

Testimony of John G. Reilly

Certain Passenger Vehicle and Light

Truck Tires from China

USITC Investigation No. 421-7

Nathan Associates Inc.

June 2, 2009

1. The Pre-2004 Period

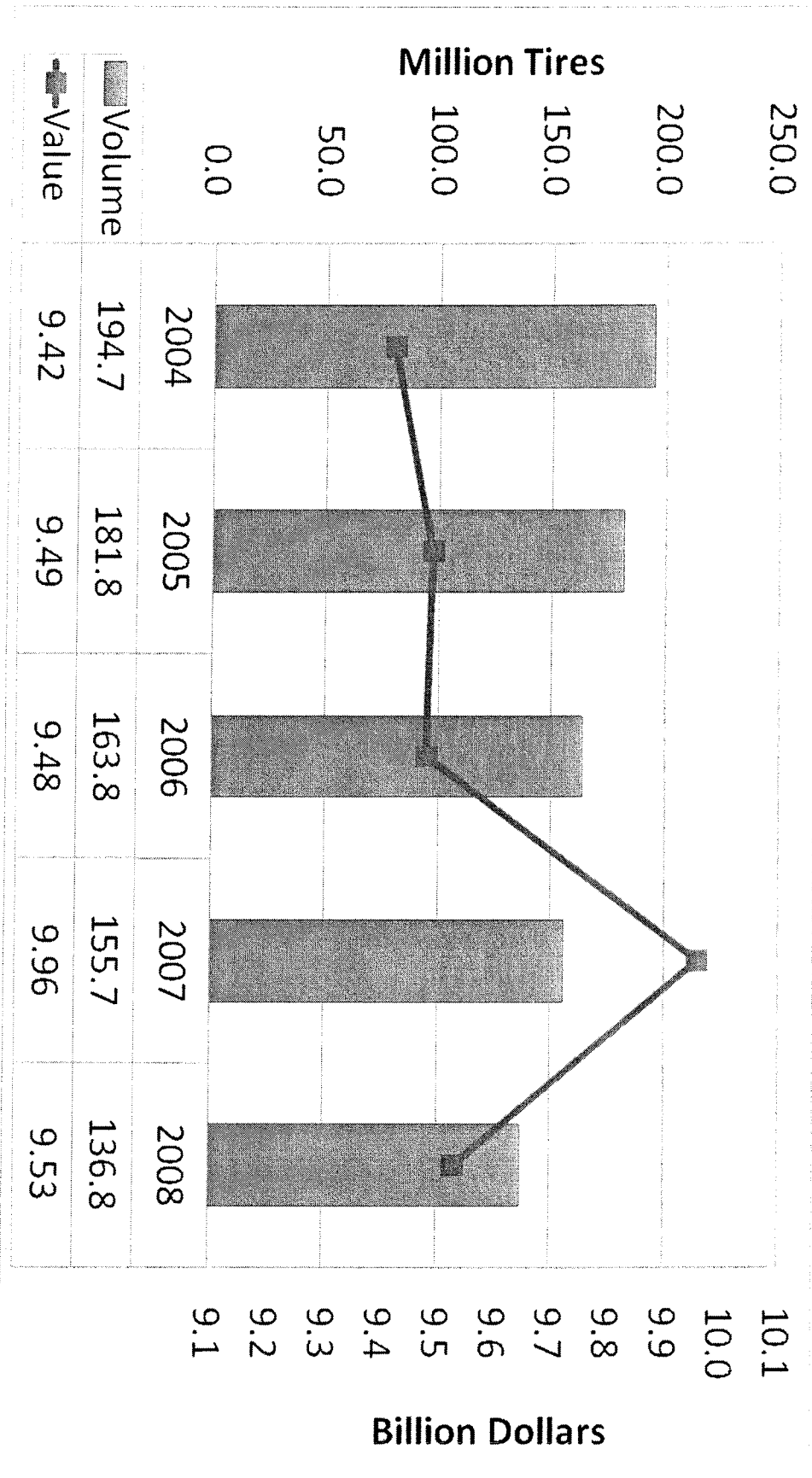
- For at least a decade before 2004 U.S. tire producers had not earned adequate investment returns.
- Imports of subject tires from China did not reach 10 million units until 2003, a level equal to about half of the quota proposed by Petitioner.
- Tires from China were therefore not the problem
- Well before 2004 it was clear to the U.S. tire producers that they had to adopt a new strategy.

2. U.S. Tire Producers' Operating Strategy

Adopted Prior to 2004.

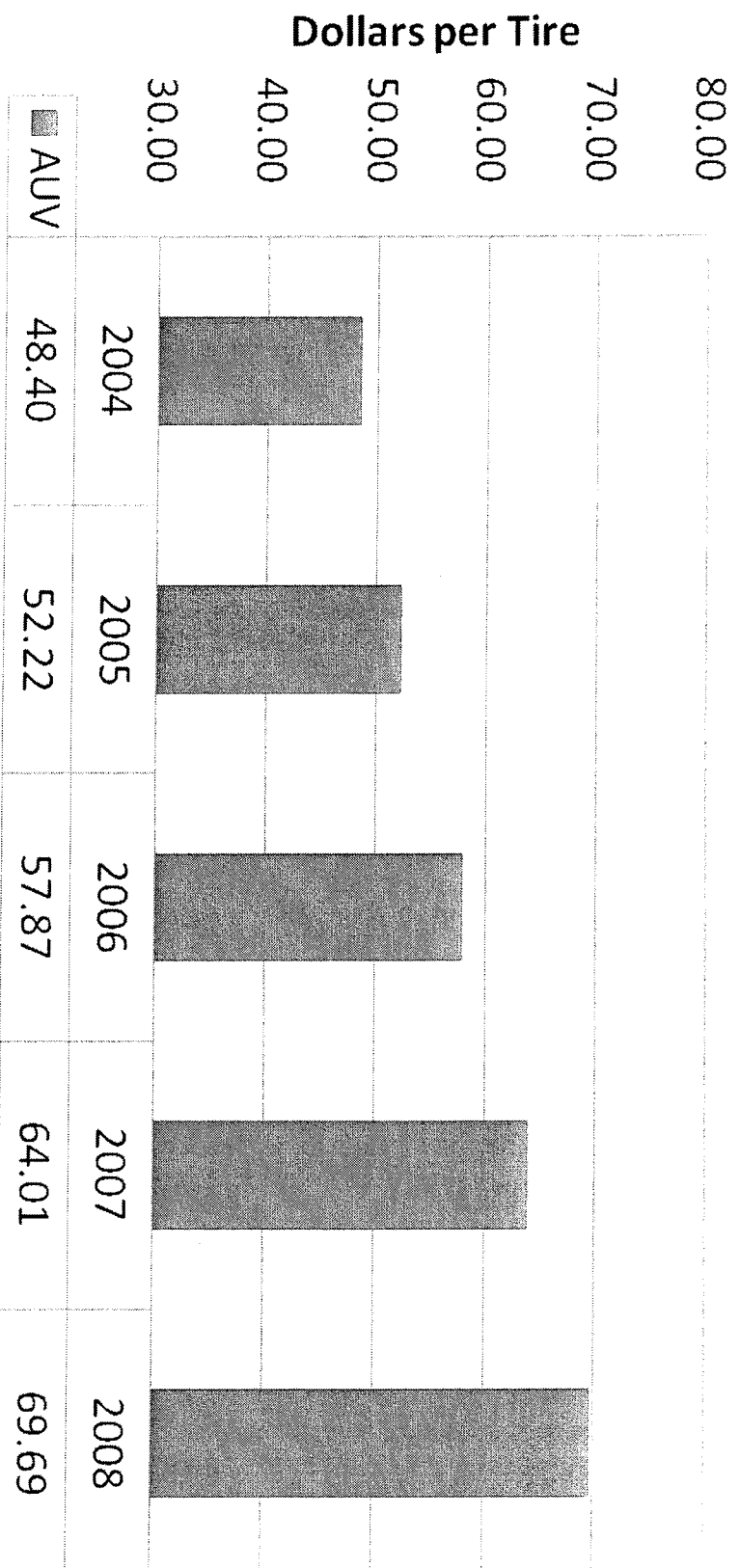
- Cease U.S. production of mass market tires.
- Focus U.S. production on high-value premium tires.
- Increase per-tire revenue.
- Increase per-tire profit margin.
- Source mass market tires from low-cost locations including India, Mexico, China, etc.

3. U.S. Producers' Domestic Shipments of Subject Tires



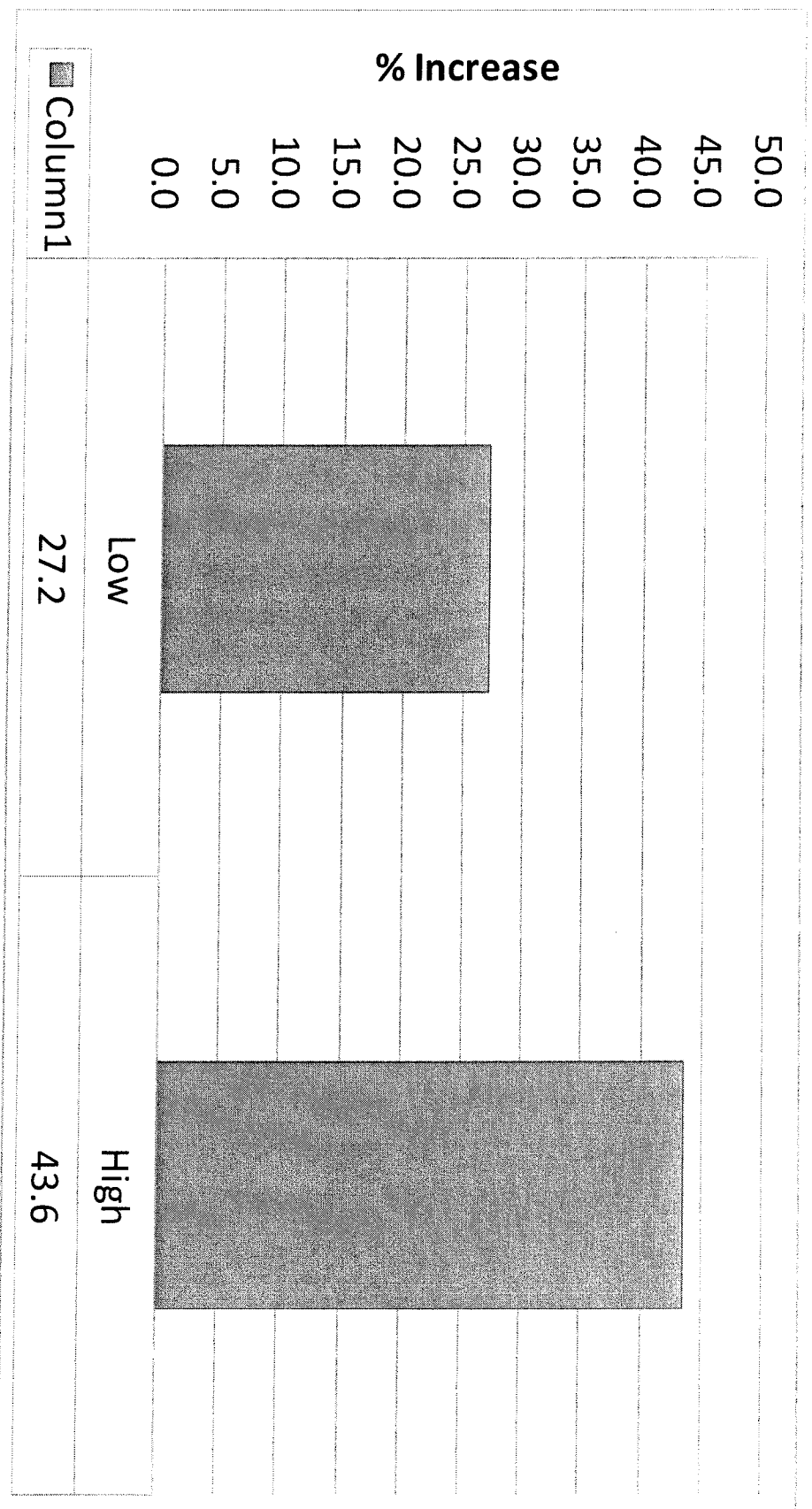
Source: Public Staff Report (SR), Table I-5

4. Average Unit Value of U.S. Producers' Domestic Shipments of Subject Tires



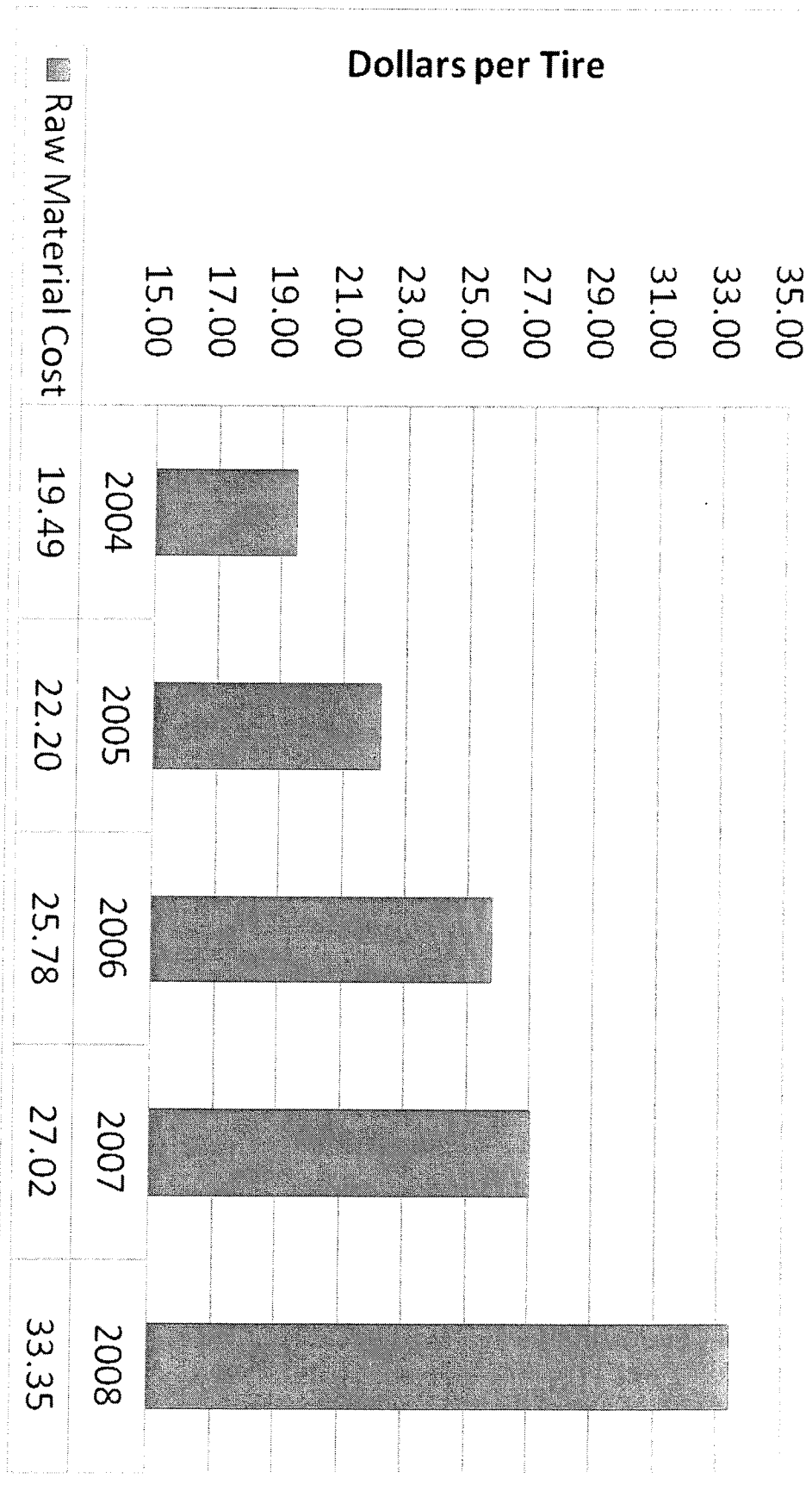
Source: Derived from SR, Table 1-5

5. 2004 – 2008 % Price Increases for Pricing Products Sold to the Replacement Market



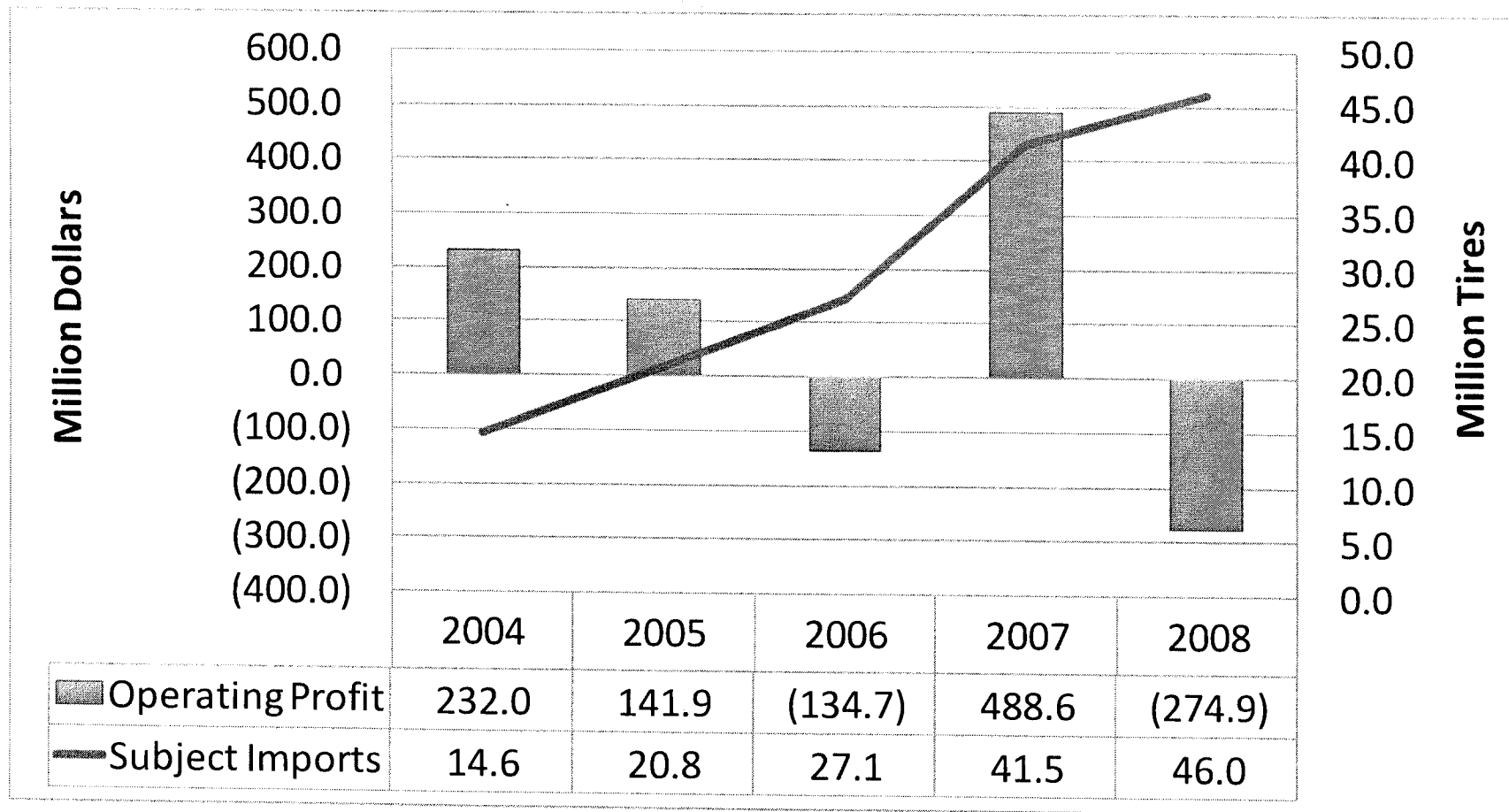
Source: SR, P. V-23.

6. U.S. Tire Producers' Per-Tire Raw Material Costs



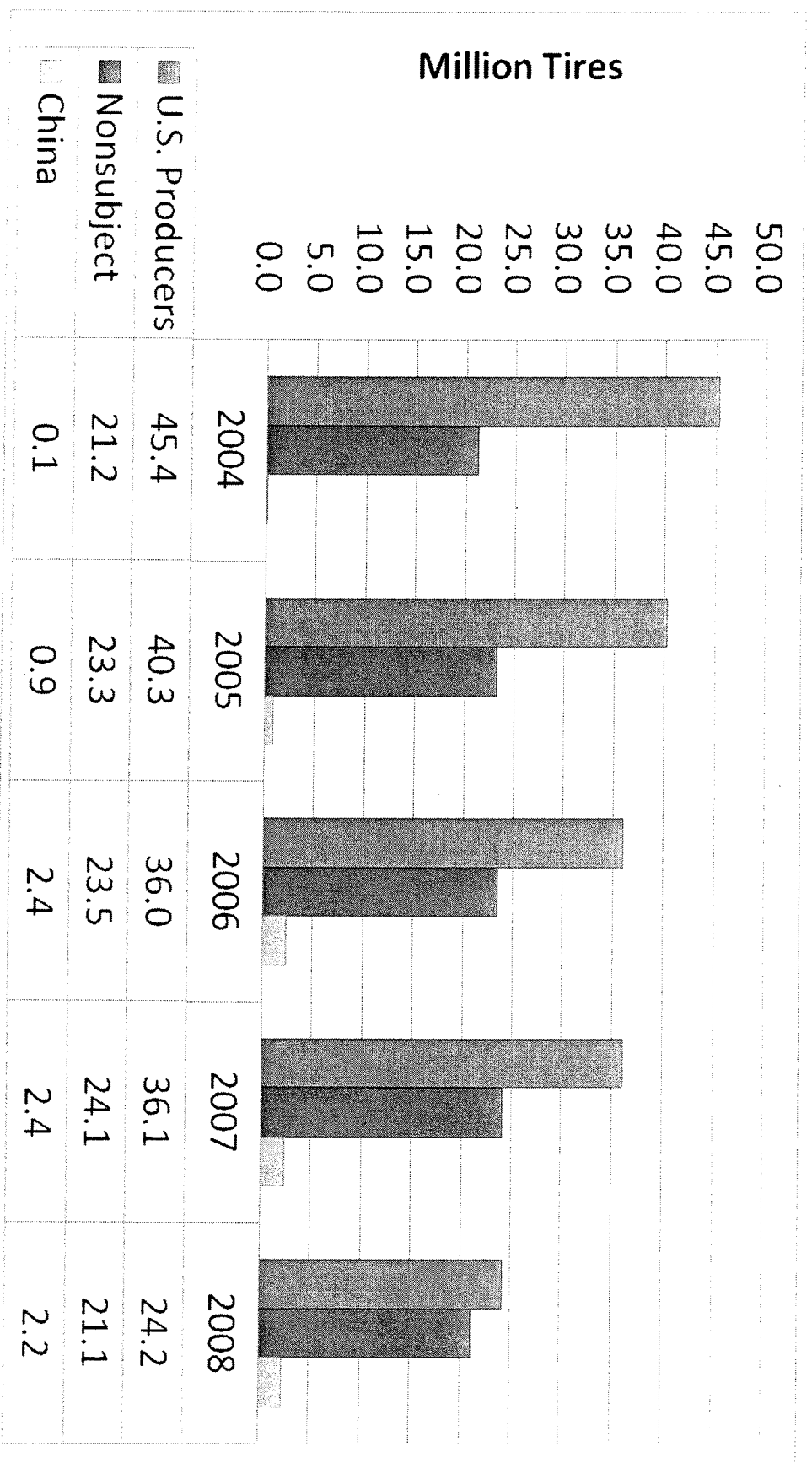
Source: SR, Tables III-5 and III-6

7. U.S. Tire Producers' Operating Profits and Subject Imports



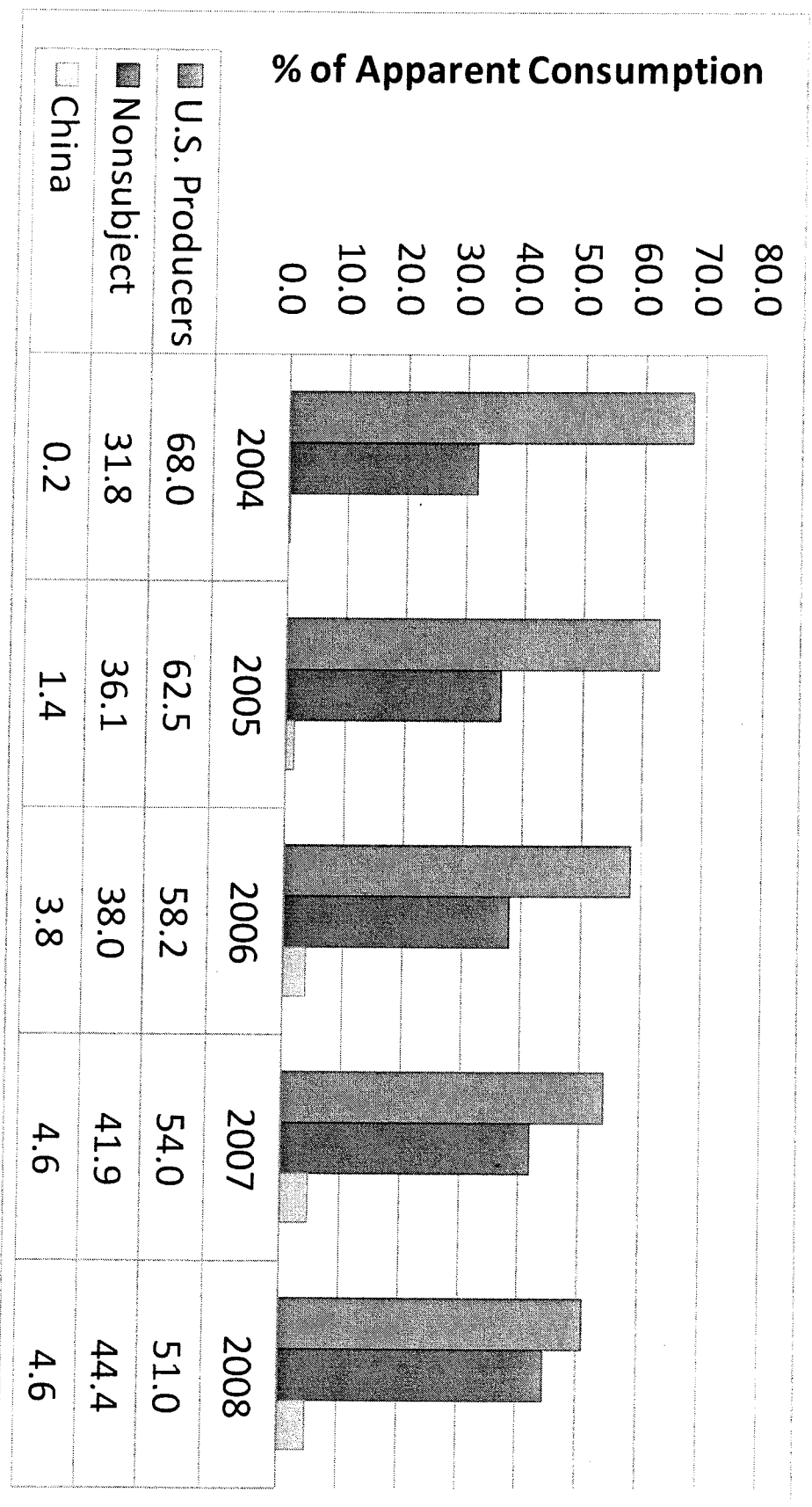
Source: SR, Tables III-5

8. Estimated Domestic Shipments and Imports of the Subject Tires in the OEM Market



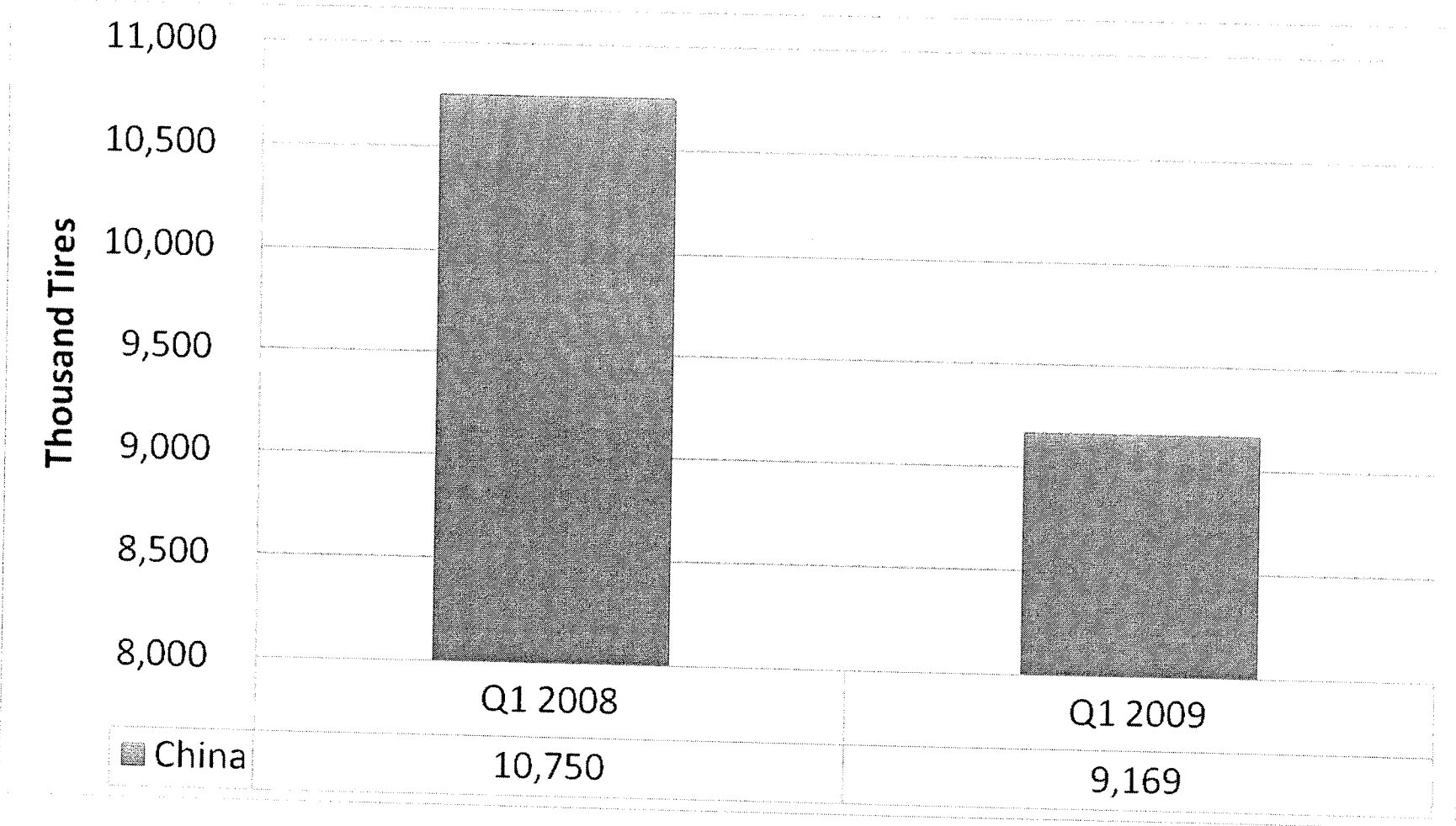
Source: Derived from SR, Tables 1-5 and V-2.

9. Estimated Subject Tire Market Shares in the OEM Market



Source: Derived from SR, Tables 1-5 and V-2.

10. YTD 2009 Imports of Subject Tires from China



Source: USITC Data Web