminary CBD release
19 in July.

20 This has been noted by participants in the
21 market. Michelin discussed it in an investor presentation
22 in December of last year, that the pre-buy of Chinese tires
23 was affecting the North American market during the year.
24 And we believe that failure to impose duties retroactively
25 would seriously undermine the effectiveness of the Order in

1 this case.

2 Turning to conditions of competition, I
3 apologize. Your packet is incorrect here. Somehow we
4 imposed a ceiling on the bars, which doesn't show the true
5 increase in apparent consumption over a period, of course an
6 important condition of competition, that you had apparent
7 consumption increasing by 20.5 percent based on your prelim
8 data, and demand growth is reported to have slowed somewhat
9 starting in late 2015, with the greatest increase being in
10 2014.

11 Turning to supply, supply has been plentiful in
12 the U.S. market throughout the period. Both domestic
13 producers have a large amount of capacity. There's a large
14 growth in supply from China, the largest source of growth.
15 And though nonsubject imports have grown, they are a much
16 less significant presence in the market.

17 Truck and bus tires from the U.S. and China are
18 highly substitutable. You can see that they are in both
19 the--on the next slide, we can see that most purchasers
20 report they are always or frequently interchangeable. Most
21 purchasers report they're comparable across the large
22 majority of purchasing factors, except for price, of course.
23 And the vast majority of purchasers report that they always
24 or usually meet minimum quality standards.

25 Tires from China and the U.S. are available in

1 every position that's used in the industry. U.S. and
2 Chinese tires are both verified under the EPA's Smart Way
3 Program for low rolling resistance and fuel economy.

4 Chinese producers as well as U.S. producers do
5 provide fleet services, contrary to what has been alleged.
6 That information is in our Petition and in our prehearing
7 brief, and even those Chinese producers that don't provide
8 fleet services are sold through dealers, and those dealers
9 themselves provide fleet services for their customers for
10 all the tires they sell regardless of the origin of those
11 tires.

12 Warranties: Your prehearing staff report shows
13 that the vast majority of purchasers report that both U.S.
14 and Chinese tires carry warranties, including for
15 retreading, and many Chinese producers advertise that they
16 provide such warranties.

17 Chinese and domestic tires are both re-treadable.
18 The China Manufacturers Alliance representatives stated that
19 Chinese tires were just as re-treadable as any other tires,
20 and that was back in 2013, the same as the case today.

21 Chinese and domestic tires are both present in
22 the OEM market and the aftermarket, although the aftermarket
23 is obviously the much larger part of the market, accounting
24 for about 75 percent of consumption. But we do have
25 evidence that as early as 2007 Chinese producers were

1 penetrating the OEM market as well.

2 Another important condition of competition is the
3 importance of price as a factor in the market. Seventy-two
4 percent of purchasers reported it as one of their top three
5 purchasing factors and it comes in only second to quality.
6 Seventy-eight percent of purchasers report it's a very
7 important purchasing factor. Two-thirds report that Chinese
8 prices are lower. Eighty-three percent report they usually
9 or sometimes buy the lowest priced tires. And the only
10 other factors that they rate as important as price are
11 factors on which the U.S. and Chinese tires are rated as
12 comparable.

13 As discussed by Mr. Chamblee, customers in this
14 segment are businesses. They're fleet owners. They're
15 drivers. They're independent owner-operators. And
16 marketing literature shows that marketing to businesses is
17 much different to marketing to private consumers who would
18 buy, for example, PVLIT tires.

19 Businesses are much less susceptible to brand
20 marketing, and much more focused on cost and value, which of
21 course makes sense because they are running a business.
22 This makes price, again, a very important factor in the
23 market for truck and bus tires.

24 Tiers do not attenuate competition between U.S.
25 and Chinese tires in the U.S. market. This is due to

1 several factors. First, U.S. producers all offer a range of
2 tiers that span the market. They're not relegated to just
3 one tier one premium brand, but offer a full range of
4 brands. And, as you heard, try to expand their lower tier
5 brand over the period in an effort to maintain market share.

6 Chinese producers also advertise that they are
7 directly in competition with even the premium top tier
8 brands. This is Double Coin's catalogue. From the far
9 right-hand column, they list their competitors for each
10 tire, and in each case their competitors are listed as
11 Bridgestone, Goodyear, and Michelin, showing direct
12 competition regardless of brand.

13 Dealers' market brand side by side regardless of
14 origin and regardless of whatever tier that brand may appear
15 to be in. And, purchasers report that their customers
16 compare prices between brands and different tiers when
17 shopping for truck and bus tires, 79 percent.

18 Competition between the tiers is also evidence in
19 this case in shifts that have occurred between the tiers.
20 Producers reported switching to the Commission. And as was
21 noted, all three major domestic producers either introduced
22 or expanded their lower tier lines during the period of
23 investigation in an effort to compete.

24 Turning to the volume, therefore tiers though
25 they may exist in the market are not so significant as to

1 completely attenuate competition, and we believe there's
2 direct head-to-head competition across the board between
3 interchangeable tires based on price.

4 Turning to volume, the volume of imports is
5 significant by any measure, at nearly 9 million tires in
6 2015, and with an increase of 2.6 million tires, or nearly
7 42 percent, over the POI.

8 This was an increase that was twice as fast as
9 the increase in consumption, which only rose by 20.5
10 percent. And this disproportionate increase allowed subject
11 imports to seize market share at the expense of the domestic
12 industry who lost 8 percentage points of market share while
13 subject imports gained more than 5 percentage points.

14 As a result, it shows that subject imports also
15 increased relative to domestic production and shipments with
16 a ratio to shipments increasing from 53 percent in 2013 to
17 74 percent in 2015. Thus the volume of subject imports is
18 clearly significant.

19 There's also been significant adverse price
20 effects based on the Commission's preliminary determination.
21 Subject imports undersold domestic product in over 98
22 percent of comparisons over the period, with an average
23 margin of 40.5 percent, which is clearly exceeding any
24 possible brand premium in the market.

25 It is important to note that underselling alone

1 is sufficient to establish adverse price effects, and
2 there's not a separate obligation to find or determine that
3 there's also been price depression, but we believe there are
4 some indications of price depression on this record, as
5 average Chinese import unit values fell faster than the unit
6 values of domestic shipments.

7 The producers responding to the Commission's
8 questionnaire, three out of five reported they had to reduce
9 prices or roll back prices to compete with subject imports.
10 And four reported that they lost sales to subject imports.

11 Those lost-sales allegations in the 18 responding
12 purchasers, 13 of them confirmed that they did switch from
13 U.S. to Chinese product; 10 of those said that Chinese tires
14 were priced lowed, and 8 of those said that their switch was
15 primarily driven by price, in showing direct price
16 competition and potential price depression by subject
17 imports./

18 This is also confirmed by public media articles
19 in the industry, with both dealers and others saying that
20 Chinese imports are putting continued downward pressure on
21 pricing; that they have to sell Chinese tires because the
22 prices are so low; and that the price effects will continue
23 in 2016.

24 These growing volumes of low-priced imports have
25 caused material injury to the domestic industry. Clearly

1 there's been a sharp loss in market share by domestic
2 producers, as the market share of subject imports has
3 increased with the majority of the percentage loss by
4 domestics attributable to the increase in subject imports,
5 and we believe this would be even more graphically the case
6 if the Commission were to look solely at the market share
7 in the aftermarket, which is the vast majority of the
8 market.

9 As was noted, because of the increase in subject
10 imports they were able to gain the majority of the increase
11 in demand at 58 percent. While domestic producers enjoyed
12 just 6.5 percent of that increase.

13 And so because of these trends, despite a large
14 20.5 percent increase in demand, your preliminary data show
15 that domestic production shipments, employment hours, and
16 wages all rose much more slowly than demand, and also that
17 the industry saw a very rapid rise in inventories which rose
18 from 16.6 percent of shipments in 2013 to more than 21
19 percent in 2015. And in terms of capacity, those
20 inventories alone, together with either exports or the
21 excess capacity that's been reported, would be more than
22 enough to cover the rise in volume of tires from China that
23 happened over the period.

24 So the idea that the domestic industry chose not
25 to make these shipments is simply untrue, when you look at a

1 counterfactual, but for the increase in subject imports.
2 This is an updated version of what's in our prehearing brief
3 based on prelim data. Instead of prelim data, you see that
4 the domestic industry could have produced 1.4 million more
5 tires in 2015 than it did; ship 1.3 million more tires;
6 employ more than 600 more workers; and had \$133 million in
7 additional operating income from an increase of 16.4 percent
8 over what it actually enjoyed. The only reason those
9 opportunities were foregone was the increase in subject
10 imports which constitutes material injury.

11 Subject imports also threaten material injury.
12 There's a large number of subsidy programs from which
13 Chinese producers benefit, including export subsidies. And
14 yesterday we received subsidy margins of 39 to 65 percent
15 for an investigated Chinese producer.

16 There is massive excess capacity in China, which
17 has the capacity to produce every single truck tire that the
18 entire world demands. Those responding to the Commission's
19 questionnaire reported nearly 19 million tires of unused
20 capacity in 2015, and enough to triple their exports to the
21 U.S. that year. But a fuller picture of the Chinese
22 industry based on public data shows they likely had 50 to 60
23 million tires in excess capacity, enough to serve the entire
24 U.S. market and wipe out the entire U.S. industry and all
25 nonsubject imports about two times over.

1 So huge amounts of excess capacity. And that is
2 only going to increase in the imminent future. This is just
3 a handful of the more than dozen examples of capacity
4 expansions listed in our prehearing brief.

5 And these additions to capacity and existing
6 capacity are highly likely to come to the U.S. market.
7 Chinese producers are highly export oriented, and the U.S.
8 is by far the top destination for these exports.

9 From 2013 to 2015, responding Chinese producers
10 reported that their shipments to their home market grew by
11 about 8-1/2 percent. Their shipments to the rest of the
12 world grew about 14.3 percent. While their shipments to
13 the U.S. grew by twice as much, by 30.9 percent.

14 So clearly a very attractive market, and will
15 continue to be so as the export average unit values to the
16 U.S. are higher than to the rest of the world. Also highly
17 attractive, given the large number of antidumping orders on
18 truck and bus tires from China in about 10 countries,
19 including some key export markets of China's, or prior key
20 export markets such as Russia and India.

21 The attractiveness of the U.S. market is
22 confirmed by the large number of Chinese producers who have
23 sought DOT plant codes since 2013. These are new plants
24 that are not shipping prior to 2013 that had to acquire
25 plant codes in order to be able to ship. There's about 16

1 here. There's some other Chinese companies that it's not
2 quite clear if they're producing truck versus other kinds of
3 tires, but these are the ones that we can tell got new codes
4 and did so for the production of truck tires to sell them in
5 the U.S. market.

6 In addition to all the existing excess capacity,
7 and expansions, and export orientation, Chinese producers
8 have demonstrated their ability to use under-selling to
9 increase demand for their product in the United States, and
10 they will continue to do so if Orders are not imposed.

11 The broad, pervasive under-selling at sharp, very
12 substantial margins will allow them to continue to gain
13 market share at the expense of domestic producers. This
14 will continue to deprive the domestic industry of the
15 ability to enjoy any increases in demand.

16 The export markets will become less able to
17 absorb U.S. product as they have during the period, and
18 eventually this could lead to not just a lack of growth but
19 to declines in domestic production and employment and
20 capacity utilization. And the domestic industry will be
21 less able in the imminent future to withstand this kind of
22 injury given the increase in raw material costs that have
23 already begun.

24 These are futures prices for key raw materials
25 for truck and bus tires. This is a little bit updated from

1 what was in our prehearing brief but shows an increase in
2 prices for natural rubber through the end of this year; an
3 increase in prices for synthetic rubber through the end of
4 this year; and an increase in prices for crude oil, which is
5 of course a key input both to synthetic rubber and carbon
6 black, also increasing through the end of this year.

7 So if Orders aren't imposed, an industry that's
8 already been deprived of needed capital investment that it
9 should have been making at the peak of demand, as testified
10 to by our witnesses, will be continuingly unable to make
11 upgrades that it had planned and was unable to follow
12 through on the expansions that they had been planning but
13 put off during the Period of Investigation.

14 For all of these reasons, we think that effective
15 relief from dumped and subsidized bus and truck tires from
16 China is the only way to remedy the injury that has already
17 occurred, and to prevent further injury to the domestic
18 industry and its workers.

19 Thank you.

20 MR. STEWART: That concludes the Petitioner's
21 direct presentation.

22 CHAIRMAN SCHMIDTLEIN: Alright, thank you very
23 much, Mr. Stewart. I'd like to take the opportunity to
24 welcome all the witnesses here. We very much appreciate
25 your participation in the hearing. It helps us to

1 understand all the issues.

2 So today, we are starting the question with
3 Vice-Chairman Johanson.

4 VICE CHAIRMAN JOHANSON: Thank you, Chairman
5 Schmidtlein. And I would also like to thank all of you for
6 appearing here today and further educating us on this issue.

7 I'd like to begin with a very basic question.
8 And my question is are there differences between tires sold
9 for buses versus trucks? I assume that there are not as
10 this issue was raised in neither the staff report nor the
11 briefs. I would appreciate a short answer to this question,
12 please.

13 MR. WRIGHT: Hello, Commissioner.

14 The bus tires and the semi-tires we make both of
15 those at our plant, the same machines. They're pretty
16 similar tires. Some are wider than others. It just depends
17 on the application, but we use the same compounds and the
18 same process to make them.

19 VICE CHAIRMAN JOHANSON: Okay, thank you, Mr.
20 Wright, for providing me an answer there.

21 On pages 94 to 95 of the Chinese Respondent's
22 brief, they point to investments made by members of the
23 domestic industry in expanded production capacity and this
24 issue is also covered in the staff report. Respondents
25 question how this investment could be indicative of an

1 injured or threatened domestic industry. How do you all
2 respond?

3 MR. STEWART: A lot of the information,
4 Vice-Chairman Johanson, is obviously confidential and so
5 we'd be happy to expand on our answer, but I think that if
6 you take a look at this industry over time what you would
7 see that it goes through cycles of very low capital
8 investments and then periods were capital investments,
9 hopefully, expand, as our witnesses have testified.
10 Whatever kinds of expansions there have been in capital
11 expenditures there's lots of capital expenditures that have
12 not been made and they have not been made despite the growth
13 in overall apparent consumption exactly because the plants
14 can't support it in terms of loss of market share.

15 Putting capital investment in if you can't sell
16 the products you produce leads to two things, either reduced
17 production or increased inventory. You can see that you
18 both by the time you get to the interim period and certainly
19 by 2015 you have a very large increase in inventory. We do
20 have some capital expenditures that have gone to companies
21 that have open facilities and your staff report has some
22 interesting information in the confidential version about
23 whether those capital expenditures were brought in right on
24 time or had been delayed over some period of time.

25 So when you're making a big investment, you make

1 projections. Projections, if they don't come true, result
2 in investments being delayed or eliminated. And in a micro
3 level, the three plants that are represented by the local
4 union, you can see that there've been a lot of investments
5 that have been postponed or denied to date.

6 VICE CHAIRMAN JOHANSON: Thank you, Mr. Stewart.

7 Respondents present a list of conditions of
8 competition in China that they contend would indicate that
9 the likely volume of U.S. imports from China would be less
10 likely to increase dramatically in the near future. The
11 Respondents discuss Chinese Government policies to encourage
12 consolidation and reduce the number of firms operating in
13 China, increased truck production in China in 2016, and
14 increased exports to third countries. And this is all found
15 at pages 84 to 88 to the CMA brief.

16 How should the Commission view this in terms of
17 its threat analysis?

18 MR. STEWART: Well, if you look at the data from
19 the companies who've provided -- Chinese companies who
20 provided you information what is clear is that the companies
21 who responded to the Commission dramatically declined in
22 their relevance to the U.S. market. Their data show that
23 they were 91 percent of total exports to the U.S. in 2013
24 and they were down to three-quarters of exports to the U.S.
25 in the interim period. So there are lots of companies that

1 aren't there, vis- -vis, the questions that were positive by
2 Respondent.

3 This Commission is obviously aware -- more than
4 aware of the challenges that the steel industry has faced
5 with similar global excess capacity created by China and the
6 Chinese Government has set plans in place on various on
7 various sectors, but not on tires since 2007. And in the
8 most egregious situations, there has been no improvement, in
9 fact, in the situation.

10 In regard to third country exports, the
11 producers -- the foreign producers who responded show that,
12 yes, they increased their exports to third countries, but
13 the exports to third countries increased at less than half
14 the rate that exports to the United States increased. The
15 data that is relied on by the Respondents is the Chinese
16 export data and as the Commission would be aware the Chinese
17 export data is for an HTS category -- an HS category that
18 includes not only product that's relevant here, but light
19 trucks.

20 Our U.S. imports statistics break out light
21 truck tires and they constitute a lot of the volume in
22 dollars. And obviously, the Chinese export data that's
23 reported by the other side would have accommodation in
24 there. Obviously, it's been a sharp contraction in exports
25 of light truck tires from China to the United States since

1 the imposition of the PVLIT orders.

2 VICE CHAIRMAN JOHANSON: Thank you, Mr. Stewart.

3 During the passenger vehicle and light trucks
4 tire investigation, there was discussion about the
5 increasing age of automobiles in the United States and how
6 that contributed to trends in the replacement market. Are
7 there similar trends for trucks and/or buses? Might
8 increasing average ages of trucks and/or buses have an
9 impact, as was proposed in the passenger vehicle
10 investigation, on the demand for replacement tires?

11 MR. STEWART: I guess I would like to respond in
12 the post-hearing, but my initial comments would be the
13 following. Vis- -vis, passenger vehicles and many light
14 trucks, the purpose of the truck and buses business is to
15 have vehicles on the road all the time, so the usage of
16 tires is a much heavier usage than you see in the cars or
17 vehicles that you and I drive around Washington or on
18 vacation. So you have a much level of replacement tires, I
19 believe, in the truck and bus that go through the after
20 market than you do in the OEM.

21 The OEM has gone through cycles just like you
22 would see in passenger cars and we were at a cyclical peak
23 in the OEM in 2015 according to trade publications. So
24 there are some similarities in that you go up and down, but
25 I think that the usage of truck and bus vehicles is

1 different in its tire usage and tire intensity, if you will,
2 than would've been true in passenger vehicles and light
3 truck.

4 VICE CHAIRMAN JOHANSON: Thank you, Mr. Stewart.

5 And do you all know what the average lifespan of
6 a truck and bus tire is? I realize that these tires, as
7 you've mentioned Mr. Stewart, are being driven all day every
8 day as opposed to passenger car tires, so I just don't know
9 what the lifespan might be.

10 MR. STEWART: Let me just ask Mr. Chamblee
11 whether or not from experiences. As a dealer, he has data
12 that would reflect that. I do think that it depends, in
13 part, on the type of usage that a tire is going to receive.
14 There are known applications where I think the life of the
15 tire is not very long simply because of the rough terrain
16 that it goes over, but you expect there to be much longer
17 lived for over-the-road basic transportation.

18 MR. CHAMBLEE: Well, I would personally like to
19 respond after -- submit a response after the review, but
20 just as an overview, I will add that there's a lot of
21 variables involved in the rubber compounding, the
22 application, and the tread design involved with the tires,
23 so it could be a pretty extreme difference from both
24 spectrums.

25 VICE CHAIRMAN JOHANSON: Okay, thank you. I'm

1 just curious about this because for one reason we keep
2 hearing about how bad infrastructure has become in the
3 United States. I'm wondering about potholes, et cetera,
4 just how long these tires can last.

5 MR. STEWART: If we can find something for
6 post-hearing, we'll add it, Mr. Vice-Chairman.

7 VICE CHAIRMAN JOHANSON: Okay, that'd be great.
8 Well, my time is about to expire, so I will end there, but
9 thank you for your responses.

10 CHAIRMAN SCHMIDTLEIN: Alright, Commissioner
11 Williamson.

12 COMMISSIONER WILLIAMSON: Good, thank you. And I
13 do want to express my appreciation to all the witnesses for
14 coming today and presenting their testimony.

15 Just quickly, because I just can't get it out of
16 my mind. What's the origin or the significance of the word
17 "ticket" because everybody referred to the "ticket" in their
18 plant and I think it's some kind of symbolic thing that
19 every morning you're given a ticket on just how much you
20 could produce, so if somebody could just clarify that for me
21 briefly it would be helpful?

22 MR. JOHNSON: It's typically the production
23 level of the facility on a daily basis.

24 COMMISSIONER WILLIAMSON: Okay. I assume by now
25 it's just distributed by computer electronically or

1 something like that.

2 MR. JOHNSON: Right. It's a known number.

3 COMMISSIONER WILLIAMSON: Okay.

4 MR. JOHNSON: It's not really a ticket as such.
5 It's just a known number of the expected production of a
6 given facility over a 24-hour period.

7 COMMISSIONER WILLIAMSON: Okay, thanks. I was
8 attaching mythical significance to it.

9 Another broader question because it didn't come
10 up and you all talked about how your plants you know are
11 ready to produce more. You needed more investment. And so
12 I was just wondering if you could comment on technological
13 improvement and change in truck and bus tires and has there
14 been a lot of it, are the Chinese plants newer, is this a
15 factor or anything like that?

16 MR. WRIGHT: Thank you, Commissioner.

17 Our plant is 25 years old. We're fairly new
18 considered on some tire plants, but most of our capital
19 investments are for technological advancements through all
20 computerized systems to make everything flow through the
21 plant as effectively as possible, but the investments that
22 we are trying to get right now or that we've been promised,
23 but were put on hold to bring something like 12,000 tires a
24 day a lot of those investments are for up-to-date computer
25 systems, up-to-date machine.

1 The number of people we hire now versus 30 years
2 ago is probably a third of the people because the machinery
3 and the technology is so much better.

4 MR. STEWART: If I could simply add, it is the
5 case that the companies are always looking to improve the
6 quality of the tires that they sell under the market and
7 that there can be significant differences in the technology
8 based on what type of tire you're buying and what the use
9 is, which is obviously designed to try to help the customer
10 get more value out of whatever their end use is, so there's
11 a lot of variability.

12 We don't believe that any of the difference in
13 competitiveness in the U.S. versus China flows from lack of
14 technology in the States or superior technology overseas.
15 Frankly, we think that that's not the case.

16 COMMISSIONER WILLIAMSON: Or more modern
17 factories either?

18 MR. STEWART: I've worked in this business a
19 long time and have been to lots of factories and lots of
20 different industries. You can have a factory that's 100
21 years old that is as modern as a brand new factory if the
22 investment has happened on the inside in terms of the
23 equipment and the layout and the technology that's there.
24 And I think that what the USW members would all agree is
25 that, by and large, their companies attempt to do that.

1 How quickly they do it and whether they're current in every
2 facility will depend on pressures and whether the companies
3 view themselves as needing to make investments or able to
4 make more investment in a given facility based on demand
5 patterns and the competition that they face.

6 COMMISSIONER WILLIAMSON: Okay. One other
7 question along this line, I've visited a number of factories
8 too. I know what the off-the-road tires and those
9 specialized tires -- of course, there's a lot of different
10 sizes, but I think there's a lot more manual in building
11 those tires and I assume there's a whole lot less in
12 passenger and vehicle tires and so bus and truck tires is
13 that in between in terms of the amount of manual labor that
14 often goes into it?

15 MR. JUAREZ: Building a tire is building a tire.
16 If it's off-the-road, which we build off-the-road in Topeka,
17 it's just a bigger process. Our passenger it's a smaller
18 process, but the tire-building process itself is the same on
19 any tire. I mean the question was asked on the difference
20 between a truck and a bus tire. The major difference
21 between a truck and bus isn't really the size. It's the
22 sidewall and the bead for what they call "curbing," because
23 a lot of your city buses are hitting curbs, so it has to
24 have a special hardener in it to protect the sidewalk for
25 the curbing.

1 The upgrades on the machines the companies do do
2 the upgrades. Pretty much a tire machine is pretty similar
3 all across the world. We do use similar-type machinery. In
4 the Topeka plant we have three different types of machines
5 that build our radial tires and the newest ones are the
6 NGO-4s, which those were brought in 2004. That's why
7 they're called the new NGO-4s.

8 COMMISSIONER WILLIAMSON: Okay.

9 MR. JOHNSON: I would like to add that while the
10 basic technology is the same to build a tire, as Mr. Juarez
11 said, I think you're correct in the fact that there is
12 probably more automation in a PVL facility, a bit less
13 automation, maybe in a truck/bus facility just because of
14 the size of the technology itself and then more hand work in
15 most case in off-the-road tires -- large off-the-road tires.
16 So I think your assumption is a fair assumption.

17 COMMISSIONER WILLIAMSON: Okay, thank you. It
18 helps to put all this in context.

19 Going to the differences in tires, I think the
20 Respondents have argued that -- and I see that particularly
21 on 10x20 bias ply and other truck/bus tires have different
22 physical characteristics and use and they try to distinguish
23 between -- not competition between those and the domestic
24 tires. I wonder if you all want to address that question.

25 MR. STEWART: I'll ask my partner, Elizabeth

1 Drake, to address that for us.

2 MS. DRAKE: Sure, Elizabeth Drake. Thank you,
3 Commissioner.

4 In terms of physical characteristics, most of
5 the physical characteristics that Respondents point to stem
6 from the fact that it is a bias tire. There are, of course,
7 other bias tires that are within the scope, including bias
8 tires within the domestic-made product made here in the
9 United States, so those distinguishing characteristics don't
10 provide any clear dividing line between the 1020 bias tire
11 and other covered tires.

12 In terms of the size, there are other tires of
13 the same size that are radial that can be used on the
14 intermodal chassis equipment. In fact, one of the members
15 of the coalition that is seeking this exclusion, whose name
16 is escaping me at the moment, in 2014 or 2013 moved to
17 radialize a lot of its chassis fleet because they are
18 recognized as being of higher quality. The coalition
19 estimates that about 10 percent of its own chassis are
20 fitted with tires other than these 1020 bias tires. So
21 again, not a clear dividing line in terms of use.

22 COMMISSIONER WILLIAMSON: Does it have to be a
23 different wheel to use the radial?

24 MS. DRAKE: There needs to be a different rim,
25 that's right. The one-piece versus the two-piece, but

1 that's part of the change that people in the industry are
2 making to try to improve the performance of their chassis
3 and the quality of the tires on those chassis. And we also
4 put in some evidence with our post-conference brief that the
5 1020 bias tube tires can also be used on other equipment,
6 other than intermodal chassis and therefore are also
7 interchangeable in terms of use with other tires that are
8 within the domestic-like product. So we fully support the
9 Commission's preliminary determination that there are no
10 clear dividing lines in terms of physical characteristics or
11 use or any of the other factors that the Commission looks
12 at.

13 COMMISSIONER WILLIAMSON: Okay. And in general,
14 in terms of this argument about, you know, I guess there's a
15 higher percentage of the imports are bias versus what's
16 domestically produced, but I get the impression that it's
17 not a very significant factor.

18 MS. DRAKE: Correct. I mean the fact that there
19 may be less bias production in the U.S. and more bias in
20 China there are like, I think, 500,000 of the tires that
21 come in from China are bias, so it's not a huge amount of
22 what's coming in from China and that includes bias tires
23 other than the bias tires they're seeking an exclusion for,
24 so there are a range of tires produced by both for a range
25 of applications, but that happens in many cases and isn't

1 the basis for singling out one specific product for one
2 specific use to exclude.

3 COMMISSIONER WILLIAMSON: Okay, thank you.

4 Actually, I want to go along another line of
5 question, but that's going to run me over, so I'll come back
6 to that. Thank you.

7 CHAIRMAN SCHMIDTLEIN: Alright, Commissioner
8 Broadbent?

9 COMMISSIONER BROADBENT: Thank you, Chairman
10 Schmidtlein. I appreciate it. And I wanted to express my
11 appreciation of the witnesses for pulling this case
12 together. I know it's just a huge amount of work and
13 expense and effort and it takes a lot to get here and get it
14 all laid out.

15 I guess I just want to start with sort of a
16 basic question for Mr. Stewart or Ms. Drake. Commissioner
17 Kieff and I did a preliminary opinion, which was in the
18 preliminary report. I wondered if you could just kind of
19 summarize very quickly the two defects in how we saw the
20 case at that time -- just quickly, very quickly, which I
21 know is difficult.

22 MR. STEWART: I guess, from my perspective, and
23 I frankly didn't go back over your decisions closely in
24 preparation for today, so maybe I'll see if Elizabeth is
25 able to give you a better answer, but my own answer is that

1 in your decision you appeared to view the tiers as being
2 more delimiting in terms of competition than we believe is
3 the case.

4 Mr. Chamblee is here and can talk about what his
5 experience in the marketplace, which is the after market, is
6 and the fact that there is direct competition between the
7 Chinese products of which he has handled and the domestic
8 product, whether it be in the Tier 2 or Tier 3 and that
9 there's also price affects that go up to the Tier 1
10 products. I think that that was the primary issue that I
11 saw. I would say is probably the number one.

12 MS. DRAKE: I would agree with Mr. Stewart that
13 I think in the preliminary phase there was actually a lot of
14 briefing on tiers. We didn't have Respondents really show
15 up, except for on the scope or domestic-like product issue
16 and so when I read the dissent a lot of it seem to pull from
17 the facts on the record in the PVLIT case in terms of how
18 tiers worked and that domestic producers the dissent in that
19 case found were focused more and more on trying to serve
20 Tier 1, whereas, here I think now in this final phase we
21 have more of a record on how tiers actually function in the
22 truck and bus tire market. You were able to collect more
23 data in your questionnaires from industry participants on
24 the functioning of tiers and then we also have more of a
25 record here of the domestic truck and bus tire producers

1 actually trying to focus more on Tier 2 and Tier 3 in an
2 effort to compete. So I don't think those facts were really
3 necessarily squarely presented or contested in the prelim
4 phase because it wasn't a real focus of Respondents, but now
5 hopefully there's more of a record to really investigate
6 that issue and see how it functions.

7 COMMISSIONER BROADBENT: Okay, so we're most
8 deficient in how we described the tiers or lack of tiers in
9 our opinion of all the things that were listed there as
10 reasons for going negative.

11 MS. DRAKE: So I think that with the increase in
12 volume and with the clear, pervasive underselling really the
13 only way to explain why that didn't constitute material
14 injury was to think that those tiers were separating
15 competition and so that's why I do think that's a key
16 element.

17 COMMISSIONER BROADBENT: Okay, thank you very
18 much. Yes, sir?

19 MR. BUTTON: Well, Commissioner Broadbent, I
20 think that --

21 COMMISSIONER BROADBENT: Could you just
22 introduce yourself?

23 MR. BUTTON: I'm Kenneth Button.

24 COMMISSIONER BROADBENT: Thank you.

25 MR. BUTTON: From Economic Consulting Service.

1 I think an additional factor that received additional focus
2 in the record that's been built is the fact that the
3 domestic producers produce in the United States what would
4 be arguably called Tier 2 and Tier 3 domestic products and
5 particular, Bridgestone producing the Firestone and Dayton
6 brands in the United States, Goodyear producing Dunlap and
7 Kelly in the United States, the same thing with the other
8 producers likewise. So that you have production in the
9 United States of products which are clearly the good of the
10 products series also called the value product and
11 undoubtedly do compete, head-to-head, with the lower priced
12 Chinese product.

13 COMMISSIONER BROADBENT: Okay.

14 MR. BUTTON: So this record is fuller now than
15 it was before.

16 COMMISSIONER BROADBENT: Alright, thank you very
17 much. I appreciate it.

18 Mr. Chamblee, how come you don't carry Chinese
19 tires?

20 MR. CHAMBLEE: I actually do carry some Chinese
21 tires. For a good while, through 2013 through the --
22 basically, through this time period we did not. At the tail
23 end of 2016, we finally started to carry Chinese tires
24 because we were lacking competitive -- we were not being
25 able to be competitive with the products that we were

1 carrying and were losing market share within our market
2 area.

3 COMMISSIONER BROADBENT: And I think in your
4 testimony you characterized the customer's decision as being
5 a tradeoff between price and the expected performance of the
6 tire; is that right?

7 MR. CHAMBLEE: Yes, ma'am.

8 COMMISSIONER BROADBENT: Okay. So does that
9 mean that customers are likely to pay more for tires that
10 they perceive to have better performance?

11 MR. CHAMBLEE: Yes, ma'am, they will.

12 COMMISSIONER BROADBENT: Okay. And you carry
13 sort of good, better, best tires. Are there differences
14 between these tires or are they all the same?

15 MR. CHAMBLEE: To each one of them, they have
16 some type of advantage in technology or trend compounding or
17 something between the different brands and tiers.

18 COMMISSIONER BROADBENT: Right.

19 MR. CHAMBLEE: Sometimes it could be everything
20 from the amount of material that goes into the tire. Your
21 Tier 1s tend to be a deeper tread depth or a different type
22 of technology compounding that may yield some advantages to
23 them compared to Tier 2/Tier 3 products.

24 COMMISSIONER BROADBENT: Okay, so you've got
25 different prices for different categories, right?

1 MR. CHAMBLEE: Yes, ma'am.

2 COMMISSIONER BROADBENT: Some day we'll have
3 semiconductors in these tires to tell us, you know, how
4 efficient they are and et cetera, et cetera. That's very
5 interesting. Alright, I appreciate that.

6 So I'm kind of running out of time in this
7 round, but I'm reading an article in -- I think it's called
8 Fraction News that discusses Continental's new plant in
9 Mississippi. The plant will reportedly create 2500 jobs at
10 full capacity and is designed to grow its commercial vehicle
11 tire business in North America.

12 According to this article that I was looking at,
13 Continental reports that the company continued to see demand
14 for its new bus and truck tires and retreads grow beyond its
15 capacity. This article was from November 2016, so right
16 after the end of our period of investigation. How does this
17 square with difficulties that the industry's facing in
18 total?

19 MR. STEWART: Well, we'll be happy to take a
20 look at Continental's questionnaire response in that article
21 in the post-hearing. My understanding is that the staff
22 report has information that is relevant to your specific
23 question, but it's confidential, so I won't go over it here.
24 We do recognize that for multi-national companies they often
25 are serving this market from plants that are both here and

1 overseas. And you have seen some companies who have decided
2 to open plants here versus continue to bring in a lot of
3 imports from their other facilities and that obviously is to
4 be hoped, but that particular facility where ground has just
5 broken will not be in operation, I don't believe, until the
6 end of 2018, 2019. So yes, it's happening and the domestic
7 industry workers, whether they're union or not, are
8 obviously happy that there's somebody who's investing in the
9 United States. Whether it will continue, whether it will
10 actually go up based up what's going on in the market, I
11 guess we'll have to see.

12 COMMISSIONER BROADBENT: Say that again; whether
13 what?

14 MR. STEWART: We'll have to see whether it
15 actually goes through to completion.

16 COMMISSIONER BROADBENT: Okay, so you're
17 thinking that it's not being supported by a lot of demand
18 out there at this point.

19 MR. STEWART: Well, I think that Continental's
20 question response would help identify what their own
21 performance has been during this time period, both domestic
22 and in terms of whether there are imports that they have
23 had, but the overall market is not doing well at the moment,
24 didn't do well through the first three quarters of 2016,
25 which is the last data you had. And as testified by some of

1 our witnesses, isn't doing well at a cross-section of
2 companies in the United States.

3 We do know from the PVLТ case and the OTR case
4 that the addition of capacity is often delayed, even after
5 groundbreaking, to the extent that market conditions don't
6 merit completion of a project because it's a lot of money
7 that gets invested and if there's not the opportunity to use
8 that investment it will --

9 COMMISSIONER BROADBENT: You think there's
10 evidence that they are not going to go forward with this
11 investment?

12 MR. STEWART: That was not my point. My point
13 is that you do have some information in your record already
14 that we would encourage you to review and will point to in
15 the post-hearing brief and we have seen in other parts of
16 this market that there also been delays and those delays
17 could be multi-year, but even if it is not delayed, the
18 facility doesn't come on stream until the end of 2018 or
19 2019.

20 COMMISSIONER BROADBENT: Okay. Nonsubject
21 imports increased at the same rate as subject imports during
22 the period of investigation, but were higher priced. What
23 does this indicate about the dynamics driving increases in
24 volumes from specific sources over the period of
25 investigation? Where are these imports coming from and who

1 is importing these nonsubject imports?

2 MR. STEWART: Again, we will go into that in
3 some detail in the post-hearing. What I will say at this
4 hearing is you will want to look at the distinction between
5 nonsubject in the two segments of the market that gather
6 data on, the OEM and the after market. The after market, as
7 our slide indicates, three-quarters of the total consumption
8 here in the United States and I think you will see that in
9 that part of the market there is extreme competition between
10 imports from China and the domestic product and that
11 nonsubject imports do not significantly affect what's going
12 on in that part of the market.

13 And the OEM side, we believe you were -- as
14 opposing counsel mentioned in his opening statements, that
15 there are a certain amount of nonsubject imports that are
16 coming in through related parties, people from
17 multi-national companies that are here and that's clear from
18 their questionnaire responses and we will go through that
19 detail. It is also clear where that product is ending up.
20 It is also clear that, from your prior cases, that
21 nonsubject imports that are brought into related parties
22 are not germane to the condition of the domestic industry,
23 but you can see the distinction between the OEM market and
24 the after market subject/nonsubject domestic industry and
25 we'll go through that in some detail.

1 COMMISSIONER BROADBENT: Okay, my time has
2 expired. Thank you, Mr. Stewart.

3 CHAIRMAN SCHMIDTLEIN: Thank you. Commissioner
4 Kieff?

5 COMMISSIONER KIEFF: I join my colleagues in
6 thanking everybody for coming and preparing and presenting
7 and I just, if I could, would like to try to follow-up on
8 some of the immediately prior discussion you were having
9 with Commissioner Broadbent, and I do this to borrow a
10 phrase, in the hope of change. I recognize that large
11 government organizations are especially resistant to change
12 and communities like ours have a century of togetherness
13 that should be celebrated, and that also makes it hard to
14 change.

15 But I'm especially hopeful about this change
16 because I'm especially impressed with the immense amount of
17 resources and talent that you, the bar, and the witnesses
18 and the management and labor on each side bring to bear in
19 these hearings. And that optimism is further strengthened
20 by my very favorable impressions of our staff and my
21 colleagues here so that, actually, when we come together and
22 directly look at each other and talk and listen to each
23 other, we can improve each other's thinking.

24 And I say that with all humble recognition that
25 my own thinking often starts off pretty imperfect and is

1 made better by listening to each of you and reading what you
2 submit. So for example, it's quite evident from the last
3 discussion that you, Mr. Stewart and Ms. Drake, took from
4 the opinion I co-authored that focus was on tiering, and I
5 certainly agree there was discussion of tiering.

6 I apologize for not sharing with you better what
7 was at least important to me about my thinking in the hopes
8 that you can share with me on both sides, you and your
9 brothers and sisters of the bar, what is right or wrong
10 about my thinking, because I like to improve my thinking.

11 So let me tell you that a big part of my
12 thinking was, not so much the tiering, but rather the
13 domestic industry's capacity to produce more and make more
14 -- for me that seemed really important -- and so I clearly
15 didn't make that clear before, and so I certainly don't want
16 to put you on the spot now.

17 I just want to invite you and your counterparts
18 in the post-hearing to really try to, at your leisure and
19 comfort, aided by not just time, but also the ability to
20 discuss proprietary information, to try to dig into that and
21 flesh it out more with the hope of directing me in my
22 thinking about what I got wrong or right then, or what has
23 changed since then. Because I really like to change my
24 thinking when I'm given new data or new insights. So
25 please share with me whatever insights or data you can so

1 that I can improve my thinking and writing.

2 Along those lines, I want to also ask two other
3 kind of conceptual level questions. One is how we should
4 think about the way in which the multi-national nature of
5 the industrial organization should impact our thinking in
6 this case. So let me be a little bit more explicit,
7 recognizing that an explicit concrete example can help our
8 thinking in a face-to-face discussion, but it could be on
9 its own terms completely wrong. And so I don't mean to
10 suggest that this example is right. But I hope it is
11 helpful in crystalizing an intellectual construct.

12 So it seems to me that many of the shifts in
13 employee work hours and production facilities that you have
14 each described and have--especially the witnesses described
15 in a very helpful way to give us a good insight to the human
16 impact--could themselves be consistent with a set of
17 multi-national companies making rational profit-maximizing
18 decisions across geographic boundaries that could have, in
19 that sense, a story of industry success, not a story of
20 harm or threat to domestic industry.

21 So I'm trying to best understand and I hope we
22 can all best understand whether that multi-national nature
23 of some of these companies should feature into our thinking,
24 and if so, how it should feature into our thinking.

25 MR. STEWART: Let me start, Commissioner Kieff,

1 and of course, we'll be happy to refine my thinking in the
2 post-hearing. I believe if you look at the questionnaire
3 responses on a disaggregated level, for the big
4 multi-national companies--just to address the direct
5 point--that you will find that for the vast majority, there
6 is not, that your premise is not supported by the data.

7 COMMISSIONER KIEFF: Okay. And that doesn't
8 surprise me, so then please besides explain why you think it
9 is or isn't supportable in the post-hearing.

10 MR. STEWART: And we will do that in the
11 post-hearing. The other aspect of that, I think, will be
12 helpful to you is the parsing between OE and aftermarket.

13 COMMISSIONER KIEFF: That makes sense as well.

14 MR. STEWART: We will do that. We will do that
15 as well.

16 COMMISSIONER KIEFF: And then my last kind of
17 macro question relates to what is admittedly an age-old and
18 difficult distinction between labor and management. So it
19 is very clear, from the presentation this morning that labor
20 is hurting. And no one likes to see that. What I am
21 struggling with is how we should conceptualize a statute
22 that directs us to analyze harm to industry as a whole with
23 the very real, very cogent, very clear presentations you've
24 made about how labor is hurting.

25 And so let me ask another concrete, perhaps

1 improperly premised, hypothetical which I then invite each
2 of you to describe in the post-hearing as either right or
3 wrong and how, or relevant or irrelevant and how. But the
4 hypothetical is this. What if we have a case where labor is
5 actually very harmed and management is actually is very
6 helped? How do we conceptualize an industry as whole
7 analysis, we at the ITC?

8 The U.S. government as a whole, and our society
9 as a whole, should have a whole range of positive ways to
10 engage that fact pattern that would help labor. So I'm not
11 suggesting that labor always loses. I'm merely suggesting
12 that here at the ITC, if our mandate as an industry as the
13 whole analysis, and if we were to come to the view that
14 management and the companies were themselves doing pretty
15 well, should that enter into our analysis and if we were
16 also to agree as you are powerfully suggesting, that you're
17 not doing so well. How do we think about those two?

18 MR. STEWART: Well, you are benefited by court
19 cases that go back thirty years, which say healthy
20 industries can be injured by unfairly traded imports, and by
21 the statutory structure which asks you to look at both
22 actual and potential declines and negative effects. In our
23 prehearing brief and our slide presentation, we put up a
24 partial examination of what the potential losses are.

25 To your question about capacity, it is the case

1 that there was sufficient capacity -- there was sufficient
2 inventory build in the domestic facilities during this time
3 period for them to have maintained 100% of the market share
4 they lost to China without any additional investment, and in
5 fact, without any additional necessary employment, which
6 there could have been more employment had that been done.
7 So we will address it in the post-hearing, but I think that
8 the predicate of the question is incorrect.

9 COMMISSIONER KIEFF: Great. And again, as much
10 support as you can give, and as tightly as you can tie it to
11 the case, I assure you I will be reading and paying a lot of
12 attention to, and I certainly will be following the legal
13 guidance from reviewing courts and Congress. So we really
14 appreciate this. My time is up. Thank you so much.

15 CHAIRMAN SCHMIDTLEIN: All right, thank you.
16 I'd like to go back to the topic of nonsubject imports and
17 follow up on something Commissioner Broadbent asked, which
18 was, I guess, in general -- can you talk about the role of
19 nonsubject imports in this particular market? And we did
20 collect some pricing information on nonsubject imports,
21 which showed the underselling to be, I would say, mixed, but
22 yet, notwithstanding that, nonsubjects gained market share
23 over this period. So --

24 MR. STEWART: There is a great deal I would love
25 to say right now --

1 CHAIRMAN SCHMIDTLEIN: Okay.

2 MR. STEWART: -- but it's an open hearing, so let
3 me -- we will address it in detail in the post-hearing.
4 What I would say is that what you see in this situation in
5 the nonsubject is, on the one hand you have some erroneous
6 data that we tried to identify from Thailand which distorts
7 your data. But there is without question increase in
8 nonsubject imports, but they are limited to where that
9 increase is and by whom it is, and it's pretty obvious what
10 it is happening for.

11 CHAIRMAN SCHMIDTLEIN: Okay.

12 MR. STEWART: And we will articulate that in the
13 post hearing.

14 CHAIRMAN SCHMIDTLEIN: All right. And if you
15 could include just sort of a general description of whether
16 nonsubjects compete across all of the tiers. I mean we have
17 the information on how much is coming into OEM versus
18 aftermarket, but sort of where they compete and whether you
19 believe there is a price impact from those imports.

20 MR. STEWART: We'd be pleased to do that. Thank
21 you.

22 CHAIRMAN SCHMIDTLEIN: Okay. We have not talked
23 about yet the impact of raw material costs on price. And in
24 the preliminary decision, the majority did not find price
25 depression citing the substantial decline in natural and

1 synthetic rubber prices, but also indicating we would look
2 further into it in the final. And so I'd like to
3 understand, how do changes in raw material costs affect the
4 price of tires? Are purchasers aware of that? Are they
5 citing that to producers? Is there a transfer in a decline
6 in raw material costs to the products?

7 MR. STEWART: Let me start, and then I'll ask
8 Mr. Chamblee to add some information. The final record has
9 more information in it that is relevant to your
10 consideration of the interchange in the two and the
11 separation of the two. And we identified in our prehearing
12 brief information that looks at whether or not the decline
13 in prices is uniform or cross products, which is what you
14 would expect if it is simply a raw material-driven decline,
15 or whether it differentiates based upon whether and how much
16 competition there may be with subject or nonsubject imports.
17 That we did identify in our prehearing brief.

18 It is also the case that you have from the
19 companies in the public prehearing staff report reference to
20 the fact that quite a number of them rolled back price
21 increases -- that they had announced roll-back prices and
22 that the roll-back of those prices was due to the imports,
23 so that there is better information from the companies that
24 there were those effects.

25 You also have information from the purchasers

1 that a number of the purchasers identified that the
2 domestics reduced prices in an effort to be more competitive
3 with the subject imports. And you have both public
4 statements that were identified in the PowerPoint, as well
5 as statements from the purchasers that a large number of
6 them shifted their purchasing decisions and did it on the
7 basis of price.

8 Now we had a discussion with Mr. Chamblee
9 yesterday about what kind of price changes that he's seen in
10 the market as a buyer and as a reseller. So maybe I'll ask
11 him if he would just kind of review that which you had to
12 tell us.

13 MR. CHAMBLEE: Yes, during the time period
14 outlined here, what we have seen as a dealer, as a purchaser
15 of these units is that, as raw materials, if they have
16 dropped, that we have seen price adjustments. But
17 conversely, as any of these decreases have happened, we've
18 also seen the adjustment happen on the import products as
19 well.

20 As I shared with these folks yesterday that we
21 had experienced, I think, through 2015, we saw one
22 manufacturer adjust their price, a Tier 3 product, adjust
23 their price, and during that same time period, we had the
24 access to buy some import product from a supplier. So we
25 had access to pricing, and as those adjustments were made,

1 we followed those adjustments were consistently being
2 priced at \$15 to \$20 cheaper than the domestic-made product,
3 the Tier 3 product that we had. And we also saw this hold
4 true with the Tier 2 products.

5 MR. STEWART: It was the case, Mr. Chamblee, in
6 our discussion yesterday, indicated that the domestic
7 producers had a series of price declines just in the last
8 year and that they were basically flowing from loss of sales
9 into the market, that his own operation suffered significant
10 losses of volume and what were commonly called Tier 2, as
11 well as declines in Tier 3, with no increase in the Tier 1
12 products. So he had significant volume reductions in the
13 Tier 3 products. He described a price difference between
14 the Chinese imports and the domestically produced product
15 as being in the \$20 to \$80 range in terms of the
16 underselling that was going on.

17 So you have price pressures that are coming from
18 imports. Yes, there are some declines that happen perhaps
19 because of reduced raw material costs, but a lot of it is,
20 domestics are losing market share. And losing market share
21 means you have product that's building up in warehouses.
22 You heard the story about Bridgestone, and you heard the
23 story about Goodyear, both of them being major players in
24 the market, and our witnesses talking about large increases
25 in inventories. That's supported by what your staff report

1 shows for the industry as a whole, a significant increase in
2 the inventory.

3 When you have a big increase in inventory, that
4 only goes on for so long before you fill up warehouses, make
5 the decision to ramp back on production. And the ramping
6 back on production has been coupled with reductions in
7 prices by the majors in an effort to become more competitive
8 vis- -vis the imports from China.

9 CHAIRMAN SCHMIDTLEIN: All right, thank you.
10 One thing we often look at in terms of trying to decipher
11 whether a price decline is the result of a drop in raw
12 material cost or not, is the comparison of the change in
13 unit COGS versus the AUV of, say, U.S. shipments, right?
14 And I understand there are different tiered tires all
15 included in those AUVs. So what should we make of the
16 fact, at least when I did a quick comparison--I think I've
17 got my math correctly--but it looks like unit COGS declined
18 more than AUVs. So how would--

19 MR. STEWART: Based on the staff report and the
20 data that you've gotten from the companies, that's what the
21 table shows.

22 CHAIRMAN SCHMIDTLEIN: Right. So how should I
23 consider that in terms of trying to figure out raw material
24 prices affected --

25 MR. STEWART: I think in the --

1 CHAIRMAN SCHMIDTLEIN: -- the price of tires?

2 MR. STEWART: -- in literature what you would
3 find is that in markets where you have large producers, as
4 you have in this market, you would expect that there would
5 be relatively low reduction in prices, even with reductions
6 in costs on the downside, or that there would be significant
7 lags and so you would expect that you would have significant
8 upturn in terms of operating income from that, or gross
9 profits from that.

10 And the flip side is, is that they will attempt
11 to cover increases in costs on the upside. What you have
12 here is that you have probably a sharper decline in prices
13 than you would normally expect to see with the cyclical
14 nature of raw material costs as producers try to maintain a
15 pricing structure and not just have it very up and down on a
16 week-to-week or month-to-month basis.

17 CHAIRMAN SCHMIDTLEIN: Okay. Before my time
18 runs out, my last question related to price is, do the
19 prices in the aftermarket affect the prices in the OEM
20 market?

21 MR. STEWART: I'm not sure that we have anybody
22 here who would be able to answer that. Mr. Chamblee's
23 basically in the aftermarkets --

24 CHAIRMAN SCHMIDTLEIN: Right.

25 MR. STEWART: -- so I don't believe that you're

1 in a position to answer that. So we'll see if we can
2 provide an answer post-hearing, but I apologize that we
3 don't have somebody who could address it directly.

4 CHAIRMAN SCHMIDTLEIN: All right. Great. We
5 will now go back to Vice Chairman Johanson.

6 VICE CHAIRMAN JOHANSON: Thank you, Chairman
7 Schmidtlein. On Pages 62 to 63 of your brief, you all have
8 statements from Union officials about curtailments at
9 various plants, as well as some investments that were
10 delayed. To the extent possible, when it is stated that
11 "Management has attributed" such impacts to subject imports,
12 could you all please provide any documentation that you
13 might have to support this? This would be for the
14 post-hearing.

15 MR. STEWART: Yes, we will do that. Appreciate,
16 Vice-Chairman Johanson, that those types of meetings, the
17 information is shared verbally, and that they either do not
18 share documents or if they share documents, the documents
19 are under a confidentiality agreement where they cannot be
20 shared.

21 VICE CHAIRMAN JOHANSON: Okay, just to the
22 extent that you can share them. If you could, we would
23 appreciate that.

24 MR. STEWART: Yeah, our hope was that by
25 bringing Union presidents who were in those discussions and

1 have them testify under oath, that that would be
2 confirmation of what they heard.

3 VICE CHAIRMAN JOHANSON: Okay.

4 MR. STEWART: But we'll see if there is anything
5 that can be submitted post-hearing.

6 VICE CHAIRMAN JOHANSON: All right, thank you,
7 Mr. Stewart. How important to purchasing decisions are
8 access to nationwide service networks, guaranteed service
9 times, warranties and retreadability? And these factors are
10 listed at Page 30 of the CMA brief.

11 MR. STEWART: We have gone through, both in the
12 petition and in our prehearing brief and in our presentation
13 today, to go through a lot of the literature from the
14 Chinese companies which show that in all of those areas,
15 they are competing. And I'll ask Mr. Chamblee to just talk
16 about what he knows about some of the Chinese brands versus
17 some of the domestic brands.

18 MR. CHAMBLEE: So to your question about the
19 customers on the end-user side, as far as needs for those
20 type of programs, that would really depend upon what type of
21 service the fleet is trying to achieve, and a lot of times
22 the size of the fleet. In my particular market area, we
23 deal primarily with regional fleets along with small
24 independent owner-operators where, you know, vast
25 nationwide networking is not such a big deal. However, we

1 have seen some of the manufacturers, some of the import
2 manufacturers are actually starting to provide some of those
3 services and benefits to their customers.

4 As far as the retreadability portion of that
5 question, that also falls back in on what the fleets overall
6 performance goals are or achievement goals are really put in
7 place. A lot of times retreadability, warranty does not
8 really come into a big play from my experience.

9 VICE CHAIRMAN JOHANSON: Okay. Mr. Stewart --

10 MR. STEWART: Yes, Vice-Chairman, you had in our
11 PowerPoint presentation some slides that identified a range
12 of these issues, including a statement from the
13 Vice-President of Sales for CMA, which is the China
14 Manufacturers' Association, marketing association, which
15 basically said that the Chinese tires are as retreadable as
16 the big brands.

17 And we know that a number of the Chinese
18 companies are putting together packages for national
19 distribution, and we identified that, for many dealers, they
20 also have many of the services that they make available to
21 any of the tires that they sell, regardless of whether the
22 companies have an alliance or what have you as well.

23 So we believe that yes, those things are all
24 there. For some customers, they have value. And that there
25 are any number of Chinese producers who are offering many or

1 all of those same types of services.

2 VICE CHAIRMAN JOHANSON: Thank you, Mr. Stewart.

3 Are there tiers that are more interchangeable with other
4 tiers? For example, are Tier 1 truck and bus tires more
5 interchangeable with Tier 2 and Tier 3 tires?

6 MR. STEWART: Well, in a good/better/best world,
7 even if you care about brand, the answer will be, it depends
8 on how you value certain characteristics. Mr. Chamblee's
9 experience has been that the Chinese product, which your
10 questionnaire responses indicate are all Tier 2 or Tier 3
11 and some claim to be Tier 4, that they have had disastrous
12 effects on his Tier 2 sales, that they have had significant
13 effects on his Tier 3 sales, and that his Tier 1 sales have
14 been flat in a growing market, which means that there have
15 been some effects there.

16 And he has seen price declines across the board
17 with more as you get down to the direct competition where
18 the Chinese, the Double Coin, the Cooper tire, the
19 Gladiators, a bunch of other brands like that are competing
20 directly with the, either the Tier 2 or Tier 3 of the
21 domestic product.

22 MR. CHAMBLEE: Yes, I agree with that statement.

23 VICE CHAIRMAN JOHANSON: Okay, thank you, Mr.
24 Stewart and Mr. Chamblee. Are OEMs or aftermarket consumers
25 more likely to switch between tiers? Is there a difference?

1 MR. STEWART: The answers certainly is that you
2 will see a lot more switching in the aftermarket, and it's
3 by far the biggest part of the market. What you are seeing
4 is that you are seeing, from your data, that the OEM market
5 is being penetrated by a number of the companies, but that
6 penetration is still far below where their penetration is in
7 the aftermarket.

8 So the answer is, you have some people in the
9 OEM market that are sticking with particular companies based
10 on the performance, based on the history of performance that
11 they have with those companies. So we would say aftermarket
12 you would see it more frequently than you would see it in
13 the OE. Mr. Chamblee can talk about the aftermarket if you
14 would like to know how frequent the change is there.

15 VICE CHAIRMAN JOHANSON: Yes, actually I would
16 like to hear about -- Mr. Chamblee?

17 MR. CHAMBLEE: For my particular dealership and
18 my particular market area, as stated by Mr. Stewart, that we
19 have not -- we've remained flat through this time period
20 with our Tier 1 products.

21 In our Tier 2 segment, actually through 2015, we
22 were down about 5%. At the end of 2016, we were down almost
23 20% in total sales volume on our Tier 2 products.

24 Our Tier 3 products were actually down in 2015
25 about 3%, and in 2016, our Tier 3 products were actually

1 down about 9%. So we've seen a huge push, a huge trend as
2 to why these sales declines have happened.

3 At the same token, while these sales declines
4 have happened, we've also watched our manufacturers, our
5 suppliers, lower pricing specifically on the Tier 2 product.
6 I've witnessed two or three price increases with some of
7 these folks and on my Tier 2 products -- I've watched one
8 particular brand actually drop about \$80 in cost to us, yet
9 I still finished out the year about 20% down.

10 So we have seen a lot of pressure in that
11 market, specifically across those two tier levels,
12 specifically on the replacement side, given that a lot of my
13 market happens to be independent operators and small
14 regional fleets. They are quite sensitive to the price
15 point that's being brought to them, and we've seen some
16 pretty large discrepancies in some of the sales
17 transactions that we've tried to compete against.

18 VICE CHAIRMAN JOHANSON: Thank you, Mr.
19 Chamblee. Could you all please respond to CMA's argument at
20 their prehearing brief at Page 18 to 20, that domestic
21 producers' retreading operations' revenue and operating
22 profits should be considered by the Commission in this
23 analysis of the domestic industry's performance?

24 MR. STEWART: That's kind of an interesting
25 argument, Vice Chairman Johanson, in that they haven't

1 really argued that the domestic-like product should include
2 retread tires and we're aware of no case in which you have
3 looked at operating performance of some other business and
4 added it to the domestic-like product where there has not
5 been -- we have not made a decision that the domestic-like
6 product should be broader or include that other product, so
7 the answer in our view is that you don't have the data to do
8 that.

9 At the prelim and our post conference brief, in
10 trying to respond to questions we have received from the
11 staff about the retread market, we had identified that there
12 are something like 700 domestic retread producers. The
13 information that the respondents are citing to deal simply
14 with information that came from a handful of domestic
15 producers in their questionnaire about revenue that they may
16 have gotten for some of those will have retread operations,
17 but a lot of it will simply be the value of the tread that
18 they sell, because retreading operations are dramatically
19 different than the production of a new tire.

20 MS. DRAKE: Vice Chairman, may I add, this is
21 Elizabeth Drake, that their argument is based on a
22 fundamental mistaken assumption, that Bridgestone only
23 retreads Bridgestone tires, and so that they maintain this
24 kind of relationship with a tire through its life, which is
25 absolutely not true.

1 Any retreader can retread a Bridgestone.
2 Bridgestone can retread any tire or license its technology
3 or sell its tread to retread any tire as long as it's
4 physically capable of being retreaded.

5 So this idea that both at a tire, that premium
6 tire is sold with this lifelong retread relationship with
7 Bridgestone is simply false. That's not how the operations
8 work in fact.

9 MR. STEWART: Just a quick follow-up, Vice
10 Chairman. We have been out to a retread operation to try to
11 understand what was going on, and what Ms. Drake just went
12 through is absolutely true. You could find a double-coin
13 tire with a Bridgestone tread added to it or a Michelin tire
14 with a Bridgestone tread added to it, etcetera.

15 So whatever tires get to a retread facility
16 that are found to be retreadable, will be retreaded with
17 whatever type of tread that company is using, which is --
18 will largely be affiliated with one of the major companies.

19 VICE CHAIRMAN JOHANSON: Thank you for your
20 responses. My time is expired.

21 CHAIRMAN SCHMIDTLEIN: All right. Commissioner
22 Williamson.

23 COMMISSIONER WILLIAMSON: Okay, thank you. I
24 was going -- I think Ms. Drake just answered my question
25 about retreading, and so I take it services between -- you

1 talk about each of the producers have a good, better, best
2 approach, and I was going to ask whether or not at best
3 brand had services that a good brand might not have. In
4 other words, is there a difference in the level of services
5 that go along with these categories.

6 MR. STEWART: There can be. It's my
7 understanding there can be.

8 MS. DRAKE: But I think we also, as Mr. Stewart
9 said earlier, dealers also provide these services. They're
10 not just provided by the manufacturer, and if you look at
11 the staff report in terms of how purchasers report the
12 importance of technical support and services, only five out
13 of 17 purchasers or less than a third rate that as very
14 important.

15 I think one, the potential which the distinction
16 may be, as Mr. Chamblee was discussing on national accounts,
17 national fleets, that they can have an agreement with a
18 manufacturer that they can get their tire from any dealer at
19 a set price. But those national fleets make up a minority
20 of the market, not just through Chamblee's experience but in
21 the market overall, and we could elaborate on that
22 post-hearing.

23 Furthermore, Chinese producers themselves are
24 now also starting to offer those kind of national accounts,
25 guaranteed availability and price. Double Coin had a big

1 announcement that it was rolling out such a program in 2013,
2 I believe. So we can elaborate on that post-hearing, if
3 that would be helpful.

4 COMMISSIONER WILLIAMSON: And would sometimes
5 that mean you might have a national distributor as opposed
6 to a national producer that's providing these services to a
7 -- yes, Mr. Chamblee.

8 MR. CHAMBLEE: Well generally how that kind of
9 program works is the fleet would actually be approached by
10 one of the large manufacturer and sign into some type of a
11 national agreement. We as dealers being on the end user
12 side, since I do sell those products, Continental, Michelin,
13 Bridgestone, Yokohama and so on, we have to sign agreements
14 to state that we will service these fleets, sell these
15 national fleets these tires.

16 We will be compensated via a commission policy
17 or something that's put in place as part of our agreement,
18 along with services that at the price point that these
19 particular manufacturers have agreed upon with the fleets.
20 So it's not really a case of -- it's not really a case of
21 choosing to do the services. To quality to be a tire
22 provider and for those type of fleets, you have to be able
23 to meet minimum requirements.

24 COMMISSIONER WILLIAMSON: Now are those
25 exclusive arrangements? I mean can you have arrangements

1 with a number of different say producers or sellers?

2 MR. CHAMBLEE: Exactly in my case. I'm one of
3 the anomalies in this industry, the fact that I sell
4 generally all the major brands, Michelin, Bridgestone,
5 Goodyear, Continental Yokohama. So in that particular
6 instance, we do have those agreements in place with us.

7 COMMISSIONER WILLIAMSON: Okay. A question on
8 brands. Let me show my age. Some of the things that
9 they're Tier 2 and Tier 3 were things that I thought were,
10 when I was growing up were, you know, big name brands. So I
11 was wondering whether or not does the value of some brands
12 been, shall we say, demoted as the manufacturers are trying
13 to make sure they're competitive, they have a competitive
14 product in the Tier 2 and Tier 3?

15 And does that mean they're making less money
16 from these or is that in any way harming their -- the
17 efficiency and profitability of their business?

18 MR. STEWART: I don't know that we can answer
19 the last part of your question, Commissioner, but with
20 regard to your first, I do remember the brands as well, and
21 Firestone and B.F. Goodrich were household names when I was
22 growing up, as well as the ones that are three. I think
23 that really flows from the consolidation in the industry at
24 the top.

25 COMMISSIONER WILLIAMSON: Yeah.

1 MR. STEWART: You know, the fact that
2 Bridgestone took over Firestone. If you're going to have
3 brands, you have to decide which is going to be your top
4 tier brand. That's the pricing that they chose. It would
5 their name, not a company that they acquired. You see the
6 same thing with Goodyear and Dunlop, or you see the same
7 thing with Michelin and B.F. Goodrich.

8 So from that, I think you get to the point that
9 over time, as your product line evolves and as technology
10 comes, that perhaps your highest engineered products will go
11 under the company name, and the others will -- you'll then
12 move your technology down, so that the second flag carries
13 the second best technology and third flag carries the third
14 best technology, so you have a good, better, best story that
15 you can tell.

16 COMMISSIONER WILLIAMSON: Okay. Part of the
17 reason why I'm asking that, this is to get to Commissioner
18 Kieff's question about the workers are hurting, but maybe
19 the companies are not, and I'm wondering is if -- and so the
20 reason why I'm asking these questions is that if they're
21 forced to put more into the lower tiers.

22 MR. STEWART: Clearly from their domestic
23 operations that hurts them, and you can see that when you
24 look at the interim 2016 data. You will see that and our
25 understanding from talking to the plant folks is that part

1 of the challenge for them at the current pricing structure
2 in the marketplace on Tier 3 products in particular is that
3 the margins are so low for domestic producers to be able to
4 produce them here.

5 So domestics have shifted production down tier
6 because they're not getting -- they're losing market share.
7 If they do that down tier, there may be some cost savings in
8 terms of less material or other thing that you have in a
9 product. But there also is a lot less price and that -- and
10 their understanding is that that means that the margins are
11 much thinner if they exist at all.

12 COMMISSIONER WILLIAMSON: And the reason why I
13 raise this is that there's a lot of question, the union
14 representatives here, but we could have produced or we had a
15 capacity to produce or what we're ready to produce, and I'm
16 asking the question. Can you show has that had an effect
17 on, shall we say, the industry itself, not just the workers?

18 MR. STEWART: Again I would say if you look at
19 2016 interim, where you -- where you start to see some of
20 the effects of the shift in what they're producing out of
21 their local plants, you will see that that's the case.

22 COMMISSIONER WILLIAMSON: Okay.

23 MS. DRAKE: And Commissioner Williamson, I
24 believe our counter-factual was in part an effort to show
25 that if the market share hadn't been lost, just the volume

1 effect of the imports alone would have led to increased
2 shipments, increased sales revenue, increased operating
3 income.

4 So it wouldn't just have benefitted the workers,
5 who are making more tires; it would have benefitted the
6 industry as a whole in terms of its financial performance.
7 That doesn't even account for any price effects of the
8 subject imports, just the pure volume effects.

9 COMMISSIONER WILLIAMSON: And we're talking
10 about the U.S. industry as opposed to the company, the
11 global company. Mr. Button.

12 MR. BUTTON: Yeah. Commissioner Williamson,
13 yes. In short, what this Exhibit 47 on the slides indicates
14 that the domestic industry, as the phrase goes, is leaving
15 money on the table, that there is capacity available that
16 the workers have described. There's volumes in the
17 inventories which the staff report indicates that the
18 production includes the Tier 2 and Tier 3 products that
19 you've been discussing, that would be in that sense the most
20 price competitive against the subject imports.

21 The fact that these additional capacities
22 weren't used indicates that in that sense money, hours,
23 profitability was left on the table, and the domestic
24 industry could have itself been advantaged by making these
25 sales but did not.

1 COMMISSIONER WILLIAMSON: Okay, thank you.
2 Anything you can do to sort of consolidate that
3 post-hearing. But Sumitomo, you said they're bringing back
4 production from Thailand of these tires?

5 MR. STEWART: That was passenger.

6 COMMISSIONER WILLIAMSON: Oh, I'm sorry.

7 MR. STEWART: Passenger car and light truck
8 tires. It was an indication simply of the benefit that the
9 company has obtained because of the order that's in effect.
10 Pricing structure has changed, so there's a basis to both
11 expand capacity at the facility in New York and drastically
12 ramp up production of PVL T and, as was stated by a witness,
13 there's likely that the same thing would happen on bus and
14 truck tires if there were an order in this case. There
15 would be more expansion, would be more production and
16 expansion could be as much as 30 percent.

17 COMMISSIONER WILLIAMSON: And that 30 percent
18 figure comes based on what? You want to sort of
19 substantiate post-hearing --

20 MR. STEWART: It came from the testimony, and
21 they walked through -- he walked through the upside. I
22 think they're down to like 2,100 tires at the moment, and
23 with additional capacity, additional investment, they'd be up
24 to 3,000 tires a day on the ticket.

25 COMMISSIONER WILLIAMSON: Okay, thank you.

1 Okay. I think I'll stop there. Thank you for now.

2 CHAIRMAN SCHMIDTLEIN: Commissioner Broadbent.

3 COMMISSIONER BROADBENT: Thank you. I guess I
4 have sort of a question, and I'd like to hear from the union
5 representatives, who I, you know, I can't say how much I
6 appreciate your attendance here and your commitment to this
7 case. It's just a troubling case to me, because as we look
8 at the global world, how we're going to survive if there's
9 such a different perspective between workers and management
10 that would kind of lead to this kind of division.

11 I mean there's just little support among
12 management that they're being injured here, and I mean does
13 it have to do with the financial performance of the industry
14 during the Period of Investigation, which is fairly
15 extraordinary for any Title VII case we've ever seen, at
16 least in my four years here? Were you aware of your
17 company's financial conditions when you worked with counsel
18 to file this case?

19 MR. JOHNSON: Ms. Broadbent, I think there is a
20 perception that somehow there are different views between
21 the company and the union in regard to the case, and the
22 pursuit of the case. I think one should not make, jump to a
23 conclusion that because management is not here, that they
24 have a different view.

25 I think most people understand that management

1 views themselves at greater risk to make themselves publicly
2 available here in pursuit of a case, and I can't -- I mean I
3 can speak to perception, not to -- I'm not going to speak on
4 their behalf. But I think by and large most major
5 multinational corporations have some trepidation about
6 pursuing trade cases for fear of retaliation.

7 MR. STEWART: If I could just add before the
8 other locals, in the European Union, as they're looking at
9 revising their own trade remedies, one of the things they
10 are looking at is having the Commission self-initiate cases,
11 where there is concern about retaliation, which is an issue
12 that's long overdue here because retaliation, fears of
13 retaliation are very real in many, many sectors of the
14 economy.

15 MR. WRIGHT: This is Billy Wright. I've talked
16 to a lot of the management at our local plant and
17 management, higher up management, like Vice President of
18 Manufacturing for Bridgestone Americas. They understand
19 what we're doing on the trade case and support us. Whether
20 they came or not isn't really, like Stan said, Mr. Johnson,
21 an indication that they don't agree with it.

22 They do agree with this, and in talking with
23 them and trying to get the improvements so we can go to
24 12,000 tires a day, you know, one of the vice presidents
25 told me that, you know, if this passes it will help

1 significantly in getting us the investments. But they,
2 especially like the plant manager and on down at the plant,
3 they do agree that this is the right path to take, and that
4 this will help our business. There's not an opposition when
5 we talk to them about it. So I don't know if I've answered
6 your question or not.

7 COMMISSIONER BROADBENT: No, I appreciate that
8 very much.

9 MR. WRIGHT: Okay, thank you.

10 MR. JUAREZ: I'm basically going to say the same
11 thing as Dan. You know, I think if all the companies would
12 have come forward, then they would have all come forward.
13 But the company I work for, Goodyear, they have supported me
14 in this. They'll give me verbal information. They will not
15 give me paper information. I mean you've asked if I could
16 submit some other things.

17 I can't because they'll have verbal
18 conversations but no paper. I think it is the fear of
19 retaliation for them. So you know, they let us come and do
20 the speaking for them.

21 COMMISSIONER BROADBENT: Okay, I appreciate
22 that. Yep.

23 MR. JOHNSON: If I may, a bit of clarification.
24 What I think you've just heard is a perception of our local
25 union officers and what they have heard from individuals

1 within that company. Whether that individual spoke for the
2 company or did not speak for the company, I don't think we
3 should walk away here with the perception that there is a
4 wholehearted endorsement from any of the companies that we
5 represent, that they are endorsing the case.

6 If so, they could have easily been here and --
7 but if they actually oppose it, I guess they could have made
8 their positions known there as well.

9 COMMISSIONER BROADBENT: Okay, I appreciate
10 that. I haven't had a chance to look at this in terms of
11 kind of what exports add to your performance and employment
12 situation, and your ability to ramp up capacity utilization.
13 Can somebody talk to me about the export picture in this
14 industry, and where your biggest sales are?

15 MR. STEWART: I think each company had that in
16 their questionnaire response. Let us do that post-hearing
17 if you wouldn't mind.

18 COMMISSIONER BROADBENT: But just generally?

19 MR. STEWART: I think that for the
20 multinationals, you would expect that they would have some
21 products that they would produce and ship globally, and I
22 think that that's probably true. Certainly the Americas,
23 one would expect would be significant export opportunities
24 for the Goodyears and Bridgestones, and probably Michelins
25 of the world. But I would want to check that and I'll do

1 that in the post-hearing.

2 MS. DRAKE: And we do see, Commissioner
3 Broadbent, that exports went up more than domestic shipments
4 during at least the '13 to '15 period for where we have
5 public data. But at least in 2015, the average unit value
6 for those export shipments was lower than the average unit
7 value for domestic shipments. So it's not clear that this
8 is necessarily providing a huge benefit to the industry, but
9 it has been something that they've had to rely on as their
10 growth in domestic shipments has been suppressed.

11 COMMISSIONER BROADBENT: Well how much do the
12 union folks think that exports are important?

13 MR. STEWART: I'm sorry. Can you say that
14 again?

15 COMMISSIONER BROADBENT: I mean you all don't
16 seem to be focused much. Maybe they're not that -- nobody
17 will tell me how much they are, what we're talking about
18 here, and I should know but I haven't gotten to that yet.
19 But are exports at all important to your livelihoods?

20 MR. JOHNSON: Well, I don't have the specific
21 data in front of me. I'll give you what I believe to be a
22 general answer. We have a very robust market or have had a
23 very robust market, and many of the multi-national tire
24 corporations try to build operations with an in-country
25 source or in-region source.

1 So while we will have a fairly significant
2 amount of export, you know, everyone in the world is trying,
3 including China, is trying to come to this market to sell
4 tires. So it makes sense that the bulk of the tires that
5 are made here would be sold here.

6 MR. STEWART: Your preliminary report shows that
7 exports on a quantity basis range between 13 and 14-1/2
8 percent.

9 COMMISSIONER BROADBENT: Of domestic production?

10 MR. STEWART: Of domestic shipments.

11 COMMISSIONER BROADBENT: Domestic shipments,
12 yeah, okay. I think that concludes my questions right now.

13 CHAIRMAN SCHMIDTLEIN: All right. Commissioner
14 Kieff.

15 COMMISSIONER KIEFF: Yes please. So just to
16 follow up on the prior line of questioning, at least for me,
17 I find it's often helpful for me not to allow myself to hang
18 out very much in the space of trying to figure out what is
19 in the subjective mind of someone, whether they're actually
20 here in front of me or not. And so for me, I tend to pay a
21 lot of attention to the objective data.

22 So much of the discussion with Commissioner
23 Broadbent was about the intent and feelings of management,
24 that they might feel sympathetic with you and feel
25 apprehensive about retribution. Those feelings, you might

1 first of all be completely accurate, and they might truly
2 hold those feelings very strongly.

3 I just want to confess to you, so that you can
4 help me decide the case, that my understanding of the data,
5 regardless of their feelings, is that they're doing well and
6 I certainly take you at face value that you wish you were
7 doing better. So I don't want you to take too much from
8 your likely accurate perception of their feelings of
9 allegiance with you and feelings of apprehension about
10 retribution, because for me at least, what is so difficult
11 for me about this case is that they seem to be doing very
12 well.

13 So in the post-hearing, I just want to invite
14 you and your counterparts to describe number one, factually
15 are they or not, and then number two, why it should matter
16 to our analysis or not. That's a great venue for that
17 activity.

18 So let me then shift to a second question,
19 because Mr. Stewart, I want to, if I may, without putting
20 you on the spot, hope to get the benefit of your deep
21 expertise as a senior member of the bar, and you and I have
22 worked together for two decades on the Historical Society of
23 the Federal Circuit and thought a lot about comparing and
24 contrasting roles of different components of these dockets.

25 So I want to try to ask you a question where you

1 might be able to give us some advice, that's analogous to
2 the topic you were just exploring with Commissioner
3 Broadbent. So you've spoken about the power and importance
4 of the Commission's role in effect self-initiating, and
5 certainly the fact that other governmental bodies around the
6 world think a lot about self-initiating.

7 I know we are sitting here in the Title VII side
8 of our docket. I want to ask you if I could whether we
9 should do any thinking about the self-initiation concept or
10 the fear of attribution concept when we are thinking about
11 the 337 side of our docket. Yes.

12 MR. STEWART: Well, I think the reality, and
13 I've been practicing a long time as you know Commissioner,
14 and I was a young attorney and I can remember two cases of
15 retaliation that happened on clients of ours.

16 One was a case we had brought against a product
17 from Mexico, where our client had a facility in Mexico and a
18 Mexican government official arrived at that plant and
19 basically told them they were going to shut them down if the
20 case didn't get withdrawn. Fortunately, we were able to go
21 to the U.S. government and get that removed.

22 So retaliation is not a new phenomenon. It's
23 not a phenomena that is limited to China. It's just that
24 the size and importance of China as a country and a trading
25 partner makes their willingness to use retaliation a lot

1 more difficult. I think the issue for the workers is not
2 self-initiation would be helpful to the workers in many
3 situations because unlike the companies, the bottom line
4 benefits flow in directly to the workers, where they flow
5 directly to the companies, right? So it's a resource issue
6 to be able to do it.

7 In 337, you obviously have retaliation concerns
8 that can exist there as well, depending on the size of the
9 case, the importance of the case, who the players are,
10 whether it's a country that's involved or a country that is
11 backing a case, etcetera.

12 So should you be concerned about that? Sure,
13 you should be concerned about that in terms of whether you
14 do proceedings that are more in camera or what have you,
15 whether there are ways for people to bring facts to your
16 attention so that they can be considered, so that you can
17 get a for record.

18 I would like to go back to your earlier question
19 and request. The workers understand that the statute
20 requires you to take a look at the industry as a whole, and
21 we believe that looking at the industry as a whole in the
22 context of the statutory scheme and the case law.

23 Whether or not the industry is healthy or not is
24 not the question of whether or not there's injury. We have
25 raised --

1 COMMISSIONER KIEFF: And just to be clear, like
2 I don't think, at least for me, I fully embrace the very
3 explicit statutory mandate that labor could completely
4 independently and completely adversely bring a winnable
5 Title VII case. So I'm not suggesting you're adverse truly,
6 that you somehow don't get along with management, or that if
7 you did, that would end the case.

8 I'm suggesting that merely the middle of the
9 road problem, which is that they are -- they might be doing,
10 especially they meaning the companies might be doing
11 especially strongly, and I could be mistaken, and then I'm
12 trying to weigh that.

13 MR. STEWART: Let me -- sure, and we appreciate
14 that you have to do that. Unfortunately, it's not the case
15 that if the workers brought a case that management actively
16 opposed, that you would be able to hear the case. That is
17 the way the law currently operates. It would be viewed that
18 nobody was supporting the case if that were true.

19 With regard to how well the industry is or isn't
20 doing, you have in this case versus the prelim, an interim
21 period of nine months. So we encourage you to look there.
22 We know that the staff is trying to come up with the
23 Sumitomo information, and there are some alternate ways to
24 get an approximation of that if you can't get the actual
25 data.

1 We have also raised some significant concerns
2 about the accuracy of the domestic data, not because anybody
3 is trying to put in erroneous data but because it's a
4 complicated process, and we would suggest if you would look
5 at the individual companies who replied at the prelim and at
6 the final, that you may see that there can be some
7 significant differences based upon people paying attention
8 to those three issues that we've tried to address.

9 And so if your staff in fact digs into that
10 information, you may very well have a different record in
11 front of you for the final than you have in the prehearing
12 staff report. But even with that, even with the record as
13 it is, we believe that under the existing standard it is
14 relevant, or that there is a material injury case, and we
15 believe the only relevance of doing well in the period
16 investigated goes to whether or not an industry is
17 vulnerable when you're looking at threat.

18 We would agree that if an industry is doing very
19 well, it is at least less vulnerable or not vulnerable.

20 COMMISSIONER KIEFF: Thank you, and then just as
21 a follow-up, bless you David, in the post-hearings, if you
22 have guidance you can offer on our -- back to the kind of
23 broader power of the trade remedy, which by the way includes
24 both Title VII and 337, because of course they're both trade
25 statutes, any guidance you can give us about how broadly we

1 should think about our independent power to move forward in
2 cases, when for example, only some of the industry is very
3 actively participating, because as you know, in some parts
4 of our docket, some folks have started to take the position
5 that we have stricter standing requirements for the types of
6 injury, and if you can help us better understand how trade
7 remedies work and how we work with trade remedies, certainly
8 your experience can educate us a lot.

9 MR. STEWART: We will do that. Thank you.

10 COMMISSIONER KIEFF: That's great. Thanks.

11 Great thanks. Those are all my questions for
12 the panel, and I thank the panel very much.

13 CHAIRMAN SCHMIDTLEIN: All right, thank you.

14 So I'd like to touch on one of the Respondent's arguments,
15 I'm not sure we've discussed it yet, which is that imports
16 are necessary because the U.S. producers cannot meet demand,
17 and so I guess when I look at this C table right, which
18 shows -- and these numbers are confidential, but what demand
19 is, what capacity was for U.S. producers, what their
20 production was, there's obviously an amount of demand that
21 can't be met by U.S. producers and so there is a role for
22 imports.

23 So can you sort of walk me through your
24 argument as to how we should consider that, and I guess --

25 MR. STEWART: That's an interesting question,

1 Chairman Schmidtlein. As far as I know, for the vast
2 majority with the downsizing of manufacturing in the United
3 States over the last 20-30 years, you would be hard pressed
4 to find a sector in which we could produce 100 percent of
5 demand, and that has never been a criteria for whether or
6 not unfairly traded imports should be disciplined.

7 There have been sectors of the tire industry
8 that I think the PVLIT case, when we did that, where we had
9 closed something like seven or eight factories when we did
10 the 421 case, and it would truly have been the case at the
11 end of that closing of seven or eight factories that we
12 didn't have the capacity to produce all the tires. But we
13 didn't have the capacity to produce all the tires because
14 the imports that had come in and forced all those plants to
15 close.

16 My own view is that a case like this (a) isn't
17 attempting to say that imports aren't necessary or don't
18 play a role, and in fact our analysis has focused on what
19 the domestic industry could have done if the domestic
20 industry had not lost market share to China, assuming that
21 the market share lost to China was due to the unfair trade
22 practices.

23 I can assure you if the -- if the decisions are
24 affirmative in this case, that the amount of volume that
25 goes down from China will go down a lot more than 1.1 or 1.3

1 million tires that we have projected in the analysis of what
2 our losses were in 2014-2015 by not being able to
3 participate in the growth.

4 So to me the fact that we cannot supply the
5 whole market isn't a relevancy under the law. We are not --
6 the case is not about shutting off all imports, and fairly
7 priced imports from China are included in that. This case
8 is not about shutting them or anybody else out of the market
9 if they are pricing fairly. It is to try to see that we
10 compete against products that are not injuring us because of
11 dumping or subsidization.

12 So to me, that is the answer. There may be
13 other aspects of their argument that I missed, and if there
14 are we'd be happy to take a look at them and try to respond
15 post-hearing.

16 CHAIRMAN SCHMIDTLEIN: So does your argument
17 include, in terms of what the injury was according to you,
18 it includes the capacity that the witnesses have talked
19 about that was intended to be brought online but delayed?

20 MR. STEWART: We identify those things, since
21 the statute talks about actual and potential negative
22 effects on capital expenditures, and the fact that the
23 companies did not make these capital expenditures when they
24 had been talking about them with the workers for year, our
25 view what, regardless of what the data as to how much money

1 might have been spent in the industry on capital
2 expenditures is a form at least of potential negative
3 effects on capital expenditures, because they weren't made
4 because of that.

5 The capacity that we've identified or the
6 volume, uptick volume, is premised upon -- in 2014 I
7 believe, it's premised entirely upon existing capacity in
8 the U.S. industry. In 2015, it is premised upon that,
9 assuming that you correct for the missing capacity that
10 Sumitomo's facility in New York accounts for, which is not
11 in the fourth quarter, and you do have off -- of the
12 Goodyear data you have what they purchased in that fourth
13 quarter. So that would tell you what additional volume.

14 But so in 2015, you would get it from existing
15 capacity and possibly by a diversion of some of the increase
16 in inventory. So we built up a lot of inventory. So part
17 of that build-up in inventory isn't needed, as you heard,
18 and so it could have been used in terms of shipments. So
19 the combination of those two more than meets what the uptick
20 is, assuming that all we are doing is recapturing the part
21 of the market that we lost to subject imports.

22 So to the extent there was a part of the market
23 we lost to nonsubject, that is not included in those data.

24 CHAIRMAN SCHMIDTLEIN: Okay. So the numbers
25 that I'm looking at, then, are going to be adjusted by this

1 questionnaire. Is that -- because when I'm looking at the
2 numbers say for 2015, and I look at what you have included
3 in the slide show in terms of 2015 and what the uptick in
4 shipments would be and the uptick in production, it doesn't
5 look like, based on these existing numbers, that would have
6 been possible. That's why I asked the question --

7 MR. STEWART: Shipments, I don't have the data,
8 the confidential data in front of me. So I'll clarify if
9 what I'm saying is incorrect. But my understanding was that
10 when we did the analysis, the analysis looked at both what
11 was the existing capacity, assuming you added back in the
12 Sumitomo figures, which will obviously be there and they're
13 not there now, and two, if you -- assuming that you could
14 divert shipments.

15 So there was a formula used, and so production
16 may be above what there would be capacity to do, but
17 shipments would not be above what there was the ability to
18 do, either from capacity or from inventory.

19 CHAIRMAN SCHMIDTLEIN: Okay.

20 MS. DRAKE: And just to clarify Chairman
21 Schmidtlein, Mr. Stewart correctly described what we did in
22 our pre-hearing brief. What's in the slide show is based on
23 the preliminary C data. So it may be slightly different
24 because that was public.

25 MR. STEWART: We used the --

1 MS. DRAKE: But that was the only thing we
2 couldn't work with.

3 CHAIRMAN SCHMIDTLEIN: I see, just for purposes
4 of the public.

5 MR. STEWART: A lot of our slides are based off
6 of the preliminary determination, because there was a lot of
7 public data there, and there's no public data in the
8 prehearing staff report.

9 CHAIRMAN SCHMIDTLEIN: Right. So can you walk
10 me through real quick, how did you come up with the
11 increases?

12 MR. STEWART: My understanding of what we did is
13 we looked at the increase in apparent consumption, and we
14 looked at holding the Chinese share of apparent consumption
15 to their 2013 level.

16 CHAIRMAN SCHMIDTLEIN: I see.

17 MR. STEWART: All right. That permits them to
18 grow but grow with the market. So we're assuming less
19 adverse effects than we actually believe we would have had
20 as adverse effects, and a lot of those adverse effects that
21 go beyond that level would have been addressable through
22 some of the capital expenditures or through ramping up of
23 production beyond what the plants may -- the companies may
24 have listed as their capacity, because they would do
25 capacity based upon what they were scheduling, not

1 necessarily upon what they could actually have produced, all
2 right.

3 CHAIRMAN SCHMIDTLEIN: And did you make an
4 assumption with regard to nonsubject? Were they --

5 MR. STEWART: Well, the numbers that you will
6 see in our pre-hearing brief assumed that we did not -- that
7 we did not capture any of the market share we lost to
8 nonsubject. So we leave the nonsubject exactly where it's
9 at, because we didn't allege unfair trade practices on any
10 of those. So we're only looking at the part where we've
11 alleged unfair trade practices, and so we don't come back
12 100 percent to the market share that we had in 2013, because
13 not all of the market share that was lost was to China.

14 CHAIRMAN SCHMIDTLEIN: Uh-huh.

15 MR. STEWART: So that's how it was done, and we
16 looked at whether or not there was enough capacity or enough
17 capacity and buildup of inventory for that to be a realistic
18 assumption, and our analysis was that it was a realistic
19 assumption and so that's what we put forward. In our
20 pre-hearing brief, ECS' analysis looks at the financial
21 implications under a number of scenarios, based upon whether
22 the factory costs are variable or fixed, and whether GS&A is
23 variable or fixed.

24 And so they do a 100 percent variable, 75
25 percent variable, 50 percent, 25 percent variable as I

1 recall, and so you can see what the effects are based upon
2 the scenario that you believe best fits the factual
3 situation.

4 MS. LUTZ: Chairman Schmidtlein, if I might add,
5 this is Jennifer Lutz from ECS. This is described in our
6 pre-hearing brief starting at page 63.

7 CHAIRMAN SCHMIDTLEIN: Uh-huh, okay, all right.
8 All right. The last question I have, this is switching
9 gears a little bit. I'm sure we've already discussed it
10 this morning, but the competition between radial tires and
11 bias tubed and tubeless, and again I apologize if this has
12 already been asked, but do those types of tires all compete
13 with each other for the same applications, or are they met
14 for different types of trucks or buses and can't be
15 interchanged?

16 MR. STEWART: Let me start, and I'll turn it
17 over to the experts. My understanding is is that we've
18 rapidly moved from an environment in which tires, truck and
19 bias tires used to be bias, to where they are now virtually
20 all radial. Most of the big companies only produce radial.
21 There is at least one domestic producer who produces bias
22 tires. The tires do compete or you can use either one. You
23 don't tend to use them -- you don't tend to use bias and
24 radial on the same vehicle.

25 But they can be done. There was a discussion

1 earlier that looked at the particular like product issue of
2 the 1020 tires that the intermodal folks have asked to be
3 viewed as a separate like product, and there was a lot of
4 information that Ms. Drake went through as to why that was
5 inappropriate.

6 Similarly, that was a fact that many -- some of
7 the fleets are switching from the bias to radial. There's
8 radial size, which is the exact size. It is true that you
9 would need a one piece versus a two piece wheel for that
10 tire, etcetera. But there is a lot of changeover that is
11 occurring, and there's reasons that people go to radial,
12 which usually has to do with improved performance.

13 CHAIRMAN SCHMIDTLEIN: Okay. Yeah, sure. Do
14 you want to follow up?

15 COMMISSIONER WILLIAMSON: Following up on that,
16 in considering the competition between bias ply and radial,
17 do you have to take into the cost of when someone goes from
18 bias ply to radial, the cost of the additional rim, and how
19 does that factor in? In other words, does the fleet sort of
20 change all at once or how does --

21 MR. STEWART: I can't tell you exactly. I
22 assume if you're doing a tubed tire, based on the
23 information supplied by the other side, they would argue and
24 I don't have information that would say that that's
25 incorrect, that if you're going to change a particular

1 chassis, you would change both the wheel and the tire at
2 the same time.

3 That isn't obviously true for other bias, which
4 may be tubeless, all right. There's no reason that that
5 would require anything other than the substitution of the
6 product if I require you to change all the tires. But it
7 wouldn't be that you were changing both a tire and a wheel
8 to accommodate the change, as I understand it.

9 CHAIRMAN SCHMIDTLEIN: Mr. Chamblee, did you
10 want to -- oh sorry. Would you like to add something?

11 MR. CHAMBLEE: Yes ma'am.

12 CHAIRMAN SCHMIDTLEIN: Okay.

13 MR. CHAMBLEE: I'd like to circle back to the
14 question about the difference between the bias and the
15 radial, and the first piece I would like to share is is that
16 outside of the belt package, within the tire, there's really
17 no difference in what the tire's performance is there to do.
18 By tire, its design is nothing but a cavity to hold air.
19 Air is what carries the load. So really the cavity, the
20 cavity on the outside that holds the air is really designed
21 to hold the air in essence.

22 So as far as performance goes, or as far as
23 compatibility, there's not really a major difference between
24 the two. The next leg of that is where we get into the tube
25 versus tubeless, and the tubed type tires, the only

1 difference between the two is that one has the inner liner
2 built in and the other does not. So that within itself
3 would speak to whether or not what type of rim configuration
4 you would have.

5 Now as far as that industry goes, what they're
6 faced with is that the current tubed type tires do require a
7 two piece multipiece wheel. Unfortunately, nobody in the
8 U.S. makes that wheel anymore. So the industry is slowly
9 having to covert over away from the two piece assembly over
10 to a single piece tubeless type assembly.

11 So at that point, this shift towards tubeless
12 versus tube type would hold value as far as the tube or the
13 rim piece of that question. However, as far as performance
14 between the two different tires, there's not really any
15 difference. The major difference between a bias and a
16 radial tire has everything to do with price. That's the
17 whole basis between the two arguments.

18 CHAIRMAN SCHMIDTLEIN: Okay, all right. I do
19 not have any other questions. So we will now go back to
20 Vice Chairman Johanson.

21 VICE CHAIRMAN JOHANSON: Thank you, Chairman
22 Schmidtlein. I have just one more question. On page 31 to
23 32 of the Chinese respondent's brief, they suggest that
24 Chinese tires have taken business away from tire retreaders.
25 If that were true, could that account for some of the

1 increase in U.S. consumption over this period? In other
2 words, instead of having a tire retreaded a third or fourth
3 time, purchasers might be buying new low end imported tires,
4 creating demand where it didn't previously exist. Could you
5 all please comment?

6 MR. STEWART: Sure. Thank you Vice Chairman for
7 the question. Obviously, there's a lot of press articles
8 that the retread operations are not happy with the extremely
9 low prices of Chinese product, and whether the effect on
10 them is reduction of prices or occasionally a decision to go
11 with a new tire and not use the retreadable tire, those
12 things certainly may be the case.

13 What we know from looking at data on the retread
14 sector is that the retread sector has gone up and down over
15 the last ten years, pretty much regardless of Chinese
16 volume. In fact, in 2014 there was an increase in retreaded
17 tires in the United States according to public data. We
18 don't represent anybody who produced any retread tires.

19 So at the same time that you had a large
20 increase in tires from China, you had some increase in
21 retread volume in the United States. What we know is that
22 if retread, if you have a lot of tires that are retreadable,
23 that they'll get retreaded. It has the likely consequence
24 of reducing the value of the casing, which means it has --
25 reduces the value of the package that one is selling in a

1 Tier 1, Tier 2, Tier 3 type of tire with retreadability,
2 because there's not a lot of value left if people aren't
3 going to use a retreadable tire to retread.

4 And at every occasion, if somebody is looking at
5 do I retread a retreadable tire, or do I buy a new tire, if
6 the option is I'm going to consider a new tire, of course
7 they're not considering a new tire in a vacuum. We're
8 considering it against other tires that are in the market,
9 including Tier 3 tires, Tier 2 tires, Tier 1 tires from
10 domestic producers.

11 VICE CHAIRMAN JOHANSON: Mr. Button.

12 MR. BUTTON: Thank you, Commissioner. An
13 additional point simply is that there is no data that we
14 have seen, either in the staff report or in the Modern Tire
15 Dealer publication data with respect to retreads, that
16 suggests that any cannibalization of the retread market has
17 been going on by the subject imports. I don't think the
18 data is there.

19 VICE CHAIRMAN JOHANSON: Okay. Yes, Ms. Lutz.

20 MS. LUTZ: I'd just like to add -- there were
21 two points I wanted to add. One is that you heard in the
22 opening statements by Respondents that one of reasons that
23 the U.S. tires do so well is their retreadability, and if
24 you have taken away the market for retreads, then that
25 increased value is gone too.

1 But second, there's not really any evidence and
2 they did not provide any evidence that Chinese tires are
3 less retreadable. The information you got from purchasers
4 shows that they have retread warranties and we have
5 statements from Chinese producers that their tires are as
6 retreadable as U.S. tires.

7 VICE CHAIRMAN JOHANSON: All right. I thank you
8 for your responses, and that concludes my questions.

9 CHAIRMAN SCHMIDTLEIN: All right. Commissioner
10 Broadbent.

11 COMMISSIONER BROADBENT: Yeah. I just had a
12 couple of odds and ends here. Data provided by Chinese
13 respondents on page 23 through 25 indicate that demand in
14 the OEM market slowed in 2016, but that demand in the after
15 market continued to increase in 2016. Do you agree that the
16 data used by Chinese respondents is appropriate for
17 determining OEM and after market demand?

18 MR. STEWART: We agree that data that's in the
19 staff report that looks at OEM and after market comes up
20 with conclusions that are similar to that. There are --
21 there are challenges in the data in terms of coverage, but
22 certainly the information from public sources such as Rubber
23 Manufacturers Association would confirm that there has been
24 a slight uptick in after market, and there has been a
25 decline in OEM in 2016. So to that extent, we would concur.

1 COMMISSIONER BROADBENT: So do price changes in
2 after market tires affect price changes and sales to the OEM
3 market?

4 MR. STEWART: If you take a look at the market
5 shares of subject in those two markets, you can see that
6 there is market share in both. Market share is greater in
7 the after market, and the OE part you have customers who
8 have switched, and we would assume that there, there would
9 be price effects. But whether the price effects flow from
10 the after market or not because you're dealing with
11 contracts with the OEMs is not clear to me, and I don't know
12 that we have anybody who can address that directly on our --

13 COMMISSIONER BROADBENT: So we don't know.

14 MR. STEWART: So we don't know. We will look to
15 see if we can get you an answer for the post-hearing.

16 COMMISSIONER BROADBENT: Okay. Thank you very
17 much, Mr. Chairman.

18 CHAIRMAN SCHMIDTLEIN: All right. That
19 concludes questions from the Commissioners. Do the staff
20 have any questions for this panel?

21 MS. HAINES: Elizabeth Haines. Staff has no
22 questions.

23 CHAIRMAN SCHMIDTLEIN: All right, thank you. Do
24 Respondents have any questions for this panel? All right,
25 thank you. All right. So that will conclude the morning

1 panel, and I will dismiss you at this point. It's 12:50.
2 We are going to recess for lunch, and I would like to
3 reconvene at 1:35, so we can avoid going too late into the
4 evening. So we are recessed until 1:35.

5 (Whereupon, a luncheon recess was taken, to
6 reconvene this same day at 1:35 p.m.)

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1 A F T E R N O O N S E S S I O N

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

3 CHAIRMAN SCHMIDTLEIN: Good afternoon.

4 Mr. Secretary, are there any preliminary matters?

5 MR. BISHOP: Madam Chairman, I would note that the
6 panel in opposition to the imposition of antidumping and
7 countervailing duty orders have been seated. All witnesses
8 have been sworn.

9 CHAIRMAN SCHMIDTLEIN: Alright, thank you.

10 Mr. Schutzman, you may begin when you're ready.

11 STATEMENT OF YU YI

12 MR. YI: Good afternoon, Commissioners. My name
13 is Yu Yi and I am the Vice Chairman of the China Chamber of
14 commerce of Metals, Minerals & Chemicals Importers &
15 Exporters, OCCMC, and I would like to speak Chinese, and Mr.
16 Xu will translate for me.

17 (Mr. Yi now switches to Chinese.)

18 TRANSLATOR: China Chamber of Commerce of Metals,
19 Minerals & Chemicals Importers & Exporters, CCCMC, has
20 existed since 1988, and Tyre's branch is a subgroup of
21 Conoco's Branch with CCMC.

22 I am privileged to be here today to speak briefly
23 on behalf of Chinese tire industry, including CCCMC and
24 China Rubber Industry Association, CRIA, the association of
25 virtually all Chinese tire producers, exporters, and

1 importers.

2 MR. YI: (In Chinese).

3 TRANSLATOR: The Chinese Government policy
4 encourages the industries to optimize production capacity
5 through mergers, reorganizations, debt restructure, and the
6 use of bankruptcy and liquidations. As this pertains to
7 Chinese tire industry, the CRIA has proposed, and to my
8 knowledge the industry is in the process of implementing
9 actions calling for the shutdown of insufficient production
10 facilities, improve the use of technology in working
11 environments, and the promotion of green production.

12 MR. YI: (In Chinese).

13 TRANSLATOR: The Chinese Government has also
14 recently promulgated tire industry standards regarding the
15 grading and labeling of tires, and the better control of
16 emissions through the use of more efficient tires. This
17 will likely reduce the number of companies producing truck
18 tires in China and increase production costs as companies
19 are compelled to comply.

20 MR. YI: (In Chinese).

21 TRANSLATOR: Truck production in China was sound
22 awake in 2014 and 2015, but has strengthened considerably in
23 2016. This has resulted in increased demand for truck tires
24 in the Chinese domestic market, and the reduction of the
25 availability of truck tires for export. More truck

1 production in China means increased future demand in China
2 for replacement tires as well which will help absorb any
3 excess capacity that may exist.

4 MR. YI: (In Chinese).

5 TRANSLATOR: Also, raw material costs in China in
6 particular for natural and synthetic rubber have been
7 increasing in 2016, which will result in higher prices for
8 truck tires in both the Chinese domestic and export markets.

9 MR. YI: (In Chinese).

10 TRANSLATOR: Finally, export of Chinese truck
11 tires have been significantly greater to third country
12 market than to the U.S. market over the past three or four
13 years, and this trend is expected to continue.

14 MR. YI: (In Chinese).

15 TRANSLATOR: As a result of all these factors, we
16 believe there is no basis for the Commission to conclude
17 that imports into the U.S. of Chinese truck and bus tires
18 are threatening the U.S. truck and bus tire producers with
19 material injury in the foreseeable future.

20 MR. YI: (In Chinese).

21 TRANSLATOR: Thank you for listening to my
22 testimony. It is my honor to appear before you, and I am
23 available to answer any question you may have.

24 MR. YI: Thank you.

25 TRANSLATOR: Thank you.

1 STATEMENT OF GARY SCHROEDER

2 MR. SCHROEDER: Good afternoon. My name is Gary
3 Schroeder. I am the Director of the Global Truck and Bus
4 Tire business at Cooper Tire & Rubber Company. I have been
5 in this position for approximately four years.

6 Cooper Tire is based in Findley, Ohio. My
7 responsibility is the management of Cooper's truck tire
8 business primarily for North America, but my
9 responsibilities are increasingly global as well.

10 Cooper is the fifth largest tire producer in the
11 United States, and the twelfth largest tire producer
12 worldwide, with revenue in 2015 of about \$3 billion.

13 The company and its predecessor entities have
14 been in business for over 100 years, and our stock is listed
15 on the New York Stock Exchange.

16 The Cooper family of companies employs over
17 10,000 people worldwide, including over 5,600 in the United
18 States. Cooper produces tires in three locations in the
19 United States: Findley, Ohio; Tupelo, Mississippi; and
20 Texarkana, Arkansas, but none of these locations manufacture
21 truck and bus tires.

22 Cooper's bus and truck tires are all manufactured
23 in China at two locations, although all are engineered and
24 performance-validated in the United States by our team of
25 engineers based in Findley, Ohio.

1 In the United States, Cooper sells truck and bus
2 tires to the dealer channel for aftermarket use, both
3 wholesale and retail, and to the OEM channel.

4 In 2015, Cooper entered the fleet channel,
5 selling its truck tires directly to fleets through the
6 Cooper Fleet Service National Account program. Our truck
7 tires, sold under the Roadmaster Brand, compete in the U.S.
8 aftermarket mainly with other Chinese-made tires such as
9 Double Coin and Dayton, which is owned by Bridgestone, and
10 U.S.-made tires such as Kelly, which is owned by Goodyear,
11 and Uniroyal, which is owned by Michelin.

12 Generally speaking, supply issues arise in the
13 U.S. market principally in the aftermarket. This has
14 happened during the Period of Investigation here 2013
15 through September 2016. This typically occurs when the OEM
16 segment is strong and growing.

17 Companies selling to the aftermarket, generally
18 non-Chinese, will shift capacity from the replacement market
19 to the OEM market and put dealers on allocation, or short
20 them tires they need. Once that occurs, the dealers seek
21 product from other suppliers. When the situation reverses,
22 such as occurred in 2016 where demand in the OEM segment
23 softened, the producers that had redirected capacity to the
24 OEM market during the boom period became very aggressive in
25 the replacement market in an attempt to recapture volume

1 they previously had given up in that market.

2 An underlying issue is that U.S. truck and bus
3 tire producers do not have sufficient capacity in the United
4 States to supply the needs of the market. In fact, our
5 internal analysis leads us to believe there is not enough
6 worldwide non-Chinese excess capacity to supply the needs of
7 the U.S. market.

8 Even with the addition of the Yokohama plant in
9 Mississippi, and also the new Continental plant in
10 Mississippi scheduled to begin production in 2019 and become
11 fully operational in 2021, there will not be nearly
12 sufficient supply to meet the needs of the U.S. market.

13 This being said, to meet truck tire demand in the
14 U.S. market truck tires will be needed from China in the
15 near term to keep our trucks moving.

16 Cooper does not compete in the United States in
17 the lower rung, or so-called Tier IV, of the market, or the
18 inexpensive nonretreadable one-time use Chinese tires are
19 sold. These Tier IV tires compete principally with each
20 other, with tires from other countries, and with retreaded
21 tires.

22 Cooper tires are retreadable and warranted as
23 such. We back our truck tires with a six-year from date of
24 manufacture in two-cap or retread warranty. This warranty
25 structure is comparable to the made-in-USA truck tires.

1 The retread warranty issued by Cooper follows the
2 product, not the customer. For these reasons, we believe
3 Cooper's Chinese-origin truck tires are rightly the highest
4 priced Chinese truck tire in the U.S. market.

5 In addition to warranty, a reliable service
6 network to support the initial tire purchase is very
7 important in the truck and bus tire business, especially in
8 the fleet business where they seek to maximize asset
9 utilization--the asset being the truck. A truck that sits
10 idle because of a defective, damaged, or nonperforming tire
11 negatively affects asset utilization.

12 Cooper's extensive service network provides
13 assurance of service whenever and wherever the breakdown
14 occurs. This is one of the principal reasons why the vast
15 majority of those importing Chinese tires cannot effectively
16 get there--excuse me, get into the fleet market. They do
17 not have the servicing or dealer network and warranty
18 demanded by the trucking customers.

19 Thank you for your attention. I would be pleased
20 to answer any questions you may have.

21 STATEMENT OF CHRIS KENNEDY

22 MR. KENNEDY: Good afternoon. My name is Chris
23 Kennedy and I am the Vice President of Finance and
24 Operations for Triangle Tire USA, LLC, based in Franklin,
25 Tennessee.

1 Prior to this position, I spent nearly 16 years
2 at Bridgestone America where I held various positions,
3 including manager of business planning, director of finance
4 and controller of the off-road tire division.

5 Triangle Tire USA is a wholly owned subsidiary of
6 Triangle Tire Company, Limited, in Weihei*, China, one of
7 the country's largest producers of truck and bus, or
8 commercial radial tires.

9 Triangle Tire USA has only been importing from
10 China since April of 2016. Prior to forming this U.S.
11 subsidiary, Triangle China sold and shipped directly to U.S.
12 customers who imported the tires. Now with our U.S.
13 subsidiary, we import and sell on a landed, duty-paid basis
14 to some of the same and more new customers.

15 The commercial truck and bus tire market is
16 generally viewed by the marketplace as being divided into
17 tiers of participating brands. Sometimes these tiers are
18 referred to as Tier I, II, III, or IV, and sometimes they
19 may be referred to as "Good", "Better", and "Best."

20 These tiers represent differences in how each of
21 the brands have chosen to go to market with varying levels
22 of services, benefits, price, and channel participation.

23 Generally it's accepted in the market that the
24 so-called bid-three of Bridgestone, Goodyear, and Michelin
25 brands are in Tier I, with other brands such as Firestone,

1 Continental, Hanco, B.F. Goodrich, Yokohama, and possibly a
2 few other brands residing in Tier II. And many other
3 participants such as Triangle Tire making up other tiers of
4 III and IV.

5 Triangle Tires compete in Tier III of the market
6 with other China-produced such as Double Coin, Westlake, and
7 Dayton, a brand owned by Bridgestone. We do not compete
8 with the Tier I premium truck tires sold in the U.S. by the
9 big three, and we rarely compete for business with tires in
10 Tier II.

11 The absence of meaningful competition in the
12 higher tiers is not principally about price, although
13 differences in price level are a factor. Rather, it
14 reflects the bundle of services and benefits a purchaser
15 receives when buying an upper tier tire compared to one at
16 the mid- or lower levels.

17 Services and benefits may include high-profile
18 OEM business, national account programs, a large nationwide
19 network of company-owned and independent distribution,
20 company-owned retread brands and facilities, casing
21 warranties for the option of multiple retreads, tire
22 tracking software systems, automated tire pressure
23 monitoring systems, large advertising and brand support
24 programs, and a large network of warehousing facilities for
25 inventory.

1 These services and benefits in the aggregate are
2 part of the product that they sell. Secondary Tier II
3 brands such as Firestone, B.F. Goodrich, and Continental
4 package many of the same characteristics, but are not nearly
5 as prevalent at the OEM and national account levels, may not
6 carry comparable casing warranties, and usually have fewer
7 points of sale.

8 Triangle Tires and those with whom we principally
9 compete--other Chinese and third-country market tires--have
10 little to no OEM presence, low brand recognition, minimal
11 national account penetration, fewer direct service centers,
12 a much smaller distribution footprint, and minimal
13 inventories that are maintained in the U.S.

14 In addition to the services and benefits offered,
15 Tier I producers have spent a considerable amount of time,
16 effort, and money to differentiate their products. An
17 example of this differentiation would be steer positions on
18 trucks.

19 In my experience it would be unusual to see a
20 Chinese tire function on a U.S. commercial vehicle as a
21 steer tire, most of which are premium tires produced by the
22 big three, or to a much lesser extent semi-premium tires of
23 domestic manufacture.

24 This is because of the market's perception of
25 better quality and reliability of the premium tires and the

1 perceived risks for this most critical application on a
2 truck or bus.

3 There are other ways in which participants in the
4 various tiers differentiate themselves other than services,
5 benefits, and price. One of these is market channel
6 participation.

7 The Tier I big three and a few others have a
8 significant share of the OEM channel for truck and bus
9 tires. Like most tire companies, they maintain regular
10 forecasts of expected demand projected out over at least one
11 year based upon historical trends, industry expert reports,
12 vehicle sales reports, and direct information from their OEM
13 customers.

14 `These projections are revised monthly based upon
15 current activity which allows for production adjustments
16 based on volume and product mix. When OEM demand slackens
17 as it has over the past year, they can adapt to these
18 changes and reorient production to focus on the aftermarket.

19 This change is easier for them than for smaller
20 producers or foreign suppliers due to their large
21 company-owned and independent distribution networks in the
22 U.S. where typically, at least in the short term, a more
23 aggressive sales and discounting tactic can be employed to
24 maintain market share and volume.

25 Identifying these differences in market approach

1 by the various tiers of competitors and the services and
2 benefits with their additional costs offered in Tier I and
3 II, companies such as Bridgestone have recognized that a
4 certain segment of the market does not need or want these
5 benefits and are not willing to pay for them.

6 Therefore, to reach this segment of the market
7 they've begun to offer their own Tier III brand such as
8 Dayton which are imported to appeal to this basic product,
9 no-frills segment.

10 In addition to these considerations, there are
11 many other factors which affect the ebb and flow of market
12 supply and pricing. In the case of truck tire supply,
13 changes in government policies and various market inputs may
14 affect how companies strategically and tactically go to
15 market.

16 For instance, due to capacity and efficiency
17 considerations, the Chinese Government recently has been
18 making it more difficult to open new tire factories in
19 China, and is encouraging those less efficient plants to
20 close or consolidate with more efficient operations.

21 It appears this process has begun, and just in
22 December 2016 five or six Chinese tire factories have
23 apparently closed.

24 In the commercial tire business, China is also in
25 the process of shifting its emphasis away from an export

1 orientation to one based on domestic consumption to
2 accommodate the expanding market in China for truck and bus
3 tires.

4 By all accounts, that market in China is growing
5 rapidly and this is expected to continue in the foreseeable
6 future.

7 One final point. Raw material costs have
8 significant effects on commercial tire pricing. From 2012
9 to 2016, these raw material prices spiraled down to
10 historical lows and tire prices globally fell accordingly.

11 Pricing went down in all segments of the markets.
12 This is especially the case in channels such as OEM and
13 fleet of national account which makes up a significant
14 portion of the aftermarket where contracts are in place with
15 raw material indexes to lower customer pricing in line with
16 production cost decreases.

17 Prices in the balance of the aftermarket are not
18 affected to the same degree by such contracts which are less
19 widely used in this channel, but are nevertheless subject to
20 changes in market pricing due to changes in raw material
21 costs. A recent example of this is that in the last few
22 months raw material prices have begun to rise. And because
23 of these rising raw material prices, Triangle has recently
24 passed on price increases for the commercial tire market.

25 This concludes my presentation. I would be

1 pleased to answer any questions you may have.

2 STATEMENT OF DAN PEARSON

3 MR. PEARSON: Good afternoon. My name is Dan
4 Pearson. I am President of Northwest Tire, Incorporated,
5 with headquarters in Bismarck, North Dakota. Northwest is a
6 distributor and retailer of passenger, light truck,
7 commercial radial truck and farm tires, as well as retreads
8 for the commercial truck and bus market.

9 I have been in the tire business with Northwest
10 since 1979, working in wholesale, retail, tire service,
11 retreading, as Vice President of Sales and as President of
12 the company since 2006.

13 Northwest Tire purchases commercial tires from
14 Bridgestone, including its Firestone brand. Northwest is an
15 authorized retreader for Bandag, the Bridgestone name under
16 which its operations do business, and retreads other premium
17 brands of truck tires as well.

18 Northwest purchases and deals in Toyo, Yokohama,
19 Firestone, and Sumitomo, and other brands of Tier II
20 commercial tires, depending on supply issues, and also buys
21 Tier III Advance truck tires, which is a Chinese brand
22 produced by Guizhou Tire Company, or GTC.

23 When tires we need are not available from GTC, we
24 will obtain them from a third-country supplier of Tier III
25 tires. Our territory includes North Dakota, South Dakota,

1 Minnesota, Wisconsin, and Montana. We purchase all our
2 tires regardless of country-of-origin on a domestic
3 delivered basis. We do not import.

4 In terms of product availability, it seems we
5 almost always have substantial quantities of various types
6 of commercial tires on back order, regardless of source or
7 vendor.

8 Capacity utilization in the U.S., at least of
9 our domestic suppliers, appears to be at its peak over the
10 past few years as evidenced by Northwest's inability from
11 time to time to obtain needed product.

12 If we are not able to get certain tires from
13 Toyo*, Okihama*, or Firestone, then we get them from another
14 Tier II source, regardless of origin. These tires cannot be
15 obtained from Chinese sources because of the types of tires
16 needed and the customers' requirements.

17 We do not deal in what I would refer to as Tier
18 IV tires, which are essentially one-time use tires with no
19 retread capability. These Tier IV tires compete principally
20 in the U.S. market among themselves for business, whether
21 from China, Indonesia, Malaysia, or other countries. They
22 do not compete with Tier I or Tier II tires, and compete on
23 a very limited basis even with Tier III tires due to the
24 absence of casing, warranties, and after-sales service
25 capabilities.

1 The majority of sales in national accounts come
2 from Michelin, Bridgestone, and Goodyear. They sell
3 directly to the large, nationwide customers such as Ryder,
4 Haliburton, Waste Management, et cetera. We handle some
5 national account business for Bridgestone, attending to the
6 logistics, paperwork, and delivery of the tires to the
7 customer in exchange for which we receive a commission.

8 Although we don't necessarily know the prices
9 charged by Bridgestone to national account fleet customers,
10 I can say with reasonable assurance national account fleets
11 receive favorable pricing from the big three and not because
12 of Chinese import competition which has no impact on these
13 prices.

14 The favorable pricing to these customers results
15 primarily from the bargaining power of those accounts. As
16 an example of that market power, Northwest does a fair
17 amount of mounting of tires for our customers, and the price
18 for mounting a tire for a national account fleet customer is
19 substantially less than for a non-national account.

20 Retreading is an important part of our business,
21 as mentioned earlier. We operate authorized retread
22 operations for Bridgestone. Bandag is the name of
23 Bridgestone's retread business. Wingfoot is Goodyear's.
24 Also, all retread operations in the U.S. are under the
25 umbrella--almost all retread operations in the U.S. are

1 under the umbrella of the big three, although Continental
2 has recently become involved in the retread business.

3 For Bridgestone, we operate as a franchisee and
4 agree to buy the retread equipment and the rubber from
5 Bandag. The agreement is territorial, but we are not
6 limited to retreading only Bridgestone tires. We can
7 retread any tire. I do not know whether Michelin or
8 Goodyear's retread businesses operate the same way.

9 Retreads almost always use Tier I or II tires,
10 but they do not compete with new Tier I or Tier II tires.
11 They compete with less-expensive tires that do not possess
12 the bundle of advantages, networks, and quality
13 characteristics of Tiers I and II tires.

14 Northwest's retread business has been hurt by
15 import competition from China and other countries, but our
16 Tier I and Tier II businesses have not. Retreads can
17 actually outperform a new commercial tire in terms of
18 service in certain applications.

19 For this reason, again depending on the
20 application, good transportation companies interested in
21 maximizing their bottom line and watching their
22 cost-per-mile, can prefer retreads to new tires. For
23 Northwest, selling a retread is like selling a new tire, and
24 our company's financial situation is measured by both our
25 new tire and our retread business.

1 We do not view these as separate businesses.
2 They are simply considered sales of different products like
3 selling different models within our company, but both deal
4 and supply commercial tires to our truck and bus customers.
5 Retreading pricing has been fairly stable over the course of
6 the last several years.

7 The big three derive substantial revenue from
8 retread operations. This comes not only from their
9 authorized retread operations, but they also own some of
10 their own retread shops. Typically this occurs when an
11 authorized retreader wishes to sell its operations but the
12 U.S. producer, one of the big three, does not want it to go
13 to the competition so they buy it back.

14 Some Chinese tires can be retreaded, but they
15 have a much higher failure rate due to poorer quality
16 casings than using Tier I or Tier II casings. This is why
17 there is not a big market for Chinese casing retreads.

18 Finally, for what it's worth, since the increased
19 tariffs went into effect on passenger and light truck tires
20 from China, the prices for all such tires in the U.S. market
21 have actually changed very little. And in some cases have
22 actually decreased, regardless of source, and the price
23 spreads that existed between Tier I through Tier IV tires
24 before the increase in duty continue to be in effect.

25 I attribute this principally to reduction in raw

1 material costs worldwide, and in particular the cost of
2 rubber. Also, tires from other countries simply replaced
3 Chinese tires. But things otherwise pretty much remained
4 the same.

5 As we see it, the imposition of additional duty
6 had little if any impact on the market. Also, to the extent
7 Tier I and Tier II commercial tire prices in the U.S.
8 decreased in 2016, my view is that, as mentioned above, with
9 respect to passenger tires this resulted principally from
10 the lower raw material costs on the world market in
11 particular for rubber, rather than any price competition
12 from Chinese commercial tires.

13 This concludes my remarks. I would be pleased to
14 answer any questions you may have.

15 STATEMENT OF ANDREW SZAMOSSZEGI

16 MR. SZAMOSSZEGI: Hello? My name is Andrew
17 Szamosszegi. I'm with Capital Trade, representing
18 Respondents.

19 (Slides are hereafter shown.)

20 The Commission has before it a record that speaks
21 for itself. When considered in the context of the
22 conditions of competition distinctive to the TBT industry,
23 not one of the major indicia is consistent with material
24 injury by reason of the subject imports, not one.

25 How can this be, given that the increase in

1 subject and nonsubject imports that occurred during the
2 Period of Investigation? How can this be, given the falling
3 unit values of the subject imports?

4 The conditions of competition perfectly explain
5 this paradox. First, the increase in the subject and
6 nonsubject imports occurred because the domestic industry
7 has insufficient capacity to meet growing demand, as you've
8 just heard.

9 This has been the case for most of the last 15
10 years. As the next slide shows, this is a major difference
11 between the TBT industry and the PVLIT industry.

12 As we know from the record, the TBT capacity line
13 is actually rising and will rise more in 2018. The next
14 slide is focused on the POI, again using data from Modern
15 Tire Daily. Domestic capacity was relatively flat at a time
16 when consumption of TBT was rising.

17 I think this slide right here really says it
18 all. Look at capacity. It is stable. Look at consumption.
19 It fell during the great recession and then rose. Look at
20 imports. They follow consumption in lock step. It cannot
21 happen any other way when the domestic industry is capacity
22 constrained.

23 In a situation when the domestic industry cannot
24 supply growing OEM and replacement consumption, one would
25 expect both subject and nonsubject imports to expand at

1 roughly the same rates and their proportions to stay the
2 same. That is what happened. In a situation when the
3 domestic industry cannot supply growing OEM and replacement
4 consumption, one would expect both subject and nonsubject
5 imports to expand at the same right. That is exactly what
6 happened.

7 The capacity constraints are evident, not only
8 in the data being reported by the domestic industry, but
9 also from statements made in the producers' and importers'
10 questionnaire and in the public. With all due respect to
11 the gentleman who testified that there are an additional 1.2
12 million tires of capacity lying around, the Commission has
13 no basis for concluding that the subject imports are the
14 cause of this machinery not being used, especially when
15 owners to that machinery are themselves importing large
16 quantities of tires from nonsubject countries.

17 The second condition is that imports do not
18 compete with the domestic TBT industry in any materially
19 important way. Yes, competition with the subject imports is
20 attenuated. How else could the domestic industry have had
21 such favorable financial trends during the POI? If
22 consumption were direct and products perfectly
23 substitutable, why on earth would anyone buy a \$350 tire
24 when perfect substitutes going for \$150 per tire are
25 available? The answer, of course, is that the tires I just

1 described are not perfect substitutes and whatever level of
2 competition there has been between the subject and the
3 nonsubject imports and the domestic producers it was not
4 enough to cause the domestic TBT industry any financial
5 hardship at all.

6 The third condition is the large decline in the
7 price of rubber and other truck and bus tire raw materials
8 over the period of investigation. Rubber accounts for a
9 significant share of the cost of goods sold for TBT. A
10 decline in the price of rubber should translate into a
11 decline in the price of truck and bus tires independent of
12 the subject imports.

13 This slide from a recent Goodyear presentation
14 illustrates how prices reflect trends in raw materials
15 costs. Commissioner Schmidtlein asked about that previously
16 and I think this slide answers that question pretty well.

17 As a matter of economics, the decline in the
18 price of rubber reduces the marginal costs of producing
19 truck and bus tires and leads to a downward shift in the
20 industry's supply curve. As long as the demand-ward curve
21 is downward sloping, which we believe it is, price declines.

22 Another reason prices should fall is that on
23 national contracts prices are tied to raw material indexes.
24 Price adjustments occur periodically based on movements in
25 the index that can include prices for rubber, oil, and

1 carbon black. Another reason that prices decline is
2 competition. Ultimately, producers have the incentive to
3 sell at lower prices as long as the marginal cost does not
4 exceed the price they are receiving.

5 Fourth is the countervailing power of the big
6 buyers of truck and bus tires. Even without indexing these
7 sophisticated purchasers of tires, OE truck producers and
8 large trucking firms know that the cost of sales is
9 declining and demand lower prices. For these reasons TBT
10 prices tend to decline when raw material prices decrease.

11 The fifth condition, which is critical to
12 understanding what happened in 2016, is that demand for TBT
13 is derived from two sources, demand for new trucks, the
14 so-called OEM demand, and demand for replacement tires, the
15 so-called after market. Subject imports sell a much higher
16 percentage of their tires to the after market compared to
17 both U.S. producers and nonsubject imports; thus, demand
18 for subject imports more closely reflects trends in the
19 after market. In contrast, the domestic industry's
20 performance is more closely tied to trends in the OEM
21 market.

22 The next slide shows the index of
23 trucking-for-hire tonnage, which is an indicator truck tire
24 usage and therefore demand for after market truck and bus
25 tires. It has increased almost 40 percent since 2009. That

1 is a pretty good run. The next slide shows sales of heavy
2 trucks, a good indicator of demand from the OEM market where
3 the subject imports play a much smaller role.

4 The OEM segment has had a pretty good run since
5 the trough in mid-2009, but sales peaked in June 2015 and
6 began trending downwards after November clearly, so demand
7 from the OEM segment of the market declined in 2016 and
8 primarily affected domestic producers, not subject imports.

9 The final condition of competition is the
10 existence of a market for high quality casing from TBTs,
11 which can be retreaded. As you've heard, these retreaded
12 tires, which were not a factor in the PVLIT tire
13 investigation, are substitutable with new TBT, but play
14 little to no role in the OEM market. Even in the after
15 market, retreaded tires tend to be limited to certain
16 vehicle positions much like the subject merchandise is more
17 limited to trailer positions regardless of how the tires are
18 designated by the manufacturer. Retreaded truck and bus
19 tires are priced more closely to the cheaper Chinese truck
20 and bus tires and compete with them, not with the higher
21 level truck and bus tires produced by the domestic industry.

22 I want to start my entry analysis with the
23 performance of the domestic industry, beginning with
24 employment. There's little indication that the subject
25 imports have harmed the domestic employment levels in the

1 TBT industry. This slide shows the official Bureau of Labor
2 statistics employment data for the tire industry because the
3 industry's data are confidential. This is a rough indicator
4 of what happened to truck and bus tire employ, though. It
5 is a matter of public record the Yokohama added 300 or so
6 employees in 2015 with its new facility and expects to have
7 500 by the end of 2017 to compete for OE accounts. So the
8 TBT industry alone accounts for about half of the increase
9 you see in 2015 on the slide and it has occurred despite the
10 productivity that the Petitioners discussed this morning.

11 I cannot describe the trends in production,
12 shipments, and net sales precisely because they are
13 confidential, but given the capacity constraints there's no
14 reason that we should expect them to increase in line with
15 the rapidly growing market and they didn't. Capacity
16 utilization would be expected to be flat, maybe rising a
17 bit. We won't get the final verdict on that until we get
18 all the data, but it is safe to say that the data we have so
19 far are not indicative of any injury.

20 Given that the other indicators are less
21 meaningful when capacity is constrained, trends in
22 profitability, investments, assets, returns on investment
23 assume added importance. None of these indicators is
24 consistent with injury.

25 Now when I think of injury, I envision a

1 domestic industry whose asset base is shrinking or barely
2 growing. That is not the case with this industry. I think
3 of an industry whose returns on assets and returns on
4 investment are in steep decline, low, or negative and that
5 is not the case with this industry. I think of an industry
6 that after paying its loans has insufficient case to support
7 a vigorous capital investment program and that is not the
8 case with this industry either. I think of an industry
9 with low, falling, and/or negative gross profits, operating
10 profits, and cash flow. That is not the case with this
11 industry, quite opposite.

12 This slide shows PVLIT profits. Profits for TBT
13 were as good as these were. Profits for the bus tire
14 industry were better. The next slide shows the operating
15 income to sales ratios for several industries. These
16 operating profits are lower than the TBT industry and are
17 relatively flat compared to the trends experienced by the
18 truck and bus tire industry.

19 The data do show, as a general matter, that
20 interim 2016 was not as good as interim 2015, but in just
21 about every financial indicator per unit in sales ratios
22 shows improvement over 2013, despite higher import levels
23 from subject and nonsubject countries. So there's no sign
24 of material injury here either. The only possible indicator
25 of injury is trends in inventories, but in the context of

1 falling demand in the OE market channel and the continued
2 presence of nonsubject truck and bus tires imported by
3 domestic producers this trend cannot be attributed to the
4 subject imports.

5 I'll turn to volume affects now. The volume
6 affects of the subject imports have not bee significant
7 either. Yes, the subject imports increased over the period
8 of investigation, but nonsubject imports did as well. When
9 capacity constraints exist an increase in demand must cause
10 subject and nonsubject imports to rise relative to
11 production and consumption; otherwise, the market will be
12 short of tires.

13 In 2014, consumption of tires expanded
14 significantly and capacity was flat imports increased. 2015
15 consumption rose again while capacity was flat. Imports
16 rose again. In 2016, capacity increased, consumption
17 moderated, imports declined. And again, this slide show
18 very little shift between nonsubject and subject imports.
19 This, too, is consistent with domestic supply constraints.

20 I note that in the PVL T tire industry there are
21 also supply constraints. So while the order has succeeded
22 in reducing the subject imports, it has not reduced overall
23 imports. The tires have to come from somewhere in this
24 market.

25 One final issue on volume that relates to the

1 underselling comparisons in Section 5 of the pre-hearing
2 report, one would expect that if the domestic products
3 competed with the subject imports in more than a tangential
4 way the underselling margin would have some impact on the
5 market share of subject imports. Please review Figure 5,
6 page 48 of Respondent's confidential brief. It shows that
7 the magnitude of the margin had no bearing on the market
8 share of the subject imports.

9 I'll turn to price affects and there the story
10 is similar. There are no materially adverse price affects
11 by reason of the subject imports. As I mentioned earlier,
12 the rubber price declined over the period of investigation
13 and this should translate into lower prices for truck and
14 bus tires. This would've happened even with the absence of
15 the subject imports.

16 The staff reports provides a natural experiment
17 that proves that this is true. I encourage the staff and
18 the Commission to review the level of the subject import
19 competition and price changes for Product 2 sales to OEMs
20 from the first quarter of 2013 to the fourth quarter of 2015
21 and also Product 4 sales to OEMs during the period of
22 investigation.

23 The U.S. Bureau of Labor Statistic has a
24 producer price sub-index for truck and bus tires -- radial
25 ones, which are shown on the next slide, along with the

1 price of rubber that I showed earlier. The price of U.S.
2 produced tires declined, but nearly as much in percentage
3 terms as the price of rubber.

4 The next slide shows that the subject and
5 nonsubject average unit values also declined as the price
6 of rubber declined. The next slide shows prices declined
7 from the first month of the period of investigation to the
8 last month for rubber nonsubject imports, subject imports,
9 and truck and bus sub-index of the PPI. The price of rubber
10 declined 51 percent. The nonsubject AUV declined by 32.4
11 percent. The subject AUV declined by 27.7 percent and the
12 TBT sub-index declined by 7 percent.

13 The ability of U.S. tires to maintain their
14 value better than the subject imports and the cheaper
15 nonsubject tires lies in the domestic performance and
16 quality, the value of their casing, and the level of
17 services and support they can offer to national accounts.
18 These are things that the vast majority of the subject
19 imports cannot offer. That is why the domestic industry
20 can maintain its prices better. This is why its financial
21 performance is what it is.

22 The Commission typically looks at raw materials
23 costs relative to sales and the gross margin. When the
24 gross margin narrows, the domestic industry is generally
25 said to be facing a cost price squeeze. The pricing data

1 above, as well as the financial data in the pre-hearing
2 report, demonstrate that the domestic industry did not
3 experience a cost price squeeze.

4 When assessing volume and price affects, the
5 Commission must be certain that it is not attributing
6 adverse affects to other factors. There are three
7 alternative explanations for the volume and price trends
8 that are more convincing than the subject imports. First,
9 there can be no adverse volume affects when the industry's
10 capacity is constrained. But even if the Commission
11 concludes that the industry could not have produced and sold
12 more -- or could have produced and sold more tires the
13 failure to produce more cannot be attributed to the subject
14 imports. The nonsubject imports, many of which are
15 imported by the multinational producers, increased
16 commensurately with the subject imports.

17 I encourage the Commissioners to review the
18 figures in Appendix D of the pre-hearing report, focusing on
19 the nonsubject import price levels in those price
20 comparisons and the quantities of the subject imports.

21 Second, the decline in the price was caused by a
22 falling rubber price. The Commission cannot attribute
23 falling prices to the subject imports when price levels
24 declined independently of the subject imports. The
25 conditions of competition in this industry indicate that

1 falling raw materials costs translate into falling TBT
2 prices and rising raw materials costs translate into rising
3 TBT prices and Goodyear agrees.

4 Third, any volume analysis and consideration of
5 inventories must take into account the decline in OEM demand
6 that occurred during the latter half of 2015 and in early
7 2016 that I described earlier. The domestic industry is far
8 more exposed to this market segment than the subject
9 imports.

10 I'll conclude with threat. First,
11 vulnerability, the domestic industry is not in a vulnerable
12 state, despite the trends in the OEM market. Compare
13 financial ratios in interim 2016 with those in 2013 at the
14 start of the period of investigation. The absence of
15 vulnerability becomes perfectly clear.

16 The financial ratios are confidential, so I will
17 show you ratios for the PVLVT tire industry again and just
18 repeat that the TBT industry is significantly less
19 vulnerable than PVLVT was. Relative stock prices on the next
20 slide the prices are the major TBT producers. I know they
21 are multinational, but the U.S. is a very important market
22 for them and the Chinese tires are in other countries too.
23 These companies do not look vulnerable at all.

24 Second, rising rubber prices do not make the
25 industry more vulnerable to injury. You heard from the

1 Petitioners this morning that the sky is really falling now
2 because rubber prices are rising, but as I just said the TBT
3 prices will rise as the rubber prices rise. Goodyear
4 recently announced a price increase for commercial tires. I
5 understand that Chinese TBT producers are also raising
6 prices.

7 Third, the situation in China is changing for
8 the better. Government regulations are adding to production
9 costs. The ease with which firms could increase capacity is
10 being curtailed. There've also been bankruptcies caused by
11 poor financial performance. Consolidation should lead to a
12 more profit-driven Chinese TBT industry overall.

13 OEM demand in China: finally, the Chinese market
14 for TBT is improving. The OEM market for TBT tires is no
15 longer contracting as evidenced by growing truck production
16 in this graph.

17 With that, I'd like to conclude my testimony. I
18 look forward to answering any questions you might have.

19 STATEMENT OF BERNARD VAUGHAN

20 MR. VAUGHAN: Good afternoon. My name is
21 Bernard Vaughn. I am the chief legal officer and executive
22 vice president of Law and Administration at Flexi-Van
23 Leasing, Inc. headquartered in Kenilworth, New Jersey.
24 Flexi-Van is the second largest chassis leasor in the United
25 States. Together with TRAC Intermodal, DCOI, and TAO, we

1 collectively own more than 90 percent of the intermodal
2 marine chasses in the United States.

3 My statement will briefly cover the background
4 of the marine intermodal chassis leasing industry and its
5 use of the 10x20 bias tube tires. We believe that this tire
6 is unique to our industry. There is no domestic producer of
7 this tire and a large-scale conversation of the intermodal
8 chassis fleet to tubeless bias or radial tires would be
9 enormously costly and disruptive to the free flow of
10 intermodal containers in the United States.

11 Flexi-Van and other IICO members engage in the
12 leasing of marine cargo containers and marine intermodal
13 chasses to vessel operators, motor carriers, railroads, and
14 other beneficial cargo owners. Merchandise is moved in
15 standard 20, 40, and to a lesser extent 45-foot, cargo
16 containers to and from factories and warehouses located
17 throughout the world. The uniform design of these
18 containers allows them to be efficiently transported on
19 vessels, railcars, and marine intermodal chassis.

20 A marine intermodal chassis is a wheeled frame
21 designed to move marine containers over land between
22 ocean-going vessels, railroad terminals, warehouses, and
23 other delivery points. Many of these moves are very short
24 in nature or as we call in our industry, the last mile,
25 usually transported between the marine terminal and a rail

1 facility nearby.

2 Chassis are relatively simple pieces of
3 equipment. They do not have their own mode of power, but
4 instead rely on the tractor trailer to power their
5 electrical and braking systems. They are relatively
6 inexpensive, around \$1100 each, and have a useful life of
7 approximately 20 years. The life of the chassis can be
8 extended through refurbishment or remanufacture. The
9 standard chassis has two axles with eight wheels and tires.
10 They're approximately 550,000 chassis operating in the
11 United States intermodal fleet today, which means there are
12 over 4.4 million tires in use at any one time.

13 The vast majority of these tires have 10x20 bias
14 tube-type tires. To the best of my knowledge, we are the
15 only industry using 10x20 bias tube tires in the United
16 States. There has not been any production of 10x20 bias
17 tube tires in the United States since the early 1990s.
18 Significantly, 10x20 bias tube tires require a two-piece rim
19 assembly, whereas tubeless bias and radial tires use only a
20 one-piece rim. Bias and radials cannot be used on the same
21 chassis at the same time as it would create an unsafe
22 operating condition.

23 The chassis leasing business is an extremely
24 rate sensitive cyclical business that is impacted by any
25 changes in the U.S. import and export market. Flexi-Van and

1 the other leasing companies provide equipment to the
2 customers through lease agreements and through chassis pools
3 where chasses are shared amongst many users. Chasses are
4 vital to the nation's transportation system and benefit from
5 years of infrastructure investment that will require the use
6 of chasses in transportation of freight for many years to
7 come.

8 Beginning in the early 1990s, U.S. manufacturers
9 ceased production of the 10x20 bias tube tires. Since then,
10 Flex-Van and the other leasing companies have had to
11 purchase 10x20 bias tube tires sources from foreign
12 manufacturers, including from China and India. Today, most
13 of the bias tire production is located in China. It is
14 common for tires to be changed on a chassis multiple times,
15 not because they are worn out, but rather because they are
16 subject to impact damage or abuse while in service. This
17 can include, for example, terminal damage, run skid flat,
18 curb damage, or excessive wear due to under inflation of the
19 tire.

20 The level of tire replacement, of course, varies
21 by chassis and the operating environment in which the
22 chasses are subject to. In the chassis pool environment,
23 the equipment owner or the IEP, such as Flex-Van, and not
24 the users, is responsible for chassis maintenance and
25 repair, including tire damage.

1 Maintenance and repair is, by far, the largest
2 expense for an equipment pool and tire cost is, by far, the
3 largest component of pool maintenance repair expenditures.
4 By way of example, chasses in the Los Angeles/Long Beach
5 pool have an average of five tires replaced a year. In
6 addition to the tire cost, tire work is often done at marine
7 terminals with the labor rate of approximately \$150 per
8 hour. If circumstances force the chassis leasing industry
9 to switch to tubeless bias or radial tires this will have
10 dire financial consequences for our industry and the
11 shipping public.

12 It would result in a material disruption to
13 chassis availability and the efficient flow of container
14 cargo in the United States. In order to switch over to
15 tubeless bias or radial tires, all eight existing tires must
16 be removed from the chassis. In addition, all two-piece
17 rims would have to be replaced with single-piece rims. This
18 unnecessary change out using marine terminal union labor
19 would cost the industry in excess of a billion dollars.
20 This would not only be a huge financial expenditure, but
21 would force the industry to discard valuable, functioning
22 assets. Such a wholesale change out would require many
23 thousands of chasses to be taken out of service. This would
24 cause an operational nightmare for repair vendors and marine
25 and rail terminals as well as for the terminal operators

1 themselves where most chassis reside while they are not in
2 active service.

3 The bias tube intermodal tire has demonstrated
4 its efficacy for more than five decades in the U.S.
5 intermodal marine chassis industry. This tire is a very
6 specialized segment of the Chinese tire manufacturing
7 industry and it is a separate like product. Thank you.
8 I'll be happy to answer any questions.

9 STATEMENT OF DAN JACKSON

10 MR. JACKSON: Good afternoon Commissioners and
11 Staff. My name is Dan Jackson. I am the senior tire
12 manager for TRAC Intermodal. I have held this position for
13 three and a half years. TRAC Intermodal is the largest
14 marine intermodal chassis leasor in the United States. We
15 own approximately 184,000 active marine intermodal chassis
16 and at any given time TRAC Intermodal has approximately one
17 and a half million tires in use on its marine chassis.

18 Tire operations are critical to both the function
19 and success of the company. This is because maintenance and
20 repair is the single largest cost incurred in owning and
21 operating chassis. Within maintenance repair costs, tires
22 make up the largest cost component. In our marine
23 intermodal chassis business, virtually all the tires we
24 utilize are 1020 bias tube tires.

25 A 1020 bias tube tire is a bias tube tire with a

1 nominal section width of 10 inches and a rim diameter of 20
2 inches. I believe that 90 percent of the country's marine
3 intermodal chassis fleet is operated on a 1020 bias tube
4 tire and has been since the inception of the marine
5 intermodal chassis leasing industry in the 1960's. To my
6 knowledge, our industry is by far the largest user of
7 bias-tube tires in the United States.

8 I am not aware of any other industries that use
9 these tires in commercial quantities and I am not aware of
10 any manufacturer that currently produces this tire in the
11 United States or has produced this tire in the United States
12 since the 1990's for commercial purposes. The 1020 bias
13 tube tire is unique for multiple reasons. Bias ply tires
14 have body and tread plies that are made of nylon cords. In
15 contrast, radial tires use steel cords.

16 This difference in construction causes bias and
17 radial tires to operate and react quite differently from one
18 another with respect to flex and movement of the sidewalls
19 and tread area also known as the contact patch, while being
20 operated on the road. As example, this construction causes
21 sidewall bias tires to be more forgiving. This is important
22 because of high extent of sidewall impact incurred in our
23 industry.

24 Because bias ply tires have a more forgiving
25 casing or sidewall on flex, we do not experience the same

1 rate of sidewall damage as seen with steel plys used in
2 radials. The bias ply tire can withstand a greater
3 percentage of these impacts in radial without being removed
4 from service, which is an operational benefit to our
5 industry.

6 Not only can the sidewalls withstand more impacts
7 but they can also withstand cuts without being permanently
8 removed from service. When the sidewall and bead areas of
9 bias ply tires incur cuts exposing cord material they can be
10 patched and repaired and returned to service unlike the
11 radial tire. Once the seal ply is exposed, the likelihood
12 that a radial tire will have to be removed from service
13 permanently and scrapped is much higher than that of the
14 bias tire.

15 Steel ply is exposed to water and/or atmosphere
16 can rust and weaken thus presenting a potential tire and/or
17 safety issue. This factor is most important in the
18 intermodal industry as we have to replace tires much more
19 frequently due to damage than to normal wear and tear. This
20 difference in tire construction also means that bias and
21 radial tires cannot be used on the same chassis at the same
22 time. If one tire were to be changed on the chassis from
23 the bias tube tire to a radial tire all 7 of the other tires
24 and rims would need to be changed as well.

25 Next, unlike most TBTs, the 1020 bias tube tire

1 we utilize requires the use of an inner tube to hold and
2 maintain its air pressure. Most all other TBTs bias,
3 tubeless and radial tires do not require the use of an inner
4 tube. Tires that do not use inner tubes are referred to as
5 tubeless tires and they rely on their tire's inner liner as
6 well as the seal to the one piece rim to hold and maintain
7 air pressure. The use of an inner tube also necessitates a
8 critical distinction between a 1020 bias tube tire and other
9 TBTs.

10 It requires the use of a two-piece rim and lock
11 ring wheel assembly. This two piece rim assembly is a very
12 unique rim that cannot be used by other TBTs. All other
13 TBTs use single piece rims. This is extremely important for
14 two reasons, first based on my research there is no other
15 type of tire manufactured in the U.S. that can be placed on
16 the two-piece rim assembly used by our chassis.

17 Second, if we were forced to use radial tires we
18 would have to retrofit our entire chassis fleet to one piece
19 rims. This cost would be extraordinary and frankly
20 virtually impossible for us to undertake.

21 Further the 1020 bias tube type is also unique in
22 that the rim diameter requires a 20 inch rim whereas most
23 other commercial truck and trailer tires are utilizing a 22
24 inch rim. This is important because a tire that requires
25 a 22 inch rim cannot be installed on a 20 inch rim and

1 vice versa.

2 Lastly, an inherent problem in our industry is
3 proper air pressure. Intermodal ring chassis owner
4 primarily rely on third party vendors to check in air tires
5 and struggle to enforce proper airing. Because of this
6 issue, radial tires may incur a higher percentage of
7 degradation to the sidewall tires due to their steel cords
8 versus out of the bias tires nylon cords which are more
9 forgiven when being run on lower air pressure.

10 In addition to the physical differences between
11 the 1020 bias tube type tires and the radial equipment,
12 there is also a significant difference in price between
13 these products. Today on average I estimate the 1020 bias
14 tube tire to have roughly a 25% lower purchase price than
15 the radial equivalent.

16 Finally, I am unaware of any other industry in
17 the United States which continues to use bias tube tires in
18 significant commercial quantities. These tires have served
19 our industry very well over the last 50 years and we have no
20 reason to switch to radial tires produced in the United
21 States or elsewhere.

22 The cost of switching the rims and retrofitting
23 all of our chassis is simply too high to warrant a switch to
24 radials, particularly where bias tube tires perform better
25 than radials in a harsh marine terminal environment.

1 Should ADD and CVD orders be put in place against
2 the 1020 bias tube tires from China, we will not be
3 purchasing these tires from U.S. producers. These tires are
4 not currently produced in the United States and we believe
5 will not be produced in the United States in commercial
6 quantities in the foreseeable future.

7 There are already third country sources for these
8 tires that will fill any void left behind by the Chinese
9 producers if prohibitive duties are assessed. Thank you for
10 your time today I am available for any questions.

11 MR. SCHULTZMAN: Madam Chairman that concludes
12 Respondent's presentation.

13 CHAIRMAN SCHMIDTLEIN: Alright thank you very
14 much Mr. Schultzman. I would like to welcome all of the
15 witnesses for this afternoon's panel. We appreciate your
16 being here especially those of you who travelled a long way
17 to help us understand this case.

18 We are starting with Commissioner Williamson this
19 afternoon for questions.

20 COMMISSIONER WILLIAMSON: Thank you. I want to
21 also express appreciation to all of the witnesses for coming
22 today and presenting their testimony. Let me start off on
23 the 1020 bias tires. Are the 1020 bias tires made to the
24 same specifications as other truck or bus tires?

25 I noticed you mentioned the 20 inch rim as

1 opposed to the 22 -- are there other differences on the
2 specifications and all?

3 MR. JACKSON: From my understanding the specs are
4 quite different. Bias tires are engineered differently than
5 a radial tire. The specification on how they are modified
6 and engineered on my understanding are quite different.

7 COMMISSIONER WILLIAMSON: Okay is there a
8 difference in how they are produced?

9 MR. JACKSON: Yes as far as machinery and
10 materials, assembly lines -- that's what you are referring
11 to?

12 COMMISSIONER WILLIAMSON: Yes.

13 MR. JACKSON: Yes quite different.

14 MR. VAUGHAN: I would add that because an
15 intermodal chassis spends a lot of time sitting idle,
16 whether at a rail yard or an ocean terminal, the chemical
17 makeup -- the compounding of the rubber in my understanding
18 is different and it has a lot more anti-oxidant UV
19 protection than a normal tire in terms of the chemical
20 composition.

21 COMMISSIONER WILLIAMSON: Okay Mr. Marshak?

22 MR. MARSHAK: One last point Exhibit 6 of the
23 IICL pre-hearing Brief has confidential information from the
24 Chinese producers of these bias tires showing what the
25 differences are between the production of the bias and the

1 radial tires.

2 COMMISSIONER WILLIAMSON: Good I can refer to
3 that, thank you. Is there any evidence that there are
4 distinct channels of distribution for these bias ply tires?

5 MR. VAUGHAN: Yes we buy from vendors that
6 specialize in intermodal tires. We do not -- none of the
7 leasing companies engage in direct importing. There are 5
8 or 6 major importers of -- New Pride probably being the
9 biggest southern tire market.

10 It is a specialized sub-business and we also
11 engage pretty actively in the retreading and there is an
12 active domestic retreading business for our casings.

13 COMMISSIONER WILLIAMSON: Okay now how does the
14 fact that 1020 bias tube tires are used -- I don't know how
15 this shows a clear dividing line when other truck and bus
16 tires are sometimes used for intermodal ring chassis. Well
17 first off is that correct that sometimes there are some
18 intermodal ring chassis that don't use these tires?

19 MR. VAUGHAN: That is correct there are
20 specialized chassis that can use radials, certain trucking
21 customers which is a small part of our business who do
22 long-haul trucking will prefer radial tires. As I said it
23 was testified to before it is a very rate sensitive
24 business.

25 If we put radial tires on a chassis instead of a

1 bias ply it has a material impact on the daily rate. By way
2 of example Flexi-Van owns Dole and we have used radials
3 because it was long-haul shipments from the port of New York
4 to Canada. But the vast, vast, vast majority of chassis use
5 the traditional bias tube tire.

6 COMMISSIONER WILLIAMSON: Okay I take the bus to
7 New York every Friday afternoon and sometimes we go through
8 the Holland Tunnel and go straight up but I am always
9 looking to it -- what I am seeing over there in terms of the
10 chassis are these the ones we are talking about?

11 MR. VAUGHAN: Yes. Hopefully Flexi-Van chassis
12 are not track chassis so.

13 COMMISSIONER WILLIAMSON: It's usually night by
14 the time I get there so I don't see too much.

15 Mr. Jackson: In addition Commissioner, opposite
16 to the fleet that Mr. Vaughan was speaking to, a specialized
17 section of fleet with specific accounts -- the majority of
18 our fleet as Mr. Vaughan and I have eluded to is what we
19 call or refer to as our legacy fleet which is primarily
20 domiciled within rail yards and ocean terminals.

21 This equipment for the majority maintains very
22 short hauls. It may sit idle for quite some period of time
23 and it is very subject -- highly subject to much more
24 incidents of damage. It is very different than the
25 long-haul fleet Mr. Vaughan is referring to.

1 MR. VAUGHAN: More than I would say 97% of our
2 fleet has the traditional tube bias ply tire.

3 COMMISSIONER WILLIAMSON: Okay.

4 MR. VAUGHAN: One or two piece rim.

5 COMMISSIONER WILLIAMSON: Okay.

6 MR. BLUST: If I may one of -- Mr. Vaughan
7 mentioned that the chassis have a normal life of 20 years so
8 they have a very long time that they are in service and they
9 can be refurbished so many of these chassis are 20-30 years
10 old and the wheels, the two-part rims were what was used
11 back in that era and they still service very effectively.

12 To upgrade them is going to cost --it would be a
13 million dollars.

14 COMMISSIONER WILLIAMSON: I got those arguments.
15 I guess post-hearing could you give us examples of where the
16 Commissioners found separate like product in cases such as
17 this, you know just give us the precedent.

18 MR. MARSHAK: Yes.

19 COMMISSIONER WILLIAMSON: Okay. As I said I see
20 these every Friday so I think -- and I used to work for the
21 Port Authority of New York/New Jersey so I understanding the
22 port world is very unique and very competitive around the
23 country.

24 So thank you for that. Let me turn to I'm sorry
25 -- Mr. Szamosszegi?

1 MR. SZAMOSSZEGI: Yes.

2 COMMISSIONER WILLIAMSON: Okay I was curious you
3 talked -- you showed some I guess when you were showing the
4 profits, the spot prices of the firms.

5 MR. SZAMOSSZEGI: Yes.

6 COMMISSIONER WILLIAMSON: Now this is interesting
7 -- these are all, these are the stock prices for the --

8 MR. SZAMOSSZEGI: Multi nationals, right they are
9 firm wide. The point of that was to indicate you know the
10 profitability in this industry at least in the final
11 confidential one where we are missing the firm.

12 So that was indicative of how healthy the firms
13 are not just in TBT but in general. There is no a crisis in
14 the global --

15 COMMISSIONER WILLIAMSON: I get that in terms of
16 the -- but do you remember we talked, this is a domestic
17 industry we are looking at which for these firms the U.S.
18 domestic industry is only part of their operation. In
19 probably some cases a very small part of it -- so I am
20 raising the question is this really a valid.

21 MR. SZAMOSSZEGI: If I could have shown the high
22 as Madam Chair Schmidtlein said earlier extraordinarily
23 profitable industry data on the screen I would have but this
24 was just the way of indicating how profitable the domestic
25 industry is which is very and also that they are housed

1 within large companies that are also doing very well in the
2 stock market.

3 COMMISSIONER WILLIAMSON: Okay, I just wanted to
4 get that to verify.

5 MR. SZAMOSSZEGI: I appreciate that.

6 COMMISSIONER WILLIAMSON: Okay let's see I'm
7 sorry -- actually let me just stop now and come back later
8 and thank you for those answers.

9 CHAIRMAN SCHMIDTLEIN: Okay Commissioner
10 Broadbent?

11 COMMISSIONER BROADBENT: Yeah thank you Chairman
12 Schmidtlein. This would be for Mr. Pearson we had for many
13 years had a colleague here named Dan Pearson, he was a
14 Commissioner so we think that's a good name, we welcome you.

15 The Petitioner's witness Mr. Chamblee stated that
16 across the tiers and the brands there is a trade-off between
17 price and performance. There were different prices for
18 good, better and best tires and the best tires had certain
19 superior features. Do you agree with this characterization
20 and is there anything else we should understand about the
21 tiers?

22 MR. PEARSON: Yes I do agree with that. The best
23 way that I can describe it is retreading is very important
24 to us and almost all of our customers that retread, retread
25 tier 1 and tier 2 tires. And as retreaders are out buying

1 casings almost all of the casings that bring the most value
2 is Goodyear and Michelin and Bridgestone casings.

3 And some of the retreaders won't even buy Chinese
4 casings. Does that answer the question?

5 COMMISSIONER BROADBENT: Yes thank you.
6 How do you respond to Petitioner's argument on page 24 to 25
7 of their pre-hearing Brief that the domestic industry's
8 capacity data as presented in the pre-hearing report are
9 affected by the absence of a U.S. producer questionnaire or
10 response from Sumitomo?

11 MR. MARSHAK: We will address that in the
12 post-hearing Brief. The capacity is going to be based on
13 confidential information that you receive in your final
14 report and that will be the final data based on what you
15 know they report to you. So at the time for our final
16 comments if the final data is released we will know exactly
17 what their capacity is in the United States and hopefully
18 you will get all of the data from all of the companies.

19 COMMISSIONER BROADBENT: Okay. Petitioners state
20 that brand preferences are weaker for business consumers
21 such as owners of commercial trucks and fleets of buses than
22 for private consumers. Do witnesses agree with that?

23 MR. KENNEDY: Could you repeat the question just
24 to make sure I understand please?

25 COMMISSIONER BROADBENT: The Petitioners are

1 stating that brand preferences are weaker for business
2 consumers such as owners of commercial trucks and fleets of
3 buses than for private consumers, do you agree with that?

4 MR. KENNEDY: I guess I would say no. The
5 majority of people who purchase these tires are business
6 owners themselves. They will be an owner of a large fleet
7 or in the case of our friends from the intermodal industry
8 they will own many, many chassis so they will have the large
9 fleet that they are purchasing for. Individuals don't
10 normally buy a truck and bus tire.

11 COMMISSIONER BROADBENT: Right.

12 MR. SCHROEDER: Just to add to what Chris said
13 unlike in the consumer market when we go buy a Ford Taurus
14 you take the tire that is on it. In the fleet industry many
15 of the large fleets specify to the OEM what tire they want
16 put on that vehicle so there is definitely more input from a
17 B-to-B perspective in the trucking tire business.

18 COMMISSIONER BROADBENT: Okay good. This would
19 be for our Chinese witnesses. For purposes of threat should
20 the Commission excuse me -- how do you respond to the
21 Petitioner's assertions that the foreign producers
22 questionnaire responses under represent China's total
23 capacity as well as unused capacity?

24 MR. SHUTZMAN: Commissioner Broadbent that
25 allegation will be taken care of in our post-hearing Brief.

1 We disagree with the statement but we will address it. It
2 involves some confidential information.

3 COMMISSIONER BROADBENT: Okay you can't give me
4 any sense at this point?

5 MR. MARSHAK: Just one point if you compare the
6 data in the foreign producer questionnaire responses with
7 the data in the importer questionnaire responses, we think
8 we did really, really well in this case with a very, very
9 high percentage of a comparison what our client's say is
10 being exported to the United States compared to the official
11 import statistics.

12 It is a very, very significant percentage and
13 that is confidential information. But it is good, it is not
14 under representative, we believe it is very representative
15 and the data confirms that.

16 COMMISSIONER BROADBENT: Okay. Petitioner
17 performed a hypothetical analysis on Exhibit 33 of their
18 pre-hearing brief estimating what would have happened to the
19 U.S. industry if Chinese market share had remained constant
20 with the 2013 levels. It shows that the industry would have
21 improved to a greater extent than if subject imports had not
22 gained market share.

23 Can you comment on this here or in the
24 post-hearing Brief?

25 MR. SZAMOSSZEGI: We can offer some commentary

1 here. It's fundamentally flawed is the short answer. It
2 ignores the downward sloping demand curve. It assumes that
3 lower priced tires are replaced one for one with tires that
4 are priced much higher, almost twice as high.

5 So just right there that fundamental assumption
6 -- the violation of the fact that we have a downward sloping
7 demand curve that when prices rise, quantities decline makes
8 that analysis totally useless. And we will explain more --
9 there are other issues with it but that's the main issue.

10 COMMISSIONER BROADBENT: Okay. Why would Chinese
11 prices fall more quickly over the period of investigation
12 than U.S. producers prices?

13 MR. SZAMOSSZEGI: Chinese prices are priced
14 fairly you know -- let's face it the import data are what
15 they are. They come in at very low average unit values and
16 so one reason is that the rubber price in the lower priced
17 tire is a higher proportion.

18 So when the rubber price declines the price of
19 the subject imported tire declines. In contrast to that the
20 U.S. tire that is priced much higher -- the rubber portion
21 is a lot lower. And so that's why you see a much smaller
22 decline in the price and added to that is what we have been
23 saying is that the price of the domestic tire is higher for
24 many performance oriented reasons.

25 An example -- this is actually a good example.

1 If you have a let's say fuel price per passenger on an
2 aircraft, the price -- the oil price or fuel oil price is
3 going to be a much higher percentage of the price of the
4 ticket than it is for somebody up in first class flying in a
5 big bed.

6 COMMISSIONER BROADBENT: Okay for purchasers, do
7 you have any documented emails or other correspondence with
8 U.S. producers indicating that U.S. producers were unable to
9 supply specific tires during the POI?

10 MR. PEARSON: I guess to answer the question is
11 it has been going on for years that every single day we have
12 tires on backorder we just can't fill. And some of them you
13 know they get filled in two weeks and some of them get
14 filled three months down the road and that is more than just
15 the domestic producers.
16 It is all across the board.

17 MR. VAUGHAN: And let me add for the intermodal
18 industry I have had the same job for 30 years and I have
19 never ever had a U.S. tire producer approach myself or my
20 staff offering to sell us the tire.

21 COMMISSIONER BROADBENT: This may be BPI but to
22 what extent have U.S. production volumes been affected by
23 the industry's exports over the POI? Is there any general
24 response that you can give us?

25 MR. SCHUTZMAN: Sorry Commissioner we don't have

1 information on that. We will of course endeavor to do so
2 for the post-hearing Brief to the extent we can.

3 COMMISSIONER BROADBENT: Can you explain the
4 reasons behind the change in employment indicators between
5 2013 and 2016?

6 MR. SZAMOSSZEGI: I think in our presentation
7 that there was a facility added by Yokohama that added 300
8 employees and so that's the added employees in 2015 and 2016
9 as well.

10 And so there is new capacity coming online in
11 different states than existing capacity and so that created
12 the -- that was part of the increase and it was big enough
13 to offset whatever else was happening in the other
14 facilities that are in different states.

15 COMMISSIONER BROADBENT: Okay my time has expired
16 thank you.

17 CHAIRMAN SCHMIDTLEIN: Commissioner Kieff?

18 COMMISSIONER KIEFF: Thank you and I join my
19 colleagues in welcoming everyone. As I mentioned to some of
20 you right before we started this session I apologize that I
21 have to leave early today but look forward to reading the
22 transcripts and to of course the post-hearing submissions.

23 I just have a few questions. The first one --
24 these are all somewhat conceptual questions. The first
25 question is if we have -- this is I think really just for

1 the lawyers -- if we have no domestic production for a
2 segment of the industry, what should -- what analytical
3 framework should the Commission apply?

4 How do we think about domestic like product and
5 how do we think about domestic industry if there in effect
6 is no such thing?

7 MR. MARSHAK: The short answer is and I don't
8 think this is confidential -- well it is not confidential.
9 There is one producer in the United States makes I believe
10 makes bias tube tires, it's a very, very small quantity. So
11 it is there and we realized it was there in the Commission's
12 preliminary determination where you gave us that information
13 and we looked at it further and they make bias tires which
14 -- and I think this is on their website which they say they
15 can't sell commercially because they just sell to the
16 military and for export and it's a very small industry.

17 COMMISSIONER KIEFF: That's very helpful. Few --
18 I wipe the perspiration away but as a nervous Nellie let me
19 ask the follow-up question which I don't mean to put you on
20 the spot for so please in the post-hearing answer what if
21 they didn't exist?

22 So what I am really asking is can you help us
23 just narrow down in a concrete black letter law way how we
24 should fit this into our framework?

25 MR. MARSHAK: Yes I believe that came up in the

1 preliminary and I believe Mr. Stewart had one idea and we
2 had another idea and we will repeat it for the final.

3 COMMISSIONER KIEFF: And of course we invite the
4 other side, you know, as well to offer their perspectives.
5 So let me just shift and ask you the flip sides of the
6 questions I was exploring with your colleagues on the
7 morning panel.

8 And so you know in the spirit of all of my
9 humility and inaccuracies and imprecisions in fact of having
10 to better explain my contribution to the opinion to which I
11 signed my name as I discussed with your counterparts, can I
12 invite you to just in an overarching way take a moment to
13 explore with my colleagues in the majority what
14 fundamentally and conceptually you think they either should
15 take in as new information or that you think they may in
16 their prior opinion have not adequately considered the way
17 you hoped they would consider it?

18 Recognizing that this is -- that this kind of
19 exchange of ideas when we don't agree with each other is a
20 feature of our system not a flaw -- we are all big boys and
21 girls, it's okay to be told we missed something or
22 overlooked something and it can help. Sometimes these very
23 long, elaborate presentations by two opposing sides can be
24 two ships passing in the night and I want to -- especially
25 since we are in a tire case, I want to make sure that we can

1 find where the rubber hits the road, I want to find the
2 exact points of disagreement and then let the chips fall
3 where they may.

4 MR. MARSHAK: We definitely will do that. This
5 is obviously a very tough case. I mean it was a split in
6 PVLIT it was a split in the preliminary. We believe the
7 Commissioners who found in the affirmative put too much
8 emphasis on certain factors like loss of revenue and forgot
9 about other factors like all the other statutory factors,
10 financial performance et cetera, et cetera.

11 And Mr. Stewart disagrees with that so it is
12 really a fundamental way is how you look at the statute, and
13 how you look at all of the conditions of competition and how
14 you look at all the statutory factors if we believe the
15 Commissioners who found in the affirmative really looked at
16 one factor and kind of ignored -- or not ignored, didn't
17 give sufficient credence to all the others which we believe
18 in this case shows that there is no material injury to this
19 very, very profitable, stable and strong industry.

20 We believe those are important factors.

21 COMMISSIONER KIEFF: And has the -- part of the
22 theory for why we do a preliminary determination followed by
23 a full is that we think we are going to get more information
24 through the expense of process for everybody of so-called
25 going to full.

1 Has the process of going to full brought new
2 information that gives us all reason to have more confidence
3 in your take?

4 MR. MARSHAK: Absolutely and especially because
5 if you remember because of the way the Chinese New Year fell
6 when the preliminary came out, our Chinese clients didn't
7 participate in the preliminary. We really had nothing on
8 the record then and for the final you know we have given you
9 a lot more and are fully participating.

10 We actually have you know and I'm here.

11 COMMISSIONER KIEFF: What is the key component of
12 that information?

13 MR. MARSHAK: The key component is what is going
14 on in the Chinese market.

15 COMMISSIONER KIEFF: And what is that?

16 MR. MARSHAK: There really has been a -- in the
17 testimony you have heard today, our Brief there has been
18 kind of a realization in the Chinese market that maybe there
19 was overcapacity and they had to do something about it and
20 in the Chinese market really there is more regulation now
21 than there was in the past so prices are going to increase.
22 They are going to get rid of the overcapacity and there is
23 going to really not be the capacity to ship to the United
24 States.

25 We don't think it was ever injurious but we think

1 there is even more evidence that it won't be injurious in
2 the future and we have a very, very strong Chinese export
3 market and a growing demand in China for trucks in 2016. So
4 all of those factors which we did not have in the
5 preliminary determination which we believe go to the
6 question of threat.

7 COMMISSIONER KIEFF: And Mr. Schutzman, you look
8 like you had wanted to add something?

9 MR. SCHUTZMAN: Yes, and of course you have a
10 much more complete record as you suggested, because the
11 Chinese did not participate very much at the preliminary
12 stage. You now have what we consider to be very, very good
13 coverage from the Chinese industry, so that data will be
14 much more helpful for you in principally determining the
15 threat issues.

16 And of course, although not directly on point,
17 we do agree that the multi-national nature of this domestic
18 industry is a factor that should be considered because these
19 folks are interested in maximizing profits for their company
20 worldwide.

21 COMMISSIONER KIEFF: And just to put a very fine
22 point on that, how does that impact our analysis here?

23 MR. SCHUTZMAN: I think that's something we're
24 going to have to develop. You've injected into this
25 analysis a concept that intrigues us.

1 MR. SZAMOSSZEGI: If I may, the multi-national
2 company should be considered in the analysis because there's
3 an elephant in the room here, right? The nonsubject imports
4 are an elephant in the room. They are responsible for a lot
5 of those, and that's not out of the confidential
6 information. You can go on PIERS and import from whatever
7 country on truck and bus tires and you'll get lots of hits
8 on Bridgestone and Michelin and Continental and the others.

9 The reason that's important is because we heard
10 this morning arguments that the domestic industry somehow
11 has all this capacity lying around, and the fact that they
12 have that around is due to the subject imports when they're
13 also bringing in nonsubject imports. So I think we have a
14 better sense of that.

15 We also have a better sense from Appendix D of
16 nonsubject import pricing, how it relates to the subject
17 import pricing, and what happens to quantities of domestic
18 products, nonsubject imports and subject imports. We didn't
19 have any of that. And plus, with the additional
20 questionnaires and testimony, we have much more information
21 on capacity, capacity constraints at times he can't get
22 tires, right? So there are trucks rolling around, the
23 rubber hits the road, and they need tires and they have to
24 get it from somewhere.

25 COMMISSIONER KIEFF: I see that my time's about

1 up, so as someone who has changed careers many times in my
2 life, I'll just put in a plug for rereading. Thank you all
3 and I look forward to the transcript and the post-hearing
4 submissions.

5 CHAIRMAN SCHMIDTLEIN: All right. Thank you.
6 If I can just sort of follow-up on sort of this line of
7 questioning about nonsubjects and, I guess, the question of
8 capacity, which to me, this is one of the most pertinent in
9 the case. And so Mr. Szamosszegi, you have access to the
10 confidential information in this case, correct?

11 MR. SZAMOSSZEGI: Yes.

12 CHAIRMAN SCHMIDTLEIN: Okay. So we don't have
13 to talk about the numbers in particular, but when I look at
14 the C-Table, and I'm looking at the capacity for the U.S.
15 industry, and when you look at 2014, they had a decent
16 amount of excess capacity in 2014. Would you -- do you --

17 MR. SZAMOSSZEGI: I know what the -- I don't
18 have it in front of me, but I know the -- I don't have --

19 CHAIRMAN SCHMIDTLEIN: You know the numbers?

20 MR. SZAMOSSZEGI: Roughly, yes.

21 CHAIRMAN SCHMIDTLEIN: Okay. And obviously we
22 can't reveal what they are here in the public hearing. Also
23 in 2014 is where you saw the largest jump in demand, and you
24 saw from '13 to '14 is when subject imports took the most
25 market share, it was less in '14 to '15. And you saw for

1 nonsubject they took a very small amount. Most of their
2 gain came from '14 to '15.

3 So I guess my question is, I know you all have
4 focused on that the domestic industry can't serve the
5 entirety of the U.S. market, but when you see that there's a
6 decent amount of excess capacity in the year that demands
7 spiked, nonsubjects are not as much of a role in this year.
8 Why couldn't the U.S. industry have gotten some of those
9 sales? Why did they lose market share?

10 MR. SZAMOSSZEGI: I think you really have to ask
11 the companies because the companies are the one -- and I
12 mean the producers are the ones who decide what gets
13 produced and for whom. They decide which of their customers
14 they sell to fleets, who demand a certain amount, or OEMs,
15 who also demand a certain amount.

16 CHAIRMAN SCHMIDTLEIN: So the respondents'
17 theory is, they lost market share when demand spiked because
18 they were choosing not to sell tires? That's your theory?

19 MR. SZAMOSSZEGI: Not that they were choosing
20 not to sell tires, but where they were choosing to sell them
21 from. Right? Nonsubject imports increased as well in that
22 year.

23 CHAIRMAN SCHMIDTLEIN: A small number. You have
24 the numbers.

25 MR. SZAMOSSZEGI: And retreads also are in the

1 market, right? And so retreads can serve as after-market
2 demand. The domestic industry--and by that I mean the
3 producers--decide what they're going to produce and when,
4 and who they're going to sell to and when. And what price
5 levels they're competing at with what.

6 And so if their main focus is Tier 1, Tier 2,
7 OEM and fleets, and demand is coming from another part of
8 the market, then that demand is going to be served by who
9 can provide the tires. We have Dan Pearson here today and
10 he says he has tires on backorder all the time. There are
11 other capacity constraints that were alluded to in the
12 questionnaires and in public on websites.

13 CHAIRMAN SCHMIDTLEIN: So could you be a little
14 bit more specific though in terms of, that the demand was --
15 so the demand in '14 was in a tier of tire that they don't
16 supply?

17 MR. SZAMOSSZEGI: There are different levels of
18 demand. There's OEM demand, which when that goes well, I
19 believe that what they do is to try to service that. And
20 they service their fleet demand. But there are other
21 sources of demand that are typically served by retreaders
22 and lower-priced tires.

23 If you want to spend \$175 on a tire, you go to a
24 retread. If you want to buy a new tire, then you have a
25 different choice of who to buy. And for cheaper tires, for

1 like some of the Chinese tires are more expensive, some are
2 less expensive, right? So --

3 CHAIRMAN SCHMIDTLEIN: Okay. I think I
4 understand. So you're saying that the different tiers
5 actually don't compete with each other?

6 MR. SZAMOSSZEGI: I'm not saying that. I'm not
7 saying that the different tiers don't compete with each
8 other. I'm saying that the domestic industry tried to --
9 what they face at that time, who they serve, and there's a
10 little area of the tiers--not a little area--but there's an
11 area that competes where people are deciding, should I go
12 with the retread? Or should I go with the new tire? When
13 the new tire starts being priced close to the retread, then
14 you start getting some shifts.

15 CHAIRMAN SCHMIDTLEIN: But the subject imports
16 don't include retread.

17 MR. SZAMOSSZEGI: Right. The subject imports
18 don't include retread, but they compete with retreads.

19 CHAIRMAN SCHMIDTLEIN: But we see subject
20 imports gaining the most in '14. So just the product that's
21 within scope is gaining.

22 MR. SZAMOSSZEGI: Right.

23 CHAIRMAN SCHMIDTLEIN: So why are they gaining
24 in '14? Nonsubject is not gaining as much. They gained --

25 MR. SZAMOSSZEGI: But nonsubject gained -- but

1 there's also -- you have to consider that there's a large
2 portion of the market that's retread.

3 CHAIRMAN SCHMIDTLEIN: Okay. So how does that
4 fit into -- my question is, why couldn't the U.S. producers
5 have sold --

6 MR. SZAMOSSZEGI: Because the demand wasn't
7 for -- demand was not for the tires they were producing.
8 And they didn't --

9 CHAIRMAN SCHMIDTLEIN: And that's because they
10 want --

11 MR. SZAMOSSZEGI: They didn't want to produce
12 other tires.

13 CHAIRMAN SCHMIDTLEIN: Tier 3? Are you talking
14 about Tier 3?

15 MR. SZAMOSSZEGI: I'm talking about tires that
16 would compete with lower-priced tires. They made an
17 affirmative -- what I'm saying is --

18 CHAIRMAN SCHMIDTLEIN: So you're saying tiers
19 don't compete?

20 MR. SZAMOSSZEGI: I'm not saying that.

21 CHAIRMAN SCHMIDTLEIN: Well, because they are
22 producing tires in Tier 1 and Tier 2.

23 MR. SZAMOSSZEGI: Right.

24 CHAIRMAN SCHMIDTLEIN: Okay. So why aren't
25 those competing with --

1 MR. SZAMOSSZEGI: But when they're producing
2 tires in Tier 1 and Tier 2, they're selling them at Tier 2
3 and Tier 1 prices.

4 CHAIRMAN SCHMIDTLEIN: So they --

5 MR. SZAMOSSZEGI: That's why they're profitable.

6 CHAIRMAN SCHMIDTLEIN: They couldn't make the
7 sales because the other tires were cheaper?

8 MR. SZAMOSSZEGI: I'm saying they made sales of
9 more expensive tires that were profitable and their profits
10 increased in 2014 instead of 2015. If they had chosen to
11 make money-losing tires, then they would've had higher
12 sales, shipments, but they would've had lower profitability,
13 so that's the -- companies are profit-maximizing entities.

14 And so they're trying to minimize cost. They
15 minimize costs when they're in competition in the market
16 by -- they charge as much as they can and they pay as little
17 as they can. And the way they serve the market is with
18 nonsubject imports, which did increase in 2014, and they
19 also benefit from retreads. But retread, I acknowledge --

20 CHAIRMAN SCHMIDTLEIN: I guess I don't --

21 MR. SZAMOSSZEGI: -- is not part of the domestic
22 industry.

23 CHAIRMAN SCHMIDTLEIN: -- I, I don't understand
24 your argument if you're not arguing that tiers don't
25 compete. If your position is that the tires in the

1 different tiers are competing with each other, then how can
2 you say that the U.S. industry wasn't producing tires that
3 were competing with what was being demanded?

4 MR. SZAMOSSZEGI: Well, there are different
5 levels of demand, right? If you look at a supply and demand
6 curve for the whole industry, you will have one price. But
7 in reality, that's when you aggregate everything.

8 When you take it apart, you have different
9 market segments and competition occurs in those different
10 market segments with different tiers. So you don't get a
11 truck fleet buying \$150 tire to put on a steer, right?
12 Because it's just a tire that comes in a container and
13 somebody's selling it. It has very little track record,
14 very little warranty, and so they're not buying that.

15 They're buying higher tier, higher quality, a
16 tire with a casing that sells for about \$70, right? So
17 that's what they want. They don't want a \$150 tire, but
18 there's a part of the market that wants a \$150 tire.
19 Personally, I don't think that the people who want a \$150
20 new tire will turn around and buy a \$300 new tire. If they
21 have to pay more than a certain amount, they'll go to a
22 retread.

23 So it's not that I'm saying there's no, not
24 necessarily no competition between tiers. It can happen,
25 right? This is a market at the margin, that sort of thing

1 happens in the market. I'm not going to deny that. But the
2 question is whether it's material, whether there's material
3 losses, and the only way to look at whether it's material or
4 not is really you can look at employment levels and they
5 show what they show, but you can also look at the financials
6 and that tells an important story.

7 CHAIRMAN SCHMIDTLEIN: So if there is
8 competition between tiers, does that mean you would agree
9 there's price effects between tiers?

10 MR. SZAMOSSZEGI: There's a whole pricing
11 structure, so let's take rubber prices. When rubber
12 prices--

13 CHAIRMAN SCHMIDTLEIN: But what I'm asking is,
14 would a price --

15 MR. SZAMOSSZEGI: But that's -- I, I'm answering
16 the question, because when rubber prices go down, there's a
17 whole pricing structure. You can say that, while Tier 3 is
18 this and then Tier 1 did this, but the fact of the matter
19 is, they kind of all move down because when the rubber price
20 goes down, there's always competition, subject, nonsubject,
21 domestics with each other. That's how the market works, and
22 that's why you get lower unit values.

23 CHAIRMAN SCHMIDTLEIN: So I guess, more
24 specifically though, my question was, can the price of a
25 Tier 3 tire affect the price of a Tier 1 tire? Mr.

1 Szamosszegi?

2 MR. SZAMOSSZEGI: Well, you know, the answer to
3 that is that in the context of competition, where you have
4 tiers, you are going to have the prices moving together, so
5 whether the Tier 1 tire goes down or the Tier 2 tire goes
6 down or the Tier 3 tire goes down, there's a reason and they
7 all -- there's just a pricing structure that all moves
8 together --

9 CHAIRMAN SCHMIDTLEIN: I see.

10 MR. SZAMOSSZEGI: -- up and down. And that's
11 what you see in the Goodyear presentation with the resource
12 prices.

13 CHAIRMAN SCHMIDTLEIN: Okay. Did anyone else
14 want to add to that?

15 MR. SCHROEDER: I did want to add. The 2014
16 period that you are referencing, when you think back to the
17 good/better/best model, Michelin only had better and best.
18 Bridgestone only had better and best. Goodyear was the only
19 one that had good, better and best. They had the Kelly
20 brand at that time. Michelin did not have the Uniroyal
21 brand at that time. Bridgestone was just bringing out the
22 Dayton brand at that time.

23 CHAIRMAN SCHMIDTLEIN: So they get this --

24 MR. SCHROEDER: So when that market demand, when
25 the demand for that good tire took off, they were not in a

1 position to capitalize on it. Others were.

2 CHAIRMAN SCHMIDTLEIN: But I guess, couldn't the
3 argument be made that, since tires are interchangeable,
4 right? Truck tires, I mean, putting aside the intermodal --

5 MR. SCHROEDER: No.

6 CHAIRMAN SCHMIDTLEIN: -- marine chassis, that
7 those tires were taking away sales from the higher priced
8 tire? And that consumers --

9 MR. SCHROEDER: Sure.

10 CHAIRMAN SCHMIDTLEIN: -- are going to look at
11 that price and go, okay, well, now I can get this cheaper
12 tire?

13 MR. SCHROEDER: Truck tires are the farthest
14 thing from interchangeable. There's significant differences
15 between brands.

16 CHAIRMAN SCHMIDTLEIN: So in your view the tiers
17 do not compete with each other? A Tier 1 tire doesn't
18 compete with a Tier 3 tire?

19 MR. SCHROEDER: I believe that the tiers compete
20 within themselves. Within the tier.

21 CHAIRMAN SCHMIDTLEIN: Within themselves. So a
22 customer that wouldn't buy a Tier 1, they wouldn't consider
23 a Tier 1, and looking at their purchases, if they were only
24 focused on Tier 3?

25 MR. SCHROEDER: If they're interested in a Tier

1 1 tire, it's because their application requires it. If
2 their application doesn't require it, the customer, the
3 buyer will look down the product screen to see what else is
4 available. I think a good example is TA Petro, one of the
5 largest on interstate truck stop chains in the United
6 States. They just rolled out a new tire program, and if you
7 go in there to their lobby, what you'll see is, they offer
8 tires at \$299, \$399 or \$499, and it's very simple. They
9 show what brands are available at \$299, which ones available
10 at \$399 and which ones are available at \$499. And that
11 follows the good/better/best logic that we've been
12 discussing.

13 CHAIRMAN SCHMIDTLEIN: Okay. I'll come back to
14 this. I'd like to understand more, what applications can
15 only a best tire be used for, and not a better and -- but
16 we'll come back to that in the next round. Vice-Chairman
17 Johanson.

18 VICE CHAIRMAN JOHANSON: Thank you, Chairman
19 Schmidtlein. I would also like to thank all of the
20 witnesses for being here this afternoon. On Page 29 of the
21 Chinese respondents' brief, you all mentioned the Chinese
22 exports to Third Countries are expected to increase in 2016
23 to 2017. My question is, because you appear to have the
24 intention of increasing exports to other markets, why
25 shouldn't we conclude that increases by Chinese exports to

1 the United States are also likely?

2 MR. MARSHAK: The Chinese will ship where the
3 market wants them to ship. And the fact that they have all
4 these Third Country markets, these voluble strong Third
5 Country markets, shipping to over 200 nations, shows that
6 they're not dependent on the United States to ship tires, to
7 dump tires, or to get rid of their -- you know, they have
8 capacity to sell tires.

9 Certain industries in China may be dependent on
10 the United States. If they don't have the United States
11 market, you know, they're not going to ship anywhere,
12 they're going to go under. This industry, if you didn't
13 have the United States market, you have very, very strong
14 Third Country sales all over the world to 200 countries, and
15 also sales in the domestic market.

16 United States is an important market, but it's
17 not the overall critical market for the Chinese, and it
18 shows that the Chinese industry, when it doesn't depend on
19 us, it's really -- there's no threat. It's a lesser threat
20 when they somehow need the United States because they have
21 other markets to sell, and the whole market and Third
22 Country markets. You know, they like us, but they don't
23 necessarily need us.

24 MR. SCHUTZMAN: And Commissioner Johanson, this
25 issue of threat is much -- again, as I responded to

1 Commissioner Kieff, the record is much more developed now
2 than it was during the preliminary. We were missing
3 significant information. There was information on the
4 record regarding threat, but it was far from completely
5 developed. You now have completely developed information
6 that in our view demonstrates that there is no threat.

7 VICE-CHAIRMAN JOHANSON: Thanks, Mr. Schutzman
8 and Mr. Marshak. Given the relative health of the U.S.
9 economy in comparison with other countries, why shouldn't we
10 expect strong exports to the United States in the coming
11 future?

12 MR. MARSHAK: I believe we should expect exports
13 from China -- steady, non-injurious exports to the United
14 States. Again, China has a thriving tire industry. Their
15 whole market, truck sales increased in 2016 and they have
16 the whole world to sell to. There's just no reason for them
17 to start shipping a lot of tires to the United States
18 because they have to keep their plants running. They have
19 this entire world to sell to.

20 I guess what we're saying is, if they didn't
21 materially injure this very strong United States industry
22 during this POI, there's no reason to think that something's
23 going to change in the foreseeable future or all of a sudden
24 a non-injurious situation becomes injurious in the future.
25 To the contrary, the future looks even safer for the United

1 States than the past three years when the United States, in
2 our opinion, you know, wasn't injured at all by Chinese
3 exports.

4 MR. SCHUTZMAN: Commissioner Johanson, you also
5 have to consider the record evidence that the OEM market in
6 China is expanding. It was contracting for a while, but it
7 is not expanding significantly, so the growth of the new
8 truck market is fueling the OEM business in China, and of
9 course, as we heard before, that's the most profitable
10 segment of this business. So I think that contributes to
11 the fact that it's less likely, rather than more likely that
12 China will be flooding the U.S. market of exports of truck
13 tires.

14 VICE CHAIRMAN JOHANSON: And again, the Chinese
15 market is cooling down right now.

16 MR. SCHUTZMAN: From information we've seen as
17 far as trucks, no.

18 VICE CHAIRMAN JOHANSON: Okay, could you -- I
19 don't know if you submitted that in your briefs, but if you
20 could submit something along those lines, that would be
21 helpful.

22 MR. SCHUTZMAN: We did submit some information
23 in the prehearing brief, but we will develop it.

24 VICE CHAIRMAN JOHANSON: Okay, I don't recall
25 that. If you could send an article or something --

1 MR. MARSHAK: Sure.

2 VICE CHAIRMAN JOHANSON: -- that would be
3 helpful.

4 MR. MARSHAK: Sure.

5 VICE CHAIRMAN JOHANSON: Also, Mr. Marshak, you
6 stated in response to a question with Commissioner Kieff
7 that China intends to get rid of its overcapacity. And this
8 is also addressed in your brief. I assume that the
9 petitioners would state that China does not have a very good
10 record of reducing overcapacity. How would you respond?
11 And when I'm talking about overcapacity, I'm talking in
12 other sectors.

13 MR. MARSHAK: We're representing the Chinese
14 tire industry now. We're not representing the Chinese steel
15 industry. We are going to be getting information from our
16 clients and from the association who are tire producers in
17 China, and what they've told us before, and that's why we
18 put it in our brief, that what's going on in China is
19 working.

20 And I think we've given you some factual
21 information in our prehearing brief, and we're going to
22 develop it more in our post-hearing brief, but again, the
23 laws, the regulations, the marketing, the labeling in China
24 is working and the Chinese producers are feeling that,
25 because they're going to have to -- they are changing their

1 operations and the capacity that may have been overcapacity
2 in the past, that if it was, just isn't going to be there in
3 the future. Again, if there was no current injury, it's
4 less likely in the future. But we will get more factual
5 information for the post-hearing brief.

6 VICE CHAIRMAN JOHANSON: I'd appreciate that,
7 and I realize that you're representing tire producers and
8 not producers in other sectors. Then again, if it's a
9 Chinese government program to reduce overcapacity, that
10 would possibly be reflected in other areas as well. So --

11 MR. MARSHAK: So again, we believe it's very
12 important for the Commission to look at this industry.

13 VICE CHAIRMAN JOHANSON: I understand.

14 MR. MARSHAK: Not what may be happening but
15 what happened in the past with other industries, whether
16 it's true or not. We just don't know, and we're not going
17 to develop the information on other industries.

18 VICE CHAIRMAN JOHANSON: Okay. Yeah, I was
19 understand. I was reluctant to ask this question for that
20 very reason, but then again I thought it was worth just
21 bringing up. Thank you. Is it your position that the
22 domestic like products should be defined to include
23 retreaded tires, and if that is not your position, how can
24 the Commission include data for retreaded operations and
25 analyze the injury, as suggested in pages 18 to 22 of your

1 pre-hearing brief?

2 MR. MARSHAK: First, we believe that the
3 retreaders are not part of the domestic industry and I
4 think, you know, maybe we overstated what we were saying or
5 it was interpreted to overstate what we're saying. What
6 we're saying is it's a very important condition of
7 competition, and it's something that we'd like the
8 Commission to look at, that the companies who are the
9 domestic producers, they're also making a lot of money in
10 your retreading operations.

11 It just shows, you know, how invulnerable they
12 are and how strong they are, that when they make these tires
13 in the United States, they also have profitable retreating
14 operations in what's a separate industry. We think you
15 should look at that to show the strength of the industry.
16 But we know that in your actual, you know, compilation of
17 data or, you know, when you actually look at performance,
18 you're not going to include the retreading. But look at it
19 as a very important condition of competition.

20 VICE CHAIRMAN JOHANSON: All right. Thank you
21 for your response, Mr. Marshak. Do importers of Chinese
22 truck and bus tires have strong distribution networks within
23 the United States?

24 MR. KENNEDY: I guess the answer would be not
25 a strong distribution network, no. We tend to find

1 customers, and actually in our cases of Triangle Tires,
2 that's one of the reasons why we have opened up our U.S.
3 subsidiary is to, again to explore that option of trying to
4 find larger networks throughout the country.

5 VICE CHAIRMAN JOHANSON: Okay. Mr. Schutzman,
6 were you going to say anything?

7 MR. SCHUTZMAN: No, I'm fine. I'm fine with
8 that answer, thank you.

9 VICE CHAIRMAN JOHANSON: Okay, no problem. At
10 the bottom of the Chinese respondent's brief at page 29, you
11 all characterized the business decisions of trucking fleets,
12 saying that they focus on return to investment. Does this
13 mean that you agree with Petitioners that these
14 sophisticated buyers are less susceptible to brand marketing
15 than private customers?

16 I know you discussed this some with
17 Commissioner Broadbent a minute ago, but I wanted to raise
18 it again because this was a -- I think it's a pretty
19 important issue in this investigation, the whole issue of
20 branding.

21 MR. SCHROEDER: I could speak to that. My
22 experience with fleets is they're interested in what's the
23 total cost of ownership of a tire, and there's a lot of
24 different variables that make up that total cost of
25 ownership. Acquisition cost, the up-front cost is just one

1 of many pieces. A fleet is going to want to know what's the
2 fuel efficiency of your tire or the rolling resistance of
3 it. They want to know what kind of miles per gallon
4 they're going to get out of that tire when it's running.
5 They're going to want to know what is the tread life, how
6 long is that tire going to last, how many miles am I going
7 to get out of it. That factor is in their decision-making.

8 Lastly, they want to know the integrity of the
9 casing. How much is that casing going to be worth when that
10 first tread life is finished and they want to take it to a
11 retreader and get another tread put on it. They want to
12 know that that casing is a value and it can be retreaded, as
13 I think Dan alluded to earlier. So my experience with the
14 fleet isn't so much about a particular brand, as it is what
15 is the total cost of ownership of your product. It's
16 incumbent on the manufacturer to have that data available to
17 share with them.

18 VICE CHAIRMAN JOHANSON: So I would assume the
19 branding is not as important then? It is relatively
20 unimportant.

21 MR. SCHROEDER: That is my experience.

22 VICE CHAIRMAN JOHANSON: Okay. That seemed to
23 make sense. I mean I think, when I look back at the
24 passenger light truck investigation, you tended to have
25 unsophisticated purchasers, right, like an average consumer.

1 Whereas in the trucking industry, folks look more at the
2 actual performance of the product closer; is that correct
3 Mr. Schroeder?

4 MR. SCHROEDER: Yes, that is very correct.

5 MR. MARSHAK: I just want to add though, it
6 still seems that the Big Three, and I don't know the
7 reasons, Michelin, Goodyear and Bridgestone are still at the
8 top of the heap, you know. Whether it's because of a brand
9 name or in the trucking industry because of something else,
10 there's a reason they're there and I don't know it. You
11 know, these guys know it a lot more than I do.

12 MR. SCHROEDER: They're there because they
13 have made the investment to be there, you know. They have
14 hundreds of employees that are out there every day calling
15 on fleets. They have scientists that -- they have software
16 that measures to performance of those tires like you
17 wouldn't believe. So they provide that service. Fleets
18 value that. But there is a subsection of fleets that are
19 not as sophisticated as that, and would be willing to look
20 at other brands in addition to the Tier 1.

21 VICE CHAIRMAN JOHANSON: Thanks, Mr.
22 Schroeder. Mr. Kennedy, did you want to add something.

23 MR. KENNEDY: Actually, all I was going to add
24 to what Mr. Schroeder just touched on was one of the
25 investments that many of the major Tier 1 suppliers have

1 made into is in tire tracking software. Tire tracking
2 software allows them to actually monitor how long and what
3 type of performance each of those tires is getting.

4 As such, that allows them to convey a message
5 to those people who are purchasing it of a lower cost per
6 mile in order to show, as Mr. Schroeder mentioned, about the
7 total cost of ownership. They can show how a particular
8 tire may last.

9 VICE CHAIRMAN JOHANSON: Okay. Thank you, Mr.
10 Kennedy. My time has long expired. Thank you.

11 CHAIRMAN SCHMIDTLEIN: All right.
12 Commissioner Williamson.

13 COMMISSIONER WILLIAMSON: Thank you.
14 Following along on that last question by Vice Chairman
15 Johanson, what can you say about distributors of Chinese
16 tires. Mr. Kennedy, I think you said, you know, improving
17 the distribution network. Are they improving some of these
18 services that you just mentioned that the fleets appreciate,
19 you know, data about utilization and things like that?

20 MR. KENNEDY: The distribution networks that
21 we are looking for are for -- have a larger footprint. They
22 may or may not have additional services. In many cases they
23 do, because they are leaders in their particular field.
24 Most of those particular customers may have a Tier 1, 2 and
25 3 strategy, and we are looking to fit into, in our case,

1 Tier 3 of that. They may or may not offer services.

2 COMMISSIONER WILLIAMSON: I mean why --
3 meaning a large fleet owner or some large purchaser may want
4 Tier 3 tires in certain cases?

5 MR. KENNEDY: Yeah, yeah. So not necessarily
6 the fleet, but a dealership or like Dan here in Northwest
7 Tire. He may have a go to market that says I cover four
8 states. I want to offer these brands. I offer these brands
9 in Tier 1, these brands in Tier 2, these brands in Tier 3.
10 He may or may not offer services in all of those tires. He
11 may offer just a basic price for one and he may offer
12 something else for Tier 3.

13 COMMISSIONER WILLIAMSON: Okay. Now the
14 domestic producers this morning talked about all the major
15 tire companies trying to introduce, I guess you might say in
16 Tier 2, I don't know about Tier 3, some brands they were --
17 like Firestone, I always used to think was Tier 1 is
18 analogous to Tier 2 and maybe less now. So they're
19 offering, you know, they're trying to be more competitive in
20 that lower market, because I guess, I assume that's where
21 the demand is?

22 MR. KENNEDY: That's correct. Well, there's
23 demand in all the tiers. That's why they differentiate
24 between the three. But yes, in some instances, which I
25 believe was just addressed a moment ago, Bridgestone did not

1 participate in at least one of those tiers. So they
2 implemented a brand into that tier.

3 MR. PEARSON: When you're talking the three
4 tiers, my company Tier 1, and I said in in my opening
5 statement, I get Bridgestone. I don't get anybody else.
6 The other Tier 1s will not sell to me. I don't care what
7 their capacities are. So I have one choice. When it comes
8 to Tier 2 --

9 COMMISSIONER WILLIAMSON: Why is that, and can
10 you document that?

11 MR. PEARSON: Yeah. Come and look at my
12 place. I've got no signs, no tires. They won't -- I'm not
13 --

14 COMMISSIONER WILLIAMSON: Because you don't
15 want, they won't sell it to you at the price that you want
16 or what?

17 MR. PEARSON: They have other customers
18 they're selling to. That's all. Let me finish. That's
19 Tier 1. Tier 2, I've got -- well, Bridgestone sells to me
20 and I want to say they've been a very, very good supplier to
21 us and they do a lot of good things for us. So we go to
22 Tier 2. I listed four or five different brands, and they'll
23 all sell to me. To me, that's our most important segment of
24 the market. Now you go down to Tier 3, Bridgestone has
25 Dayton as their Tier 3 and they won't sell that to me.

1 You go down one more step into retreading,
2 they sell it to me. So when it comes to Tier 3, I don't
3 have a choice. In my business, the Tier 3 market is
4 strictly a price market, and not everybody, not every
5 trucking firm or commercial firm plays in that market.

6 I buy, I'll buy that Tier 3 tire wherever. I
7 don't care where it comes from, and that's a price point for
8 the American consumer, that that's what they want. You go
9 up to -- back up to Tier 2, we perceive that as the value
10 tier, and we think that's the tier that gives our customers
11 the best value. We know from our own history that those
12 tires will retread for our customer and it's value priced,
13 and that's the tier that we make the most money at.

14 Then you move up to Tier 1. Again, we're in
15 that one. They have one, but those are mostly national
16 account fleets, and we get paid commissions. So those
17 commissions are already dictated by the manufacturers. But
18 I would probably ^^^^ the Tier 3 again, Bridgestone would
19 not sell it to me. It doesn't make me mad or anything, but
20 I just -- I've got to go someplace to get that price point
21 tire.

22 But we definitely don't -- our company doesn't
23 try to replace Tier 2 with it, because it's going to be a
24 detriment to us and to the customer, our customer, because
25 just like these people here talked about the cost per mile

1 and the overall life of the tire.

2 COMMISSIONER WILLIAMSON: Okay. The reason
3 why I'm posing you questions is because you're making this
4 sort of a, you know, like a segmented market and that the
5 imports have this and the domestics have that, and so I'm
6 trying to understand it, and particularly for example. I
7 guess we'll talk about shortages. Now are there certain
8 products, certain types of tires that the domestics don't
9 seem to have adequate capacity for?

10 Because you -- and some of you I think have
11 talked about this being a long time situation, and you know,
12 what we have on our record doesn't really show this. So I
13 was trying to get a better understanding of that. I'll ask
14 the Petitioners to respond to your point about what
15 Bridgestone won't do post-hearing.

16 MR. PEARSON: Okay, and I think this morning
17 they talked about, I believe it was Sumitomo coming to the
18 U.S. to build tires in New York. I think that's fantastic,
19 because I've got their tires on back order right now, and
20 they're apologizing to me because they don't have them.

21 COMMISSIONER WILLIAMSON: Okay. Well, they
22 can respond post-hearing to that issue. For purposes of
23 threat, should the Commission consider the volume of Chinese
24 producers' inventories, as suggested by the Petitioners at
25 page 79 of their brief, or the share of production in total

1 shipments as argued by the Chinese respondents? That's page
2 93 of the brief.

3 MR. MARSHAK: They really should look -- for
4 threat, they should look at everything. One, problem with
5 looking at the inventories for -- in China is it's
6 inventories for the entire world. So that really doesn't
7 show an inventory for the United States. But I believe if
8 you look at the data, which is confidential, it will show
9 inventories of Chinese tires in the United States are going
10 to be very low.

11 But the inventories in China for the domestic
12 home market and for third countries, which includes the
13 United States, you know, I don't think that would show much
14 about what could be shipped to the United States as far as
15 threat goes. But inventories in the United States would be
16 relevant, and I don't think they're that high.

17 COMMISSIONER WILLIAMSON: Okay, thank you.
18 Looking at Appendix D, Mr. Szamosszegi, you've talked about
19 looking at nonsubjects. But this may have to be done
20 post-hearing. From what I see from the data, I'm not sure I
21 see that there are differences between nonsubject prices
22 and subject prices, and it doesn't square with the argument
23 you're making. So I don't know whether -- it might have to
24 be addressed in post-hearing but ^^^^

25 SZ: We can certainly do it post-hearing, but

1 just for purposes now, there is a price difference between
2 the nonsubject and the subject imports in D, in Appendix D,
3 and the presence of just to generally characterize it, what
4 we see. The presence of the low-priced product did not
5 prevent higher priced, not only higher priced but reasonably
6 comparable to domestic prices, produced prices achieving
7 fantastic gains in quantity.

8 So that's the -- that's what we're showing.
9 That's what's in Appendix D. In other words, nonsubject
10 imports did very well, despite charging higher prices, and
11 that also shows attenuated competition because they're able
12 to ^^^^ they're able to supply at a price point that
13 domestic producers are able to supply at. I'm wondering, I
14 hear this morning that they aren't producing because of
15 subject imports, yet they're serving a comparably priced
16 AUV product but nonsubject.

17 So that's why I'm saying this gets back to the
18 whole multinational nature of this. There are -- the
19 domestic producers are part of multinational conglomerates
20 that have facilities all over the place, and import from
21 independently as well from --

22 COMMISSIONER WILLIAMSON: But it raises the
23 question with me. Are the subjects leaving money on the
24 table with their pricing, if that's a factor, given the
25 differences?

1 MR. SZAMOSSZEGI: You know, they want to
2 service a specific area of the market, and they charge a
3 price to maximize their profits given their production costs
4 and the availability of tires that they can bring, either
5 produce here or bring in from different areas.

6 COMMISSIONER WILLIAMSON: Okay. I don't think
7 that answered my question. Think about it post-hearing.

8 MR. SZAMOSSZEGI: Okay, okay.

9 COMMISSIONER WILLIAMSON: Yeah. Mr. Marshak,
10 I'm jumping around, because I just have a few questions.
11 You talked about one U.S. producer of the bias ply. Was
12 that a tubeless or tubeless, a tubed producer or a tubeless
13 producer?

14 MR. MARSHAK: I'd have to go -- I don't
15 recollect offhand if that's confidential or not. I mean I
16 think --

17 COMMISSIONER WILLIAMSON: I understand.

18 MR. MARSHAK: I'm just not sure.

19 COMMISSIONER WILLIAMSON: Okay. But
20 post-hearing to address it, just because --

21 MR. MARSHAK: I know it's bias, and I'm just
22 not sure. So I don't want to say --

23 COMMISSIONER WILLIAMSON: You see why I'm
24 asking the question.

25 MR. MARSHAK: Yes. I totally --

1 COMMISSIONER WILLIAMSON: Post-hearing, if you
2 can address that. Thank you. Okay, well that's all I have
3 for right now and that might be all.

4 CHAIRMAN SCHMIDTLEIN: All right.
5 Commissioner Broadbent.

6 COMMISSIONER BROADBENT: Yeah. I just had a
7 couple of random ones here. This is on natural rubber
8 versus synthetic rubber. Natural rubber is reportedly used
9 in higher proportions relative to synthetic rubber in these
10 type of tires versus the lighter consumer tires. Does that
11 mean that we should put greater weight on the price index
12 when we assess raw material price movements in comparison to
13 U.S. price movements?

14 MR. SZAMOSSZEGI: Well, if it's -- if it
15 accounts for a larger proportion of the -- if natural rubber
16 constitutes a larger proportion of the cost of goods sold,
17 then that's a more relevant series to follow.

18 COMMISSIONER BROADBENT: That seemed hard to
19 get out. Okay. Let's see, and then one more question on
20 capacity utilization. U.S. producers' capacity utilization
21 was very high during the Period of Investigation, but it
22 wasn't 100 percent. Should we assume that the industry
23 should have been able to reach 100 percent capacity
24 utilization, and if not, why not?

25 MR. SZAMOSSZEGI: Well it's very rare how many

1 times do the industries come in here with 100 percent ever
2 within the POI? Even if they're claiming injury, they don't
3 start the POI at 100 percent. It will happen occasionally
4 that a particular firm may say okay, this is my product
5 plan. This is how much I'm going to produce and they can
6 produce that.

7 For other firms, it may be different. There
8 may be changes in the product mix. You don't know exactly
9 at the beginning of the year what the product mix is going
10 to end up like. So it's very unlikely to get 100 percent in
11 an industry like this for an industry as a whole, even if
12 other producers, certain producers may do things a little
13 bit differently. If they're also major importers, they'll
14 just go 100 percent and import the rest from wherever they
15 have facilities.

16 But you know, I don't think that looking at an
17 industry as being able to produce -- at having to produce at
18 100 percent is the norm. I think that's kind of an overly
19 optimistic assumption of what any industry composed of
20 multiple companies selling a variety of different products
21 to a variety of different consumers can achieve.

22 COMMISSIONER BROADBENT: Okay. That was my
23 last question. I just want to thank the panel and for
24 bringing -- you guys all collecting here a lot of different
25 perspectives on this problem, and it's very helpful to us.

1 Thank you.

2 CHAIRMAN SCHMIDTLEIN: All right, thanks. So
3 I wanted to come back to this question about tiers, and Mr.
4 Schroeder, you were beginning to give us an answer on since
5 in your view there's not competition between the tiers
6 because there are applications for which a Tier 1 tire would
7 not be used, but a Tier 3 tire would be used.

8 So I just want to understand a little bit more
9 what those applications are, and sort of what proportion of
10 the market that would account for.

11 MR. SCHROEDER: Well, the largest application
12 in the country is long haul, and it's really dominated by
13 the large fleets, and over the years fleets have
14 consolidated. They've gotten very sophisticated on how they
15 measure the performance of their vehicles, including their
16 tires, okay. The Tier 1s have the level of sophistication
17 in place to provide the data to the fleets that they need,
18 in order to feel comfortable that they're getting the best
19 value for that tire they're buying.

20 It requires a significant investment in people
21 and computer systems and a dealer network to put that
22 together. So they dominate that section.

23 CHAIRMAN SCHMIDTLEIN: And so they would not
24 -- so are you saying they just would choose not to buy a
25 Tier 3 tire, or that a Tier 3 tire literally would not work?

1 MR. SCHROEDER: A fleet is going to look at
2 what is the total cost of ownership of a tire. If someone
3 can demonstrate them factually that their total cost of
4 ownership of their tire is less, I think any fleet would
5 take a look at that tire. They wouldn't necessarily spec
6 them, but they might take some tires in and put them on
7 their vehicles and run them for a year or two to validate
8 that the performance of that tire in fact does what the
9 manufacturer says it does.

10 CHAIRMAN SCHMIDTLEIN: Okay. So you could --
11 if that were the case, you could -- it's not that the tires
12 couldn't be used in that application. It's just that from a
13 cost-benefit analysis, they wouldn't normally. Is that what
14 you're saying?

15 MR. SCHROEDER: If the customer doesn't see
16 the benefit, they won't buy the tire.

17 CHAIRMAN SCHMIDTLEIN: Okay, and do I see
18 somebody else? Mr. Pearson.

19 MR. PEARSON: To expand on that, these fleets
20 are testing tires all the time, and if the -- if the
21 imports, you know, and the Tier 1 companies do have a leg up
22 on them. Their stuff is far superior and they call it from
23 cradle to grave, the tire, what it actually costs them to
24 keep it and how many miles they got out of the whole tire,
25 no matter how many times it retreads or how they do it.

1 Most of those companies are always testing
2 tires, and it just always -- I mean the Chinese have not --
3 the importers have not caught up to the sophistication of
4 the tires that are on the market today. Now but there is
5 still a cost for that low cost tire, because some of the
6 fleets don't care. They don't test tires. They don't watch
7 anything. They want the bottom price and that's it.

8 CHAIRMAN SCHMIDTLEIN: And so they would buy a
9 Tier 3 tire?

10 MR. PEARSON: They'll buy a Tier 3 tire,
11 absolutely.

12 CHAIRMAN SCHMIDTLEIN: Okay.

13 MR. PEARSON: That's kind of how the market
14 works.

15 CHAIRMAN SCHMIDTLEIN: So it sounds to me like
16 the tiers do compete, you know. A customer might look at
17 for the same application different tiers.

18 MR. PEARSON: I don't think they compete right
19 now. Could they some day? Absolutely. If these imports
20 ever get to be as good as the Big Three, a Michelin, a
21 Bridgestone or a Goodyear and the cost per mile, absolutely
22 they could compete. But in the 20 years that I've been
23 selling imports, it sure hasn't changed. In the past five
24 years for our company, because we responded for the three
25 years. So I went back and looked at five years.

1 Our low cost tires, the percentage that we
2 sell over the total hasn't changed in five years. It will
3 go up or down a point or two, and same with the middle tier
4 and same with the upper tier.

5 CHAIRMAN SCHMIDTLEIN: And maybe it's the way
6 everyone is defining the word "compete" and how the concept
7 of price and cost is bound up in that. When you look at the
8 staff report on page 223, we had seven purchasers indicate
9 that tiers are in competition with other tiers. So why
10 would they, you know, what would be --

11 MR. PEARSON: It would be interesting to hear
12 from them, but I'm speaking for my business, because that's
13 where I'm at.

14 CHAIRMAN SCHMIDTLEIN: Sure, of course.

15 MR. PEARSON: It doesn't compete. But we try
16 really hard to inform the customer and show them that a Tier
17 2 and a Tier 1 tier will retread and, you know.

18 CHAIRMAN SCHMIDTLEIN: It's worth the money.

19 MR. PEARSON: Somebody earlier this morning
20 asked about how many, what's the life of a tire, and that
21 varies a lot in, depending on whether it's long haul or over
22 the road or it's a construction company building an
23 interstate. But to give you kind of an example, take a long
24 haul over the road truck and use any brand, I will say Tier
25 2.

1 Their drive tires can easily run 300,000
2 miles. Let's say it's a \$350 tire. When that truck comes
3 in, you pull the tires off and you retread them with a
4 pretty close to the same type of tread design, and it can
5 easily run another ^^^^ and the price is less than half to
6 retread it, and it will run another 300,000 miles, up to
7 600.

8 Some people may try to retread it again under
9 a drive tire or they'll -- when it's wore out, they'll
10 retread it into a trailer tire and maybe get another 200,000
11 out of it. So it's 800,000 miles you got out of that tire.
12 The data out there is, that I've seen with our customers,
13 and we're testing tires all the time, the imports have not
14 got to that stage yet.

15 So that what we -- I don't know if that makes
16 sense on the tiers, but Tier 3 will not get that many miles.

17 CHAIRMAN SCHMIDTLEIN: Just the performance.

18 MR. PEARSON: Yeah. Just the casings won't
19 hold up. That's why when I said earlier that when we're
20 buying cases, if we don't have enough to retread, and most
21 of the retreaders will tell you they paid more money for a
22 Bridgestone, a Goodyear and a Michelin because of that
23 reason.

24 CHAIRMAN SCHMIDTLEIN: Mr. Schroeder.

25 MR. SCHROEDER: I would also add that the

1 purchasing people typically are measured on cost savings.
2 So from their perspective, they may see that they compete
3 with each other. However, if you go talk to the maintenance
4 director of a fleet, someone who actually is responsible and
5 accountable for the performance of the tires, I feel
6 strongly that they would say that there's definitely a
7 difference between brands.

8 CHAIRMAN SCHMIDTLEIN: Yeah. I don't think --
9 from what I can hear of everybody's testimony, I don't think
10 anyone's disputing that there is not a difference between
11 brands and there's not ^^^ tires don't compete in these
12 different, you know, they are in different tiers and it
13 looks like they can move between tiers depending on
14 perceptions and so forth.

15 The real question is, is are those customers,
16 when they're weighing their decision, looking at these tiers
17 and taking into account the price of the lower, you know,
18 what am I going to get for that cheaper price, what am I
19 going to get for a higher price, and they're doing their own
20 cost-benefit analysis and what the tradeoffs are and they
21 make their decision.

22 MR. PEARSON: I think that's --

23 CHAIRMAN SCHMIDTLEIN: That's sort of how it
24 kind of in a sense looks.

25 MR. PEARSON: But there's also, and somebody

1 put -- the other side put it up there today where there was
2 a Chinese company comparing themselves to a Bridgestone and
3 a Michelin and, you know, that's their marketing. So
4 they're telling the end user that they're just as good. But
5 go to the end user and look at his data, and you'll see
6 something totally different, or come to our retread shop and
7 you'll see what tires retread.

8 CHAIRMAN SCHMIDTLEIN: Which is why it's hard
9 to sort of definitively put certain companies in a tier, you
10 know.

11 MR. PEARSON: Yes.

12 CHAIRMAN SCHMIDTLEIN: So all right. I don't
13 think I have any further questions. Vice Chairman Johanson,
14 all right.

15 VICE CHAIRMAN JOHANSON: Thank you, Chairman
16 Schmidtlein. In Figure 2-1 of the ITC staff report, there
17 is a drop in truck tonnage that begins to appear in
18 mid-2016, and there's also a figure in the Respondent's
19 brief at page 23 that shows a drop in U.S. sales of heavy
20 trucks beginning around the end of 2015. What is going on
21 here? Is this related to the weakness in oil and commodity
22 prices? I'm trying to figure out why this drop in truck
23 tonnage has occurred.

24 MR. SZAMOSSZEGI: Maybe one of the others can
25 answer, but from my perspective, I'm not really sure. I

1 think that they, you know, they had a big buildup after the
2 Great Recession. As you can see, there was a large
3 increase. So maybe they're, you know, took a little bit of
4 a pause. But I don't know if there -- I don't know of any
5 underlying factor that could explain that. But we'll look
6 into it for post-hearing.

7 VICE CHAIRMAN JOHANSON: Thank you. Mr.
8 Kennedy.

9 MR. KENNEDY: I'm unsure of the exact answer
10 to that question. But I do know that there was, in looking
11 at the original figure, there is a bump in around 2006 or
12 so, and then a decline and then an up. Some of the
13 influence on those come from EPA rules and NHTSA rules
14 associated with engine requirements and performance
15 requirements associated with how they are able to -- the
16 engines and what they're able to perform at under those
17 rules.

18 MR. KENNEDY: So you might see an increase as
19 fleets roll over and try to buy new trucks, which have new
20 engines, in order to meet those performance requirements.
21 Whether or not that's related to the most recent increase
22 and then decline I am unsure, but I know that was at least
23 the case in the 2006 error, and may be influencing this most
24 recent one as well. I apologize I don't know the exact
25 answer to that question.

1 VICE CHAIRMAN JOHANSON: Thanks. And related to
2 that question, is there an average age for trucks? How long
3 can they last? The exhibit, we're looking at the OEM market
4 that's a factor in this investigation and I'm curious as to
5 how often trucks turn over--not turn over like on the road,
6 but how often the sales occur.

7 MR. SCHROEDER: My understanding is the large
8 fleets, they'll typically want to trade out a truck when
9 it's getting to the point where it's in need of heavy
10 maintenance, like engine overhaul and things like that. So
11 it's going to depend on how many miles they drive a year,
12 but I think a big fleet's going to trade out a tractor
13 typically at five years, maybe seven. But once you get
14 outside of that arena and go to the small owner-operator,
15 they'll run as long as they take care of them, you know.

16 VICE CHAIRMAN JOHANSON: Okay, so it's obviously
17 hard to pin a date on this.

18 MR. SCHROEDER: There are statistics out there
19 that show what the average age of a truck running on the
20 road is. Perhaps we can provide those in the post-hearing.

21 MR. MARSHAK: I'd just like you to remember that
22 the intermodal chassis, 20 years, and then refurbishing for
23 another 20 years. So it's a different animal.

24 VICE CHAIRMAN JOHANSON: Okay. Well thank you.
25 This has been very interesting. I appreciate you all being

1 here today. I have no more questions.

2 CHAIRMAN SCHMIDTLEIN: Alright. Thank you very
3 much. I'd like to thank the panel again for being here
4 today. It is very useful.

5 So now we will move to--let me dismiss you at
6 this point so we can get ready for--oh, I'm sorry, I forgot
7 to ask if the staff has any questions.

8 MS. HAINES: Elizabeth Haines. Staff has no
9 questions.

10 CHAIRMAN SCHMIDTLEIN: Do the Petitioners have any
11 questions?

12 (No response.)

13 CHAIRMAN SCHMIDTLEIN: No? Alright. So I will
14 dismiss you at this point and we will move to closing
15 statements.

16 CLOSING REMARKS

17 CHAIRMAN SCHMIDTLEIN: Alright, the Petitioners
18 have four minutes from direct, plus five minutes for
19 closing, for a total of nine minutes.

20 The Respondents have one minute from direct, and
21 five minutes for closing, for a total of six minutes.

22 So, Ms. Drake, you may begin when you're ready.

23 CLOSING REMARKS OF ELIZABETH DRAKE

24 MS. DRAKE: Chairman Schmidtlein, Vice Chairman
25 Johanson, Commissioners, thank you very much for your

1 attention today, and thank you to the staff again for all of
2 their excellent work on these investigations which, as you
3 heard this morning, mean very much for the Petitioner, the
4 United Steelworkers Union.

5 These are just a couple of little slides that
6 will flip up when they're ready.

7 (Slides are shown.)

8 MS. DRAKE: I would first like to begin with
9 Respondent's claim that there is limited substitutability
10 between domestic tires and imported tires. That is
11 contradicted by their own testimony this afternoon, with
12 Cooper testifying that they compete with Kelly, they compete
13 with Uniroyal, they compete with Dayton, all domestic brands
14 produced in the United
15 States. Dayton is not just an import brand.

16 Mr. Wright from Bridgestone's Warren County Plant
17 called and confirmed that they produce Dayton at both Warren
18 and La Vergne, with more produced at La Vergne at this
19 point. So that is direct competition.

20 We also have the Commission's staff report, which
21 shows that 71 percent of purchasers report that they are
22 always or frequently interchangeable, Chinese and domestic
23 tires, but most purchasers say they are comparable across 13
24 of 17 factors. And about 90 percent say they meet minimum
25 quality specifications.

1 The idea that Chinese tires are not available
2 with important services or packages has also been refuted
3 both by Cooper's testimony, who talked about all of the
4 services that they provide, the national account services,
5 the retreading warranties, et cetera. There are other
6 Chinese producers that provide the same. Giddy advertises
7 that it provides fleet services, national account services.
8 And Double Coin also provides national account services.
9 And you may get to see that in a minute or two if you want
10 to.

11 And also as we showed you this morning, Chinese
12 tires and U.S. tires are available in all positions. Cooper
13 also talked about how reliable its service network is.
14 Again, confirming that there is direct competition between
15 Chinese and domestic tires.

16 And there's also no grounds to the claim that
17 domestic producers ceded the market, or the Tier III of the
18 market to Chinese producers. Numerous introductions of
19 brands and expansions of lower tier brands throughout the
20 period these tires were available in the market. They were
21 made in the United States. Whether a particular dealer
22 carried them or not is of course not relevant. And there is
23 direct competition between Chinese and domestic tires
24 throughout these tiers and between the tiers.

25 As your prehearing staff report shows, dealers

1 say that--79 percent of dealers say that their customers
2 compared the prices of tires within different tiers.

3 So this direct competition was further confirmed
4 by Mr. Schroeder who confirmed that brand is less important
5 to the business customers that purchase truck and bus tires.
6 This confirms the importance of price: 72 percent of
7 purchasers reported it's one of their two three factors,
8 that it didn't fall into that table of the top three brand
9 wasn't there; 78 percent report price is a very important
10 factor; and 83 percent report they sometimes or usually
11 purchase the lowest priced tire.

12 This direct competition is apparent in the direct
13 loss of market share by domestic producers to subject
14 imports. Of the 8 percentage points of market share that
15 they lost, more than 5 of those percentage points were
16 directly to subject imports. And this direct correlation
17 would be even more stark if we look at data just by OEM and
18 aftermarket, which we will do confidentially in our
19 post-hearing brief.

20 And it was precisely because of this thwarting of
21 domestic industry loss of market share that the domestic
22 industry was only able to increase its shipments by 2.5
23 percent despite a more than 20 percent increase in demand,
24 and a 42 percent increase in Chinese imports.

25 Now the only way that Respondents can escape this

1 very clear picture of material injury is by arguing the
2 domestic industry didn't have the capacity to serve the
3 market. That is simply not true.

4 This shows changes in domestic capacity and
5 inventories from 2013 to 2014. Together with the increase
6 in inventories and the amount of excess capacity in 2014,
7 the domestic industry had 1.93 tires that they could have
8 shipped but didn't. If they had been able to, they would
9 have made up all of the market share lost to Chinese tires.

10 The same thing happened from 2014 to 2015. On
11 the next slide it shows an even bigger increase in
12 inventories, persistent excess capacity for a total of 2.35
13 million tires they could have shipped but did not, and would
14 have been more than enough to service all that they lost to
15 subject imports from China. So clearly there is no support
16 for the allegation that a lack of capacity prevented them
17 from participating in the market. It was simply the
18 presence of subject imports.

19 In this case we clearly have significant volume,
20 both absolutely and relative to domestic consumption and
21 production. And we absolutely had the capacity to serve
22 that consumption but were thwarted by imports.

23 We clearly have adverse price effects in the form
24 of nearly universal underselling at very high margins. We
25 will address Respondents underselling analysis in their

1 prehearing brief in our post-hearing brief. We think their
2 conclusion that underselling doesn't correlate with shifts
3 in volume, or that it doesn't correlate with--or price
4 declines don't correlate with competition with subject
5 imports are simply incorrect and not supported by the
6 record, and we look forward to refuting that.

7 The high underselling margins and the fact that
8 they are not uniform across products also confirms that
9 underselling is not due to any tier premium that may exist.
10 And while we don't need to show price depression, we do
11 believe there is some evidence of price depression on the
12 record in this case.

13 Altogether, these trends cause material injury to
14 the domestic industry, which again lost most of its market
15 share to subject imports and was barely able to increase
16 shipments by only 2-1/2 percent despite a 20 percent
17 increase in demand. All of the other factors also showed
18 limited growth, given the very high increase in demand.

19 And while some may say, well, this still looks
20 like a healthy industry to me, that industry should have
21 been much healthier as our but-for analysis shows. They
22 should have been producing 1.4 million more tires in 2015,
23 shipping 1.3 million more, employing 600 more workers, and
24 having an operating income that was \$133 million higher.

25 These are not small losses that they suffered.

1 These are losses of 10 percent, 16 percent from what they
2 should have been able to achieve at the peak of the demand
3 cycle. And their inability to achieve that is what has
4 deprived a number of plants of the capacity additions that
5 they planned on and that they discussed with management, and
6 that would have allowed them to take full advantage of the
7 peak in demand.

8 The fact that they weren't able to do so is a
9 very clear indicator of material injury, and one that the
10 Commission has relied on in numerous cases where domestic
11 industry has seen improvements across a variety of
12 indicators in a peak upswing in the demand cycle, and yet
13 had been constrained in other factors because of subject
14 imports. And that is precisely what's happened here.

15 Moving to threat, obviously we have very
16 significant subsidies in this case ranging from 39 to 65
17 percent, including export subsidies. Obviously we have huge
18 excess capacity and growing excess capacity. It doesn't
19 matter if you rely on the foreign producer responses or on
20 other public sources, this excess capacity is more than
21 enough to triple imports from China in just one year without
22 diverting product from any other market.

23 So the idea that somehow there is no excess
24 capacity, or there's reductions in capacity, is simply
25 belied by the record, including the record that foreign

1 producers themselves have helped the Commission compile.

2 They are clearly very export oriented. Exports
3 to the U.S. market alone were greater than total home market
4 shipments for the Chinese industry based on their own data.
5 So this one export market, our market, is more important to
6 them than their entire home market, saying that, oh, we can
7 export somewhere else, too, doesn't diminish the importance
8 of the U.S. market to these producers, which is also of
9 course supported by the much more rapid increase we've seen
10 in the U.S. than in other markets.

11 The idea that the Chinese industry has now
12 adopted these policies to consolidate the industry and
13 reduce excess capacity is simply unsupported. Many of the
14 plans that they cite are very broad plans that apply across
15 the economy and do not necessarily cite tires.

16 One of the tire industry plans that they include
17 in Exhibit 10 to Chinese Respondents brief says that some of
18 the goals are to expedite upgrading of the industry and
19 guide sustained development of industry.

20 That doesn't sound like a plan to significantly
21 reduce the industry, to me. They concede raw material
22 prices are going up, and they say that demand for new trucks
23 in China is going down. This is Michelin saying that global
24 market for truck tires is driven down by China, and they
25 predict that in Asia, excluding India, while OE will go up

1 by one percent, the aftermarket will go down by five
2 percent.

3 So clearly not a happy picture of the Chinese
4 market being able to absorb all of the excess capacity, and
5 the more than a dozen capacity additions that we have
6 documented.

7 For all these reasons, we respectfully ask that
8 the Commission reach an affirmative determination. Thank
9 you.

10 CHAIRMAN SCHMIDTLEIN: Thank you.

11 Mr. Marshak, you've six minutes and you may begin
12 when you're ready.

13 CLOSING REMARKS OF NED H. MARSHAK

14 MR. MARSHAK: Good afternoon. This is not
15 normally case when we appear before the Commission in a
16 final investigation we're going to finish before 5:00 p.m.,
17 but as all the case, we very much appreciate the courteous
18 and professional and probing manner in which the Commission
19 and its staff has conducted this investigation.

20 It's mind boggling how much careful analysis of
21 complex data is required to reach a factually and legally
22 correct result in this and other cases. We thank the
23 Commission for its efforts.

24 Our witnesses today put a face on the voluminous
25 data compiled by the Commission and provided the Commission

1 with the opportunity to check the data against the real
2 world. You heard this afternoon from Cooper Tire, the
3 highest priced TBTs imported from China; Triangle Tire, a
4 mid-level, Tier 3 producer; Northwest Tire, a distributor of
5 a wide range of tires, both imported and produced
6 domestically and authorized retreader of Bridgestone Tires.

7 These witnesses brought the data to life. The
8 presence of a national fleet China will trade in which the
9 vast majority of Chinese tires do not compete, the
10 relationship between supply and demand in the OEM and
11 replacement market and the manner in which domestic
12 producers successfully shipped their limited capacity from
13 one market to another to meet the ebbs and flows of demand,
14 the inability of domestic producers to meet market demand
15 and the short flow in domestic capacity, which will exist
16 even after the Yokohama plant in Mississippi and the
17 Continental plant in Mississippi come on stream, the
18 inability of distributors to always obtain needed products
19 from their domestic vendors, the impact of Chinese imports
20 on independent readers in the absence of an adverse
21 impact in the sale of new Tier 1 and Tier 2 tires produced
22 in the United States and sold with a bundle of services, the
23 direct impact of raw material costs on tire prices,
24 especially in the OEM market.

25 And these conditions of competition to examine

1 the conjunction with the confidential data compiled by the
2 Commission staff and in light of all the statutory factors
3 the Commission is required by law to consider employment,
4 financial performance, production, shipments, capacity, and
5 capacity utilization rates, the presence of substantial
6 competition from third country imports, the comprehensive
7 four-product pricing analysis as found in our pre-hearing
8 brief the reasons why a negative determination is warranted
9 in this case become readily apparent.

10 We were also very fortunate to have appear with
11 us today from halfway around the world, Mr. Yu Yi, the Vice
12 Chairman of the CCCMC, who has been a face in the
13 comprehensive data submitted by Chinese TBT producers
14 related to conditions of competition in the Chinese
15 industry. The Commission's preliminary threat analysis was
16 based on information submitted by the unions. For the
17 final, we've established that the Chinese home market has
18 continued to expand following a rise in truck sales.
19 Chinese third country market sales to nearly 200 countries
20 worldwide are booming and are projected to continue to
21 increase in the foreseeable future, regardless of whether
22 the Commission reaches an affirmative determination in this
23 case.

24 The presence of dumping orders in Chinese
25 exports to third countries has not and will not result in a

1 need to ship more tires to the United States. And Chinese
2 Government policies have begun to eliminate any existing
3 excess capacity in China, have increased production costs as
4 factories need to adopt to new regulatory measures.

5 Simply stated, the domestic TBT industry is
6 strong and stable and is not vulnerable to Chinese imports
7 and recent trends in the Chinese and third country markets
8 support a finding that the domestic industry's current
9 strength will not turn into material injury in the
10 foreseeable future.

11 Finally, I'd like to very briefly discuss the
12 marine chassis industry. Bias tube tires perform better
13 radials in the harsh, marine terminal environment. IIICO
14 members will not switch to domestic-made radials if AD
15 orders are in place. They will continue to buy their tires
16 from China at increased cost, which will be passed onto the
17 ultimate consumer or they will source bias tube tires from
18 those third countries where commercially bias tube tires
19 still exists.

20 Placing a dumping or countervailing duty order
21 on bias tube tires will not return any jobs to the United
22 States. We fully support the unions desire to protect their
23 members; however, we do not believe that TBT imports from
24 China have resulted in a loss of jobs in the United States
25 during the POI and we do not believe the Chinese imports

1 will result in loss of any U.S. jobs in the future.

2 What any order will do, unfortunately, to
3 increase cost for the American trucking industry and
4 increase costs for American consumers of all of the products
5 which are made in the United States and which are shipped
6 throughout the United States on trucks and trailers and
7 exported throughout the world. Placing PDCVD orders on TBTs
8 will also increase costs of goods shipped from American
9 factories to U.S. ports of exportation. It will make our
10 exports less competitive in the world market. Protection
11 may be needed for certain domestic industries, but not for
12 this one. The data fully supports our position.

13 To conclude, there simply is no reason to impose
14 a market disrupting tax on an imported product like TBTs
15 when the impact of that artificial remedy will serve no
16 purpose, other than to hurt the American transportation
17 industry and the American consumer without any real benefit
18 to the union members who have requested relief. Thank you.

19 CHAIRMAN SCHMIDTLEIN: Thank you, Mr. Marshak.

20 Alright, post-hearing briefs, statements
21 responsive to questions and requests of the Commission, and
22 corrections to the transcript must be filed by January 31,
23 2017, closing of the record and final release of data to
24 parties will be February 14, 2017, and final comments are
25 due February 16, 2017.

1 With that, this hearing is adjourned. Thank
2 you.

3 (Whereupon the hearing was adjourned at 4:18
4 p.m.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Truck and Bus Tires from China

INVESTIGATION NOS.: 701-TA-556 and 731-TA-1311

HEARING DATE: 1-24-17

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.

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