

Investigation No. TA-421-7

**Certain Passenger Vehicle and Light Truck Tires
from China**

UNITED STEELWORKERS



UNITY AND STRENGTH FOR WORKERS

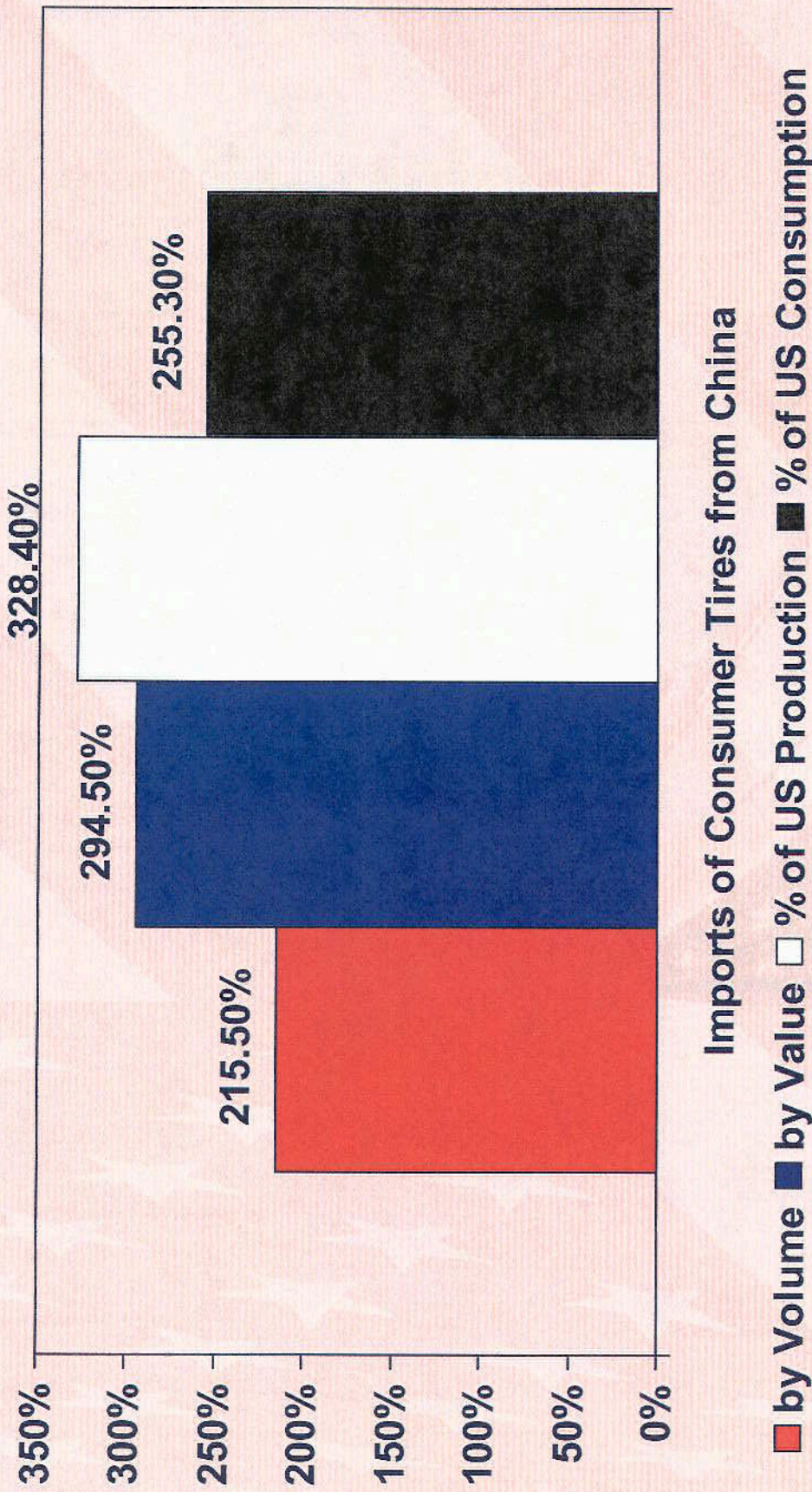
Overview

1. Imports have increased rapidly
2. The domestic industry has suffered material injury
3. Imports are a significant cause of injury, resulting in market disruption
4. The domestic industry is threatened with additional material injury absent relief
5. A quota will remedy the material injury imports have caused

1. Rapidly Increasing Imports

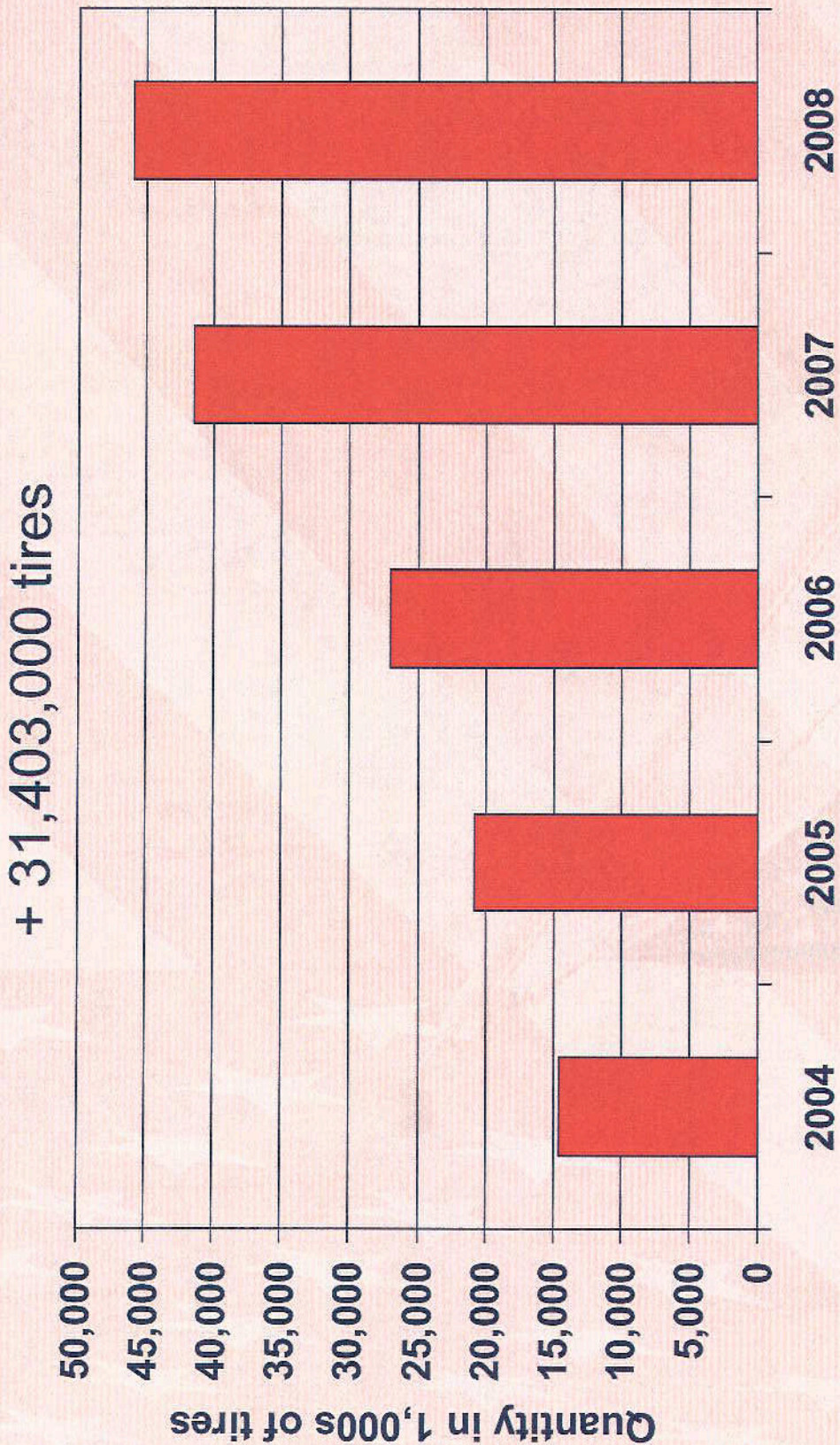
By any measure, imports of subject tires have increased rapidly over the POI

1. Rapidly Increasing Imports: % Growth 2004-2008



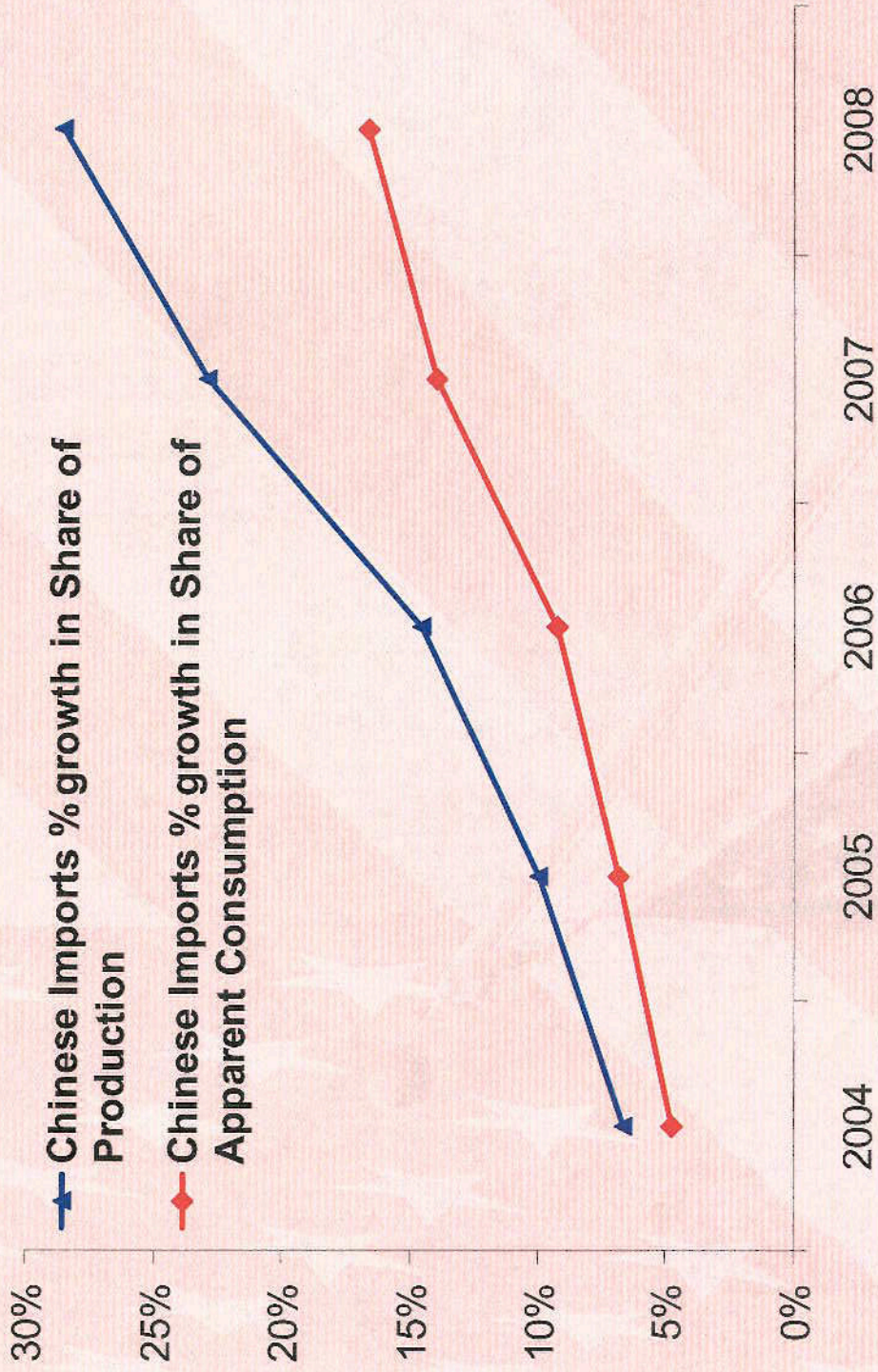
Source: PSR at I-24, II-4, Table I-5, II-2

1. Rapidly Increasing Imports: Absolute Increase



Source: PSR at I-24, Table I-5

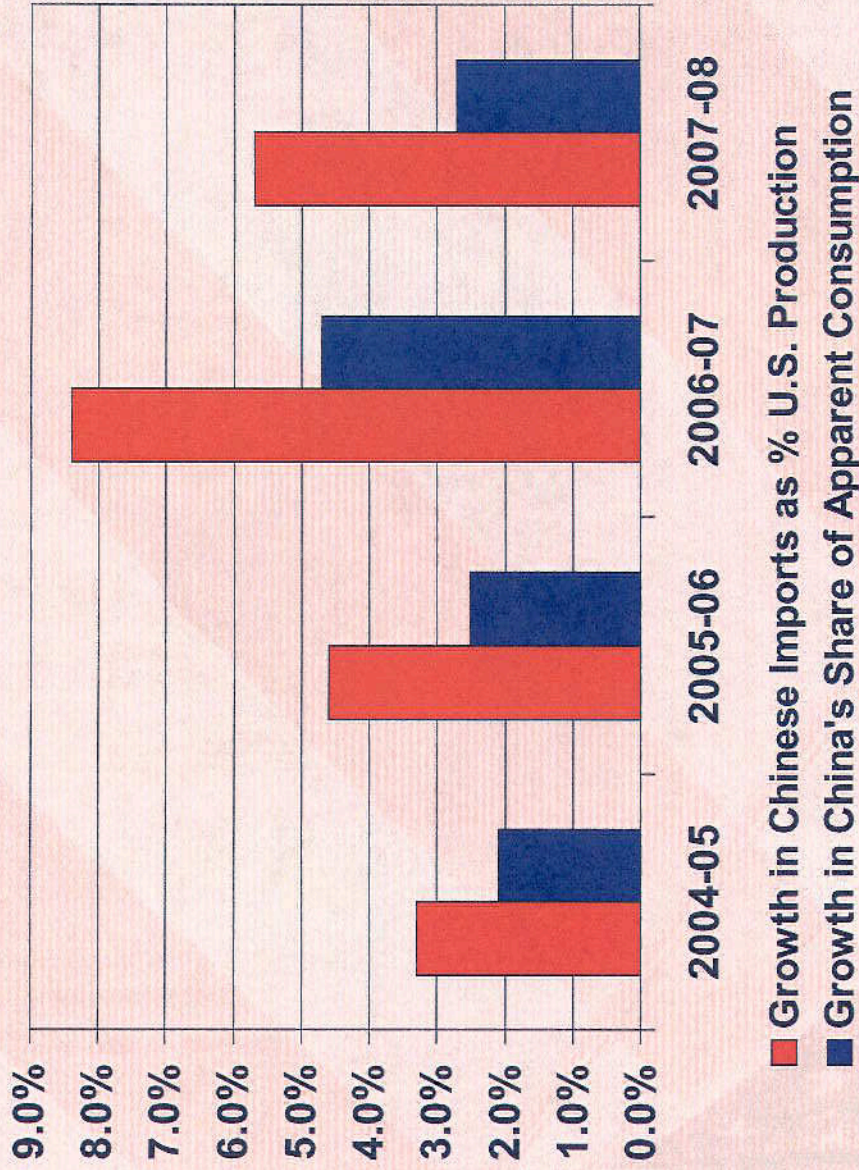
1. Rapidly Increasing Imports: Relative Increase



Source: PSR at I-24, II-4, Table I-5, II-2

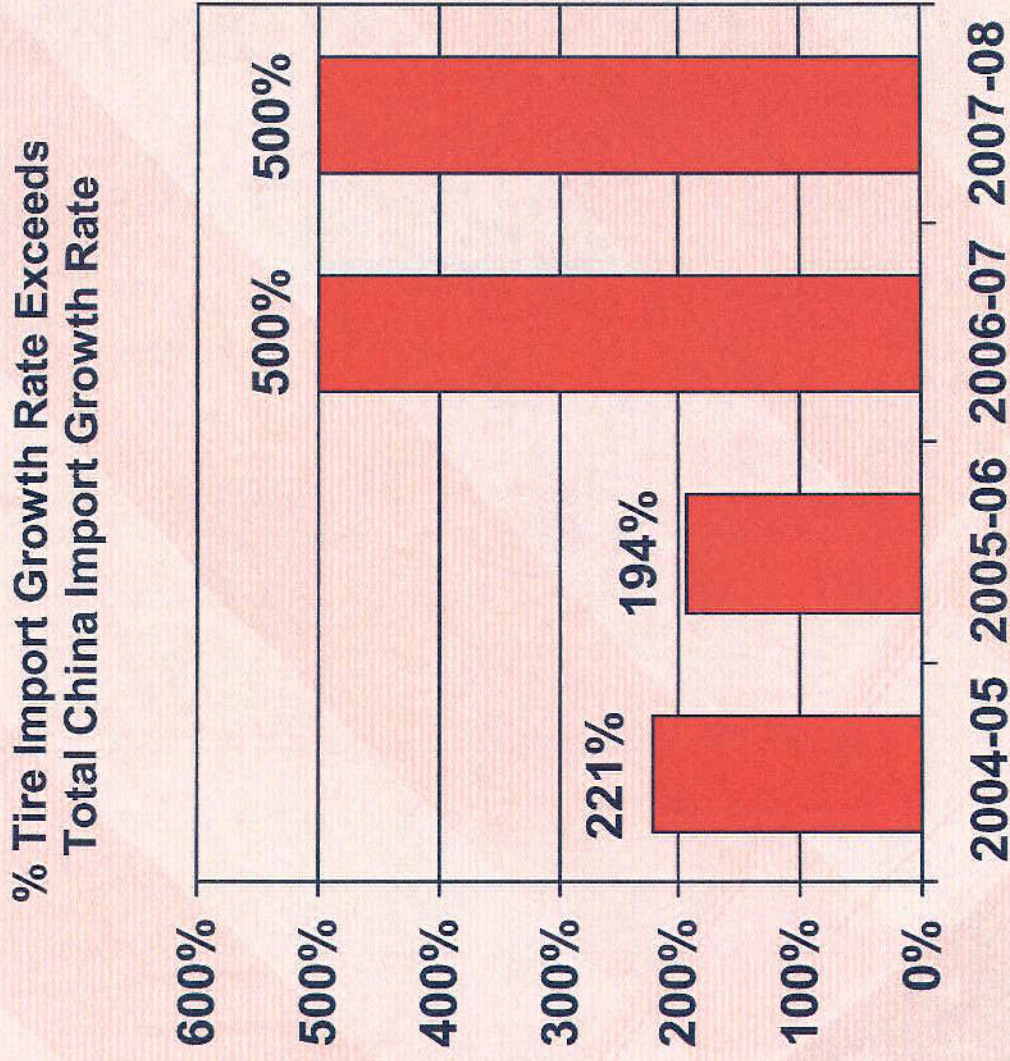
1. Rapidly Increasing Imports: Every Period of the POI

Not only have imports from China surged dramatically over the POI, the surge typifies all periods of the POI



1. Rapidly Increasing Imports: Compared to Total Imports from China

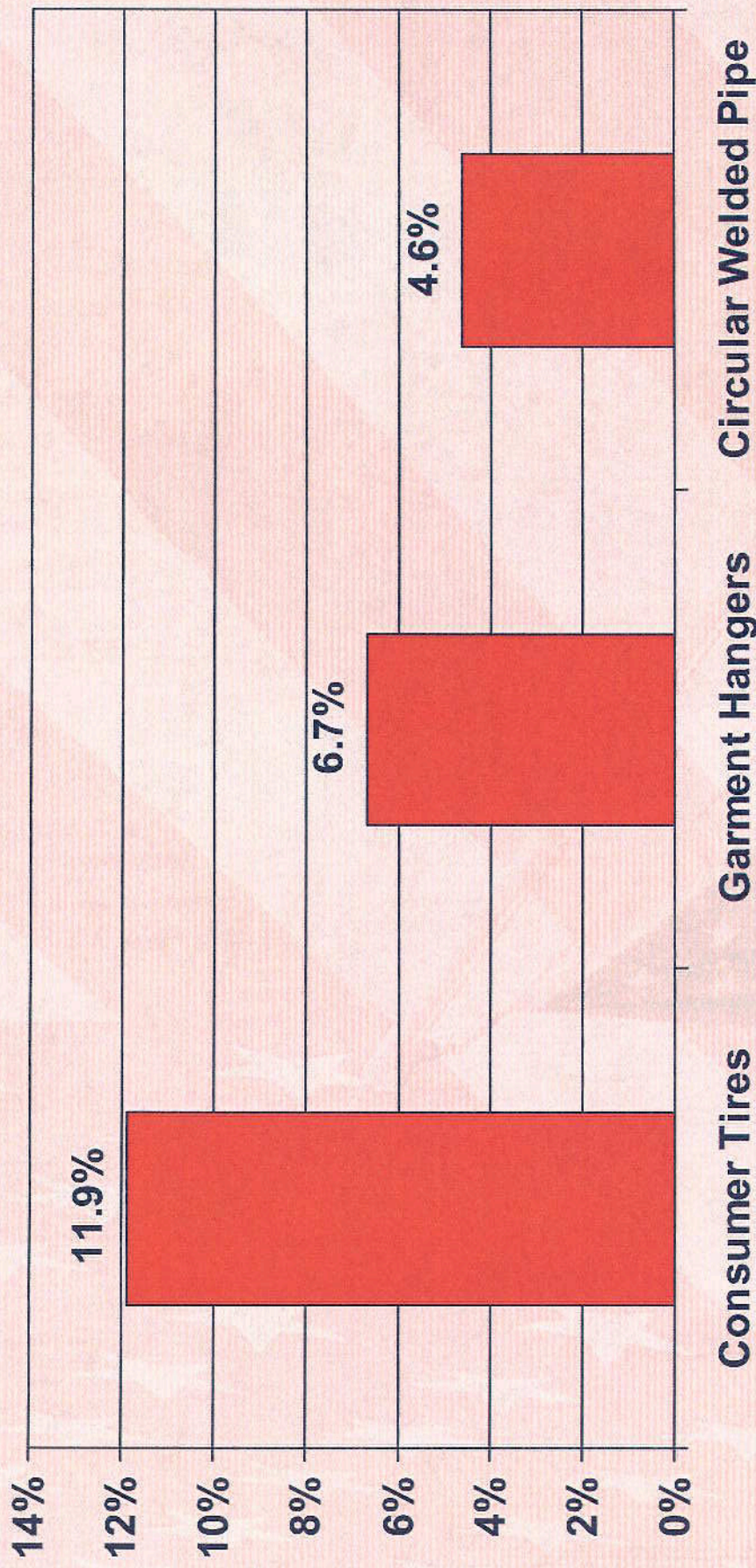
- Subject tire imports grew 3 to 6 times faster than total U.S. imports from China (all products)



Source: PSR at I-24, Table I-5; Total China imports are the aggregate of all HS commodities on a landed cost basis from the USITC Dataweb.

1. Rapidly Increasing Imports: Tires vs. Prior Affirmative 421

Percentage point growth in share of apparent consumption over POI



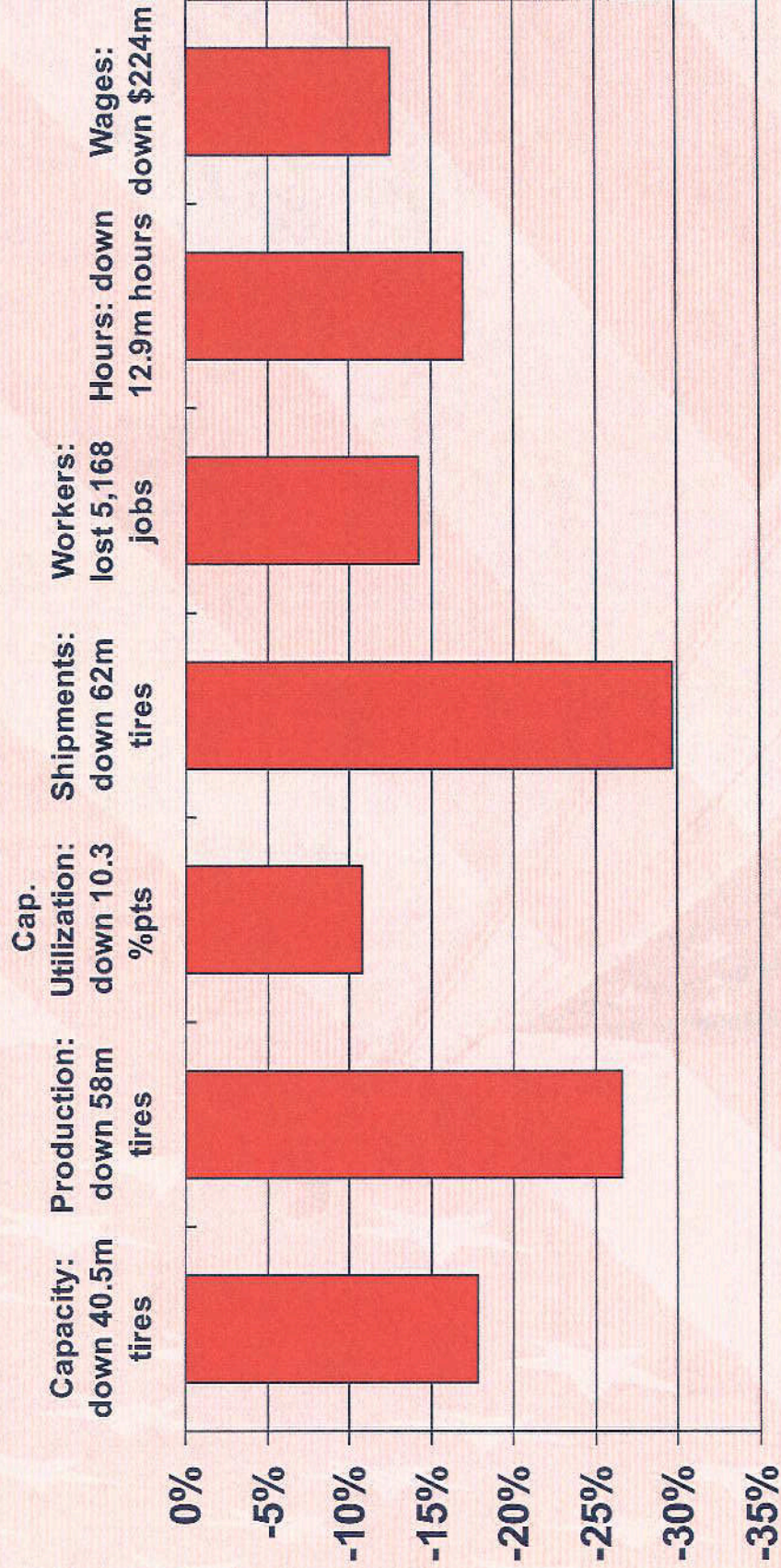
Source: PSR at C-3. USITC Pub. 3575 at I-19 and I-35. USITC Pub. 3807 at I-21

2. Material Injury

The domestic industry has
suffered broad and deep
material injury

2. Material Injury: Deep Declines Across Categories

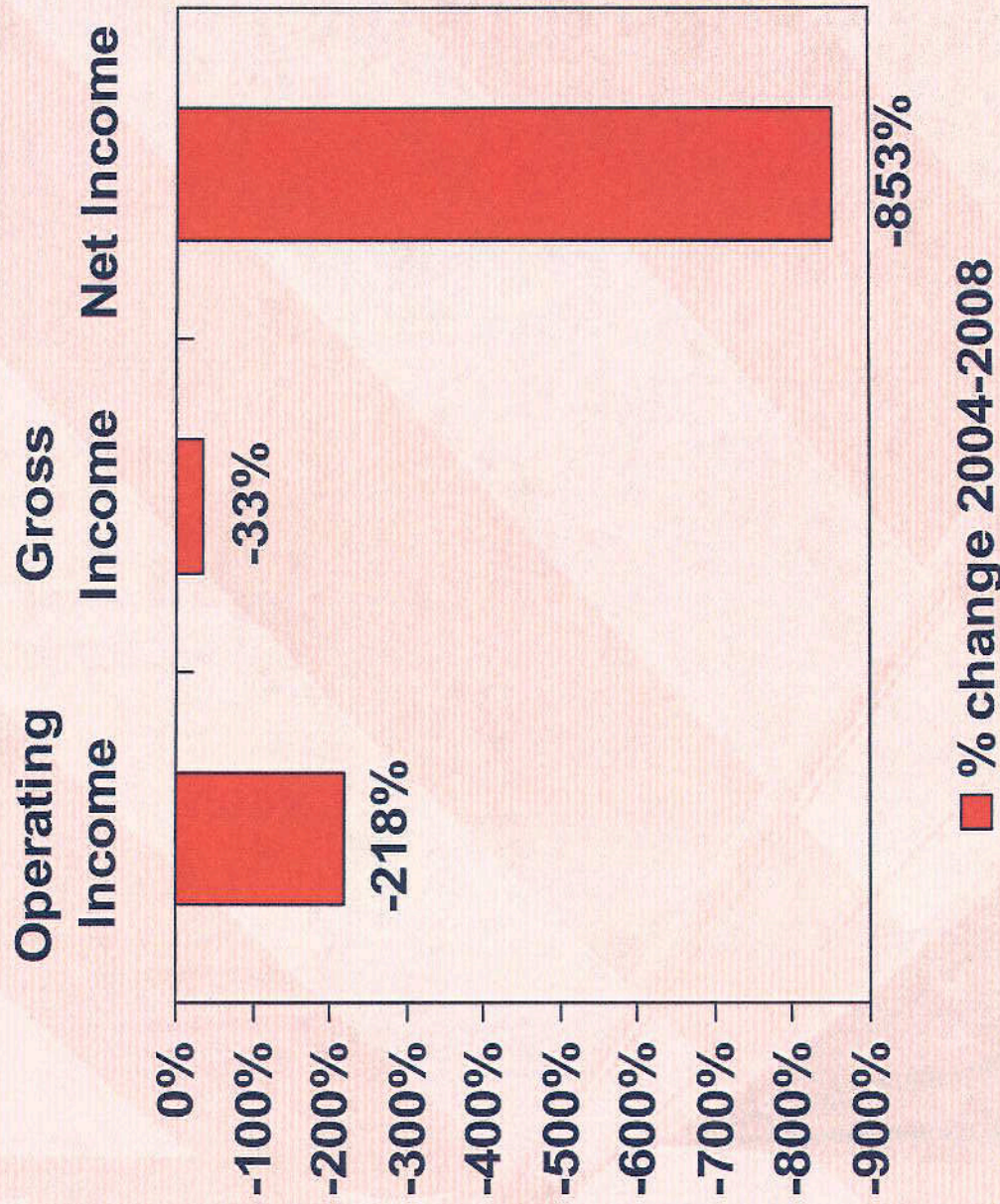
% change during the POI



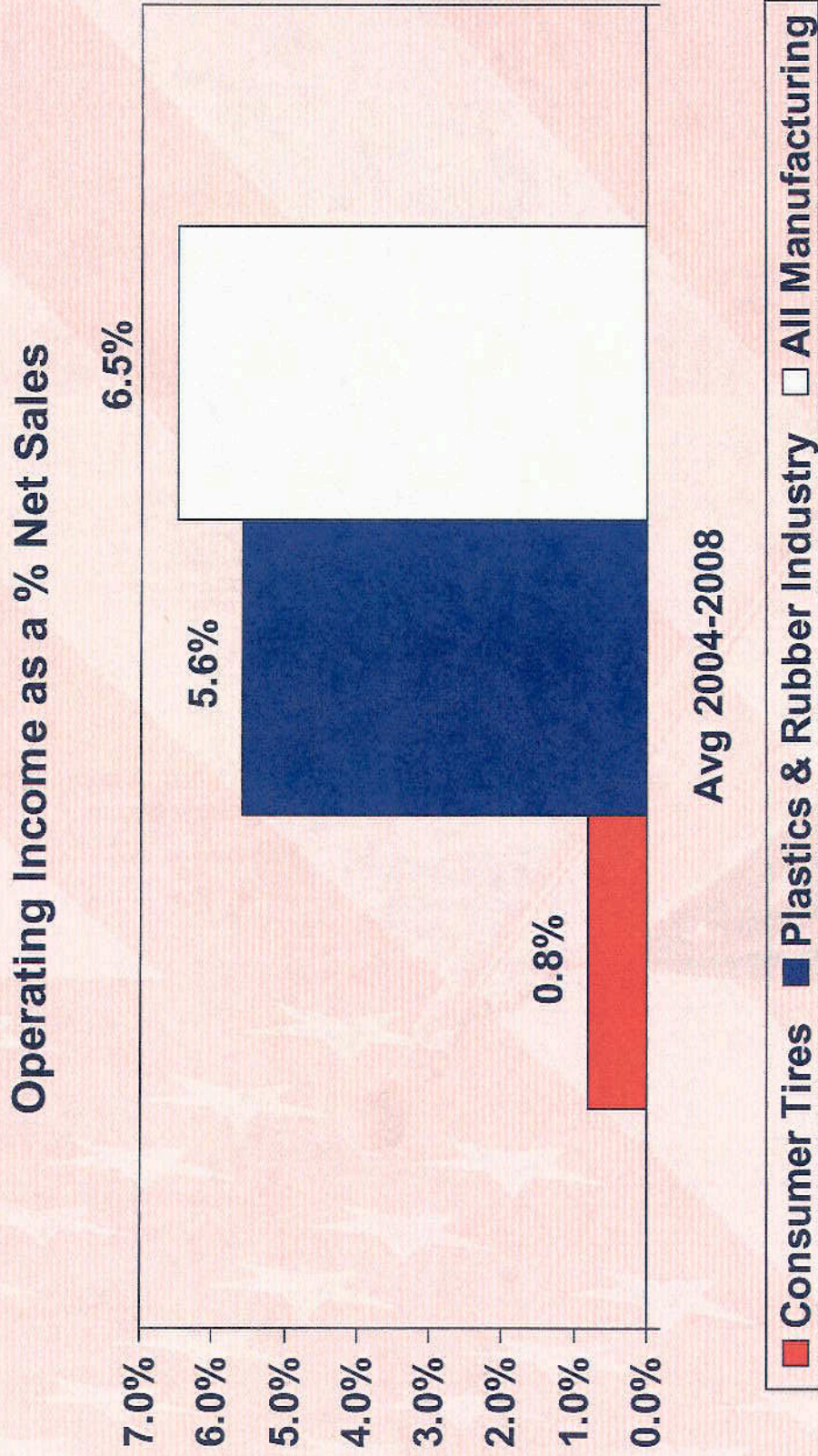
Source: PSR at III-2, III-3, III-8, III-10, Table III-1, III-2, III-4

2. Material Injury: Massive Loss of Profitability

Operating
Income fell
218.2%,
from 2.2%
of sales to
-2.6% of
sales

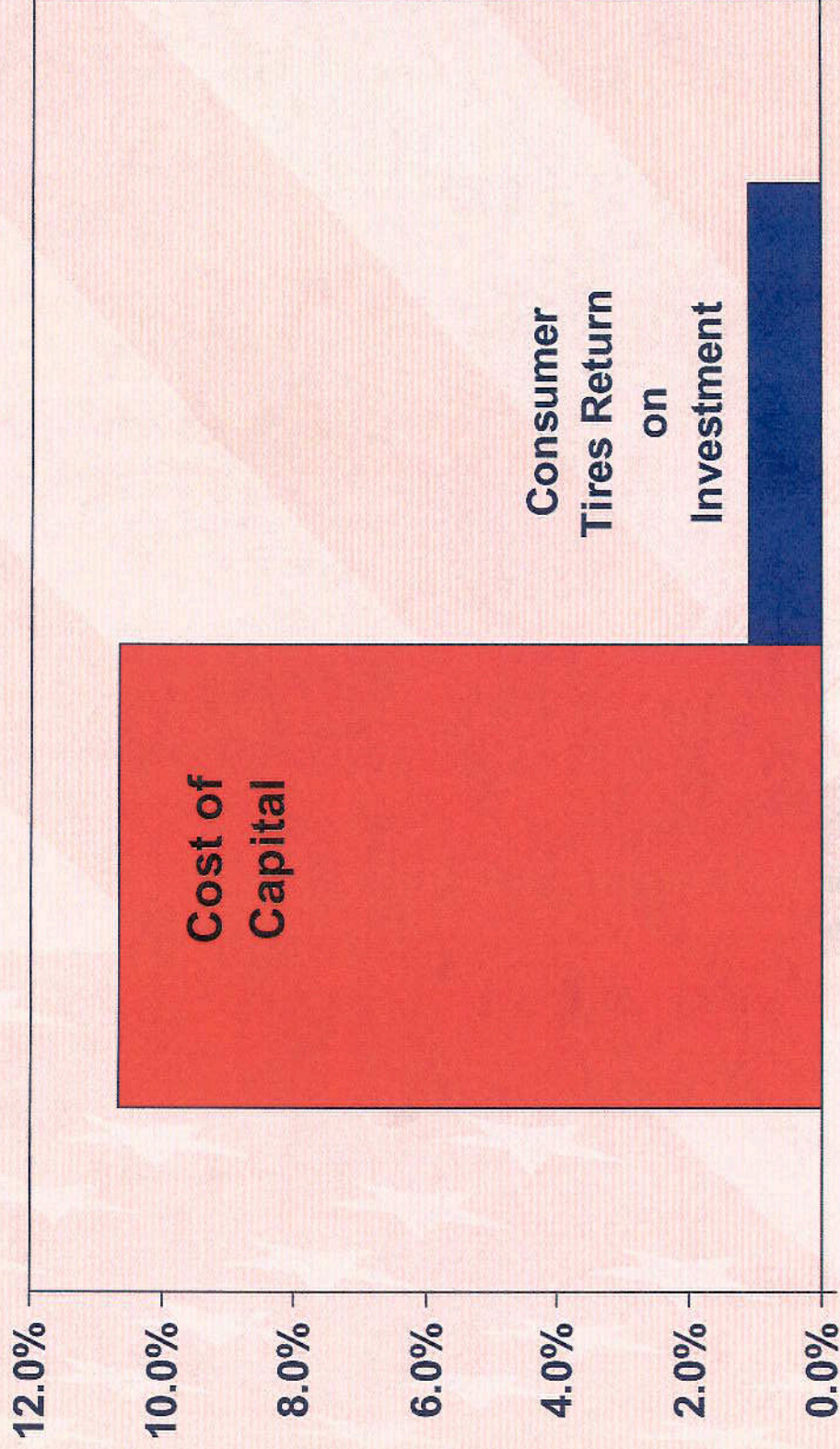


2. Material Injury: Returns Far Below Reasonable Levels



Source: USW PHB at 16

2. Material Injury: Returns Below Reasonable Cost of Capital

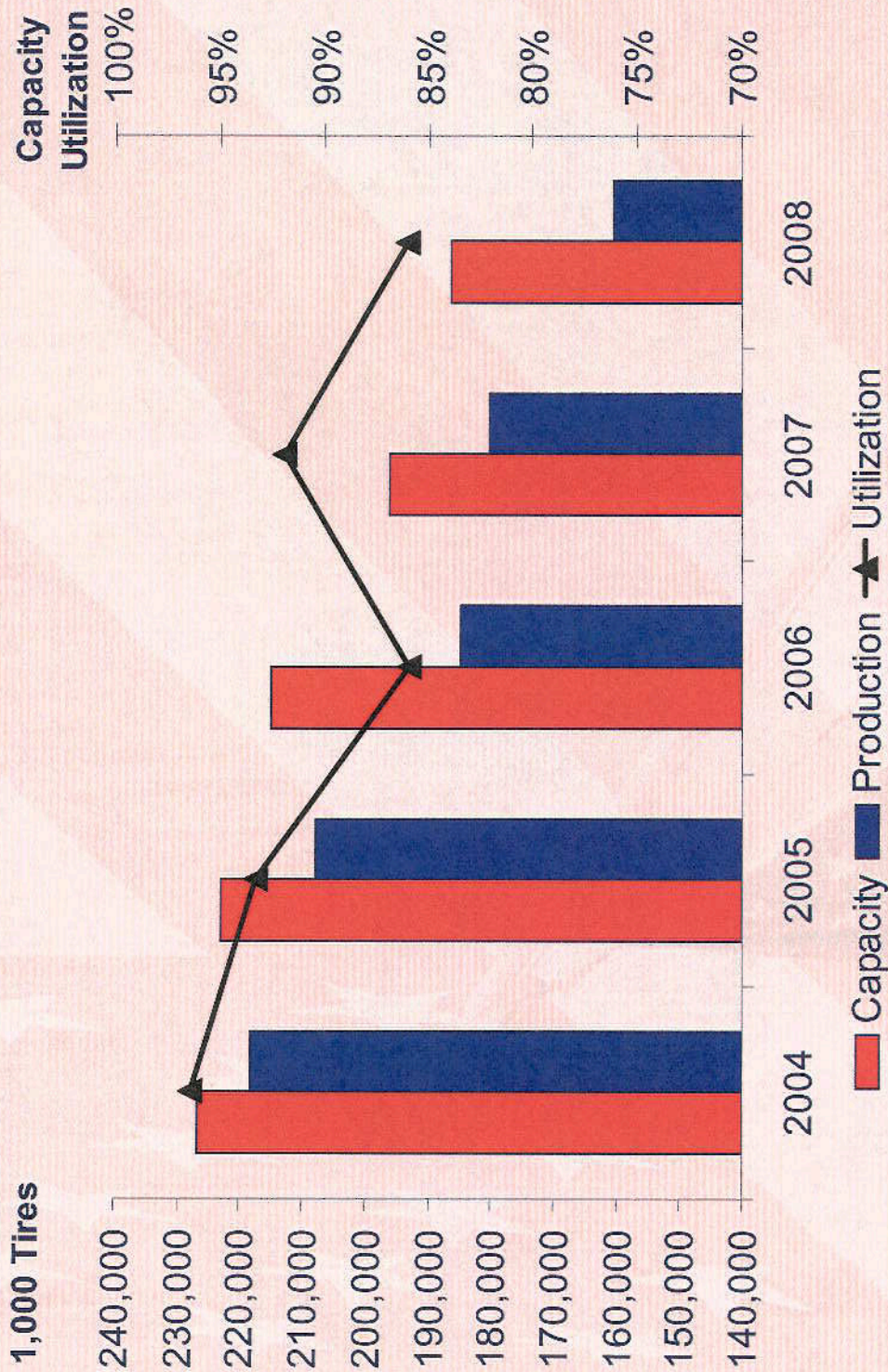


Source: USW PHB at 16-17, Tires Return Estimated Based on Goodyear 2008 AR Sales/Assets Ratio

2. Material Injury: Losses Lead to Retrenchment

- Due to the surge in low-cost imports from China, domestic companies have not been able to operate at reasonable profitability
- Loss of market share has meant production has been cut, plants closed, and hours, wages, and jobs slashed

2. Material Injury: Idling of Productive Facilities

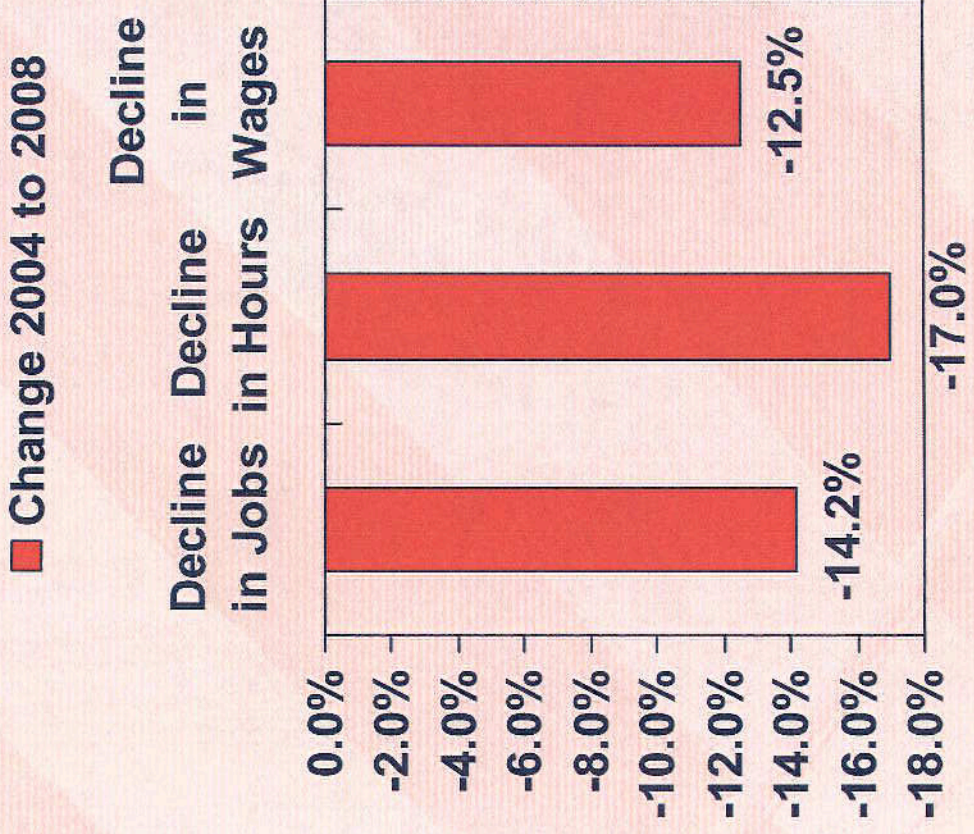


Source: PSR at Table III-1

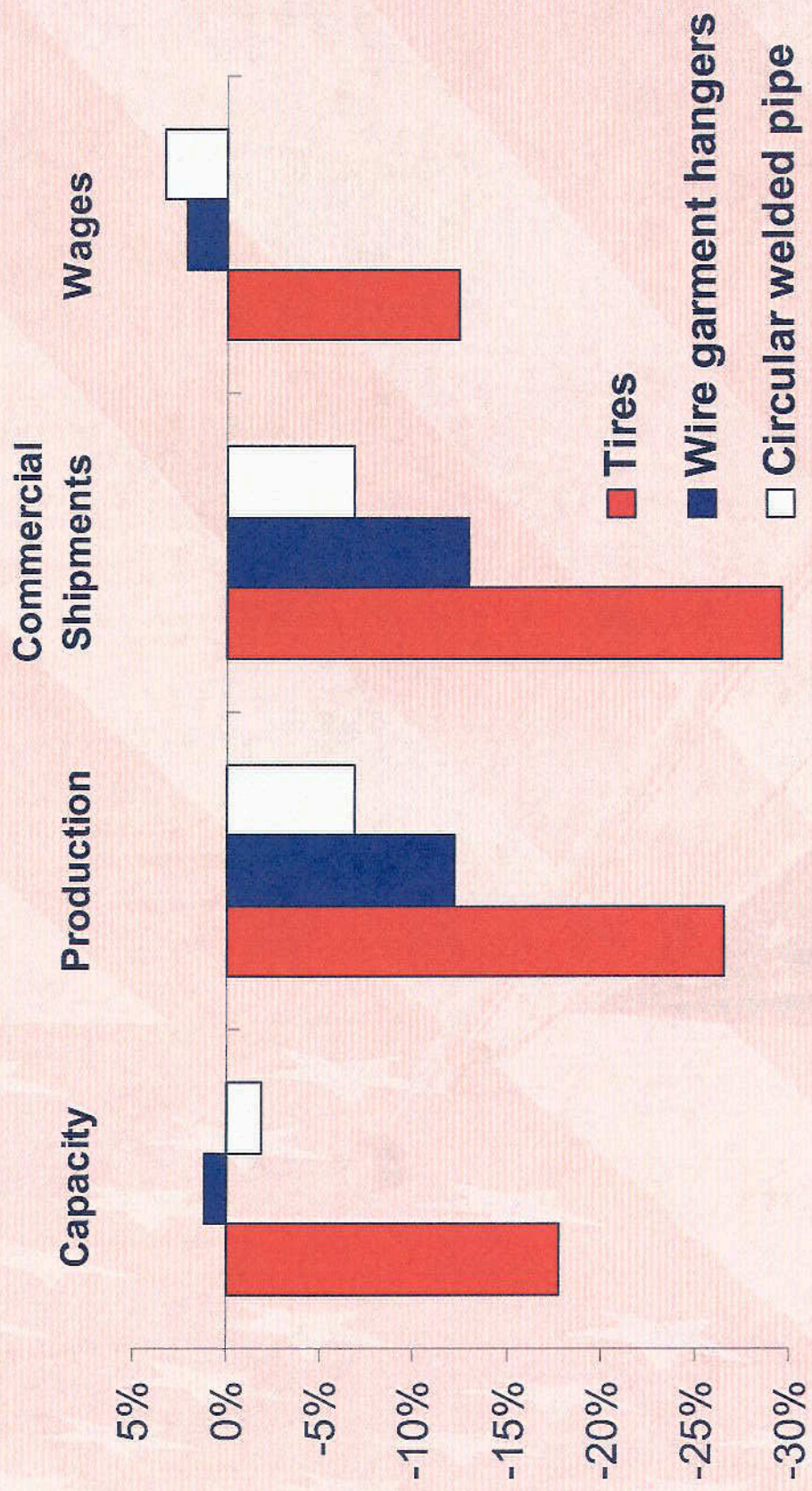
2. Material Injury: Unemployment and Underemployment

During the POI, workers have been severely harmed:

- 5,168 jobs lost; 3,000 more in 2009
- A loss of 13 million hours of work
- A loss of \$254 million in wages
- Sacrificed wages and benefits in contract negotiations to help industry compete



2. Material Injury: Tires vs. Prior Affirmative 421



Source: PSR at III-2, III-8, and III-10. USITC Pub. 3575 at I-21 to I-23. USITC Pub. 3807 at III-1, III-4, and III-6.

3. Causation

Increased imports are a significant cause of material injury, creating market disruption

3. Causation: Subject Imports Seized U.S. Market Share



Source: PSR at V-1, Table V-1

3. Causation:

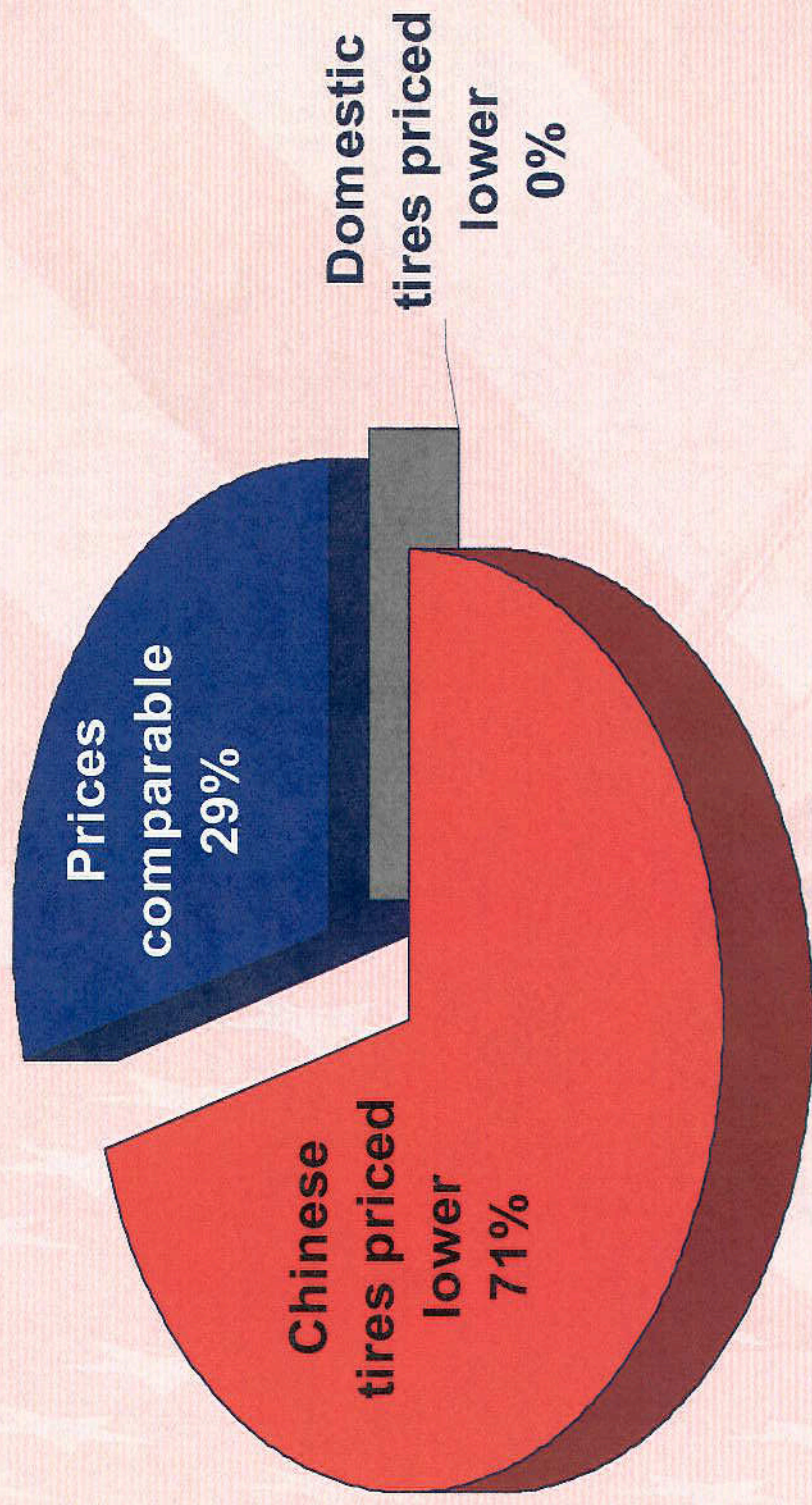
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... Including More Than 100% of the Loss in the Replacement Market



Sources: PSR at V-3, Table V-2; Table C-1

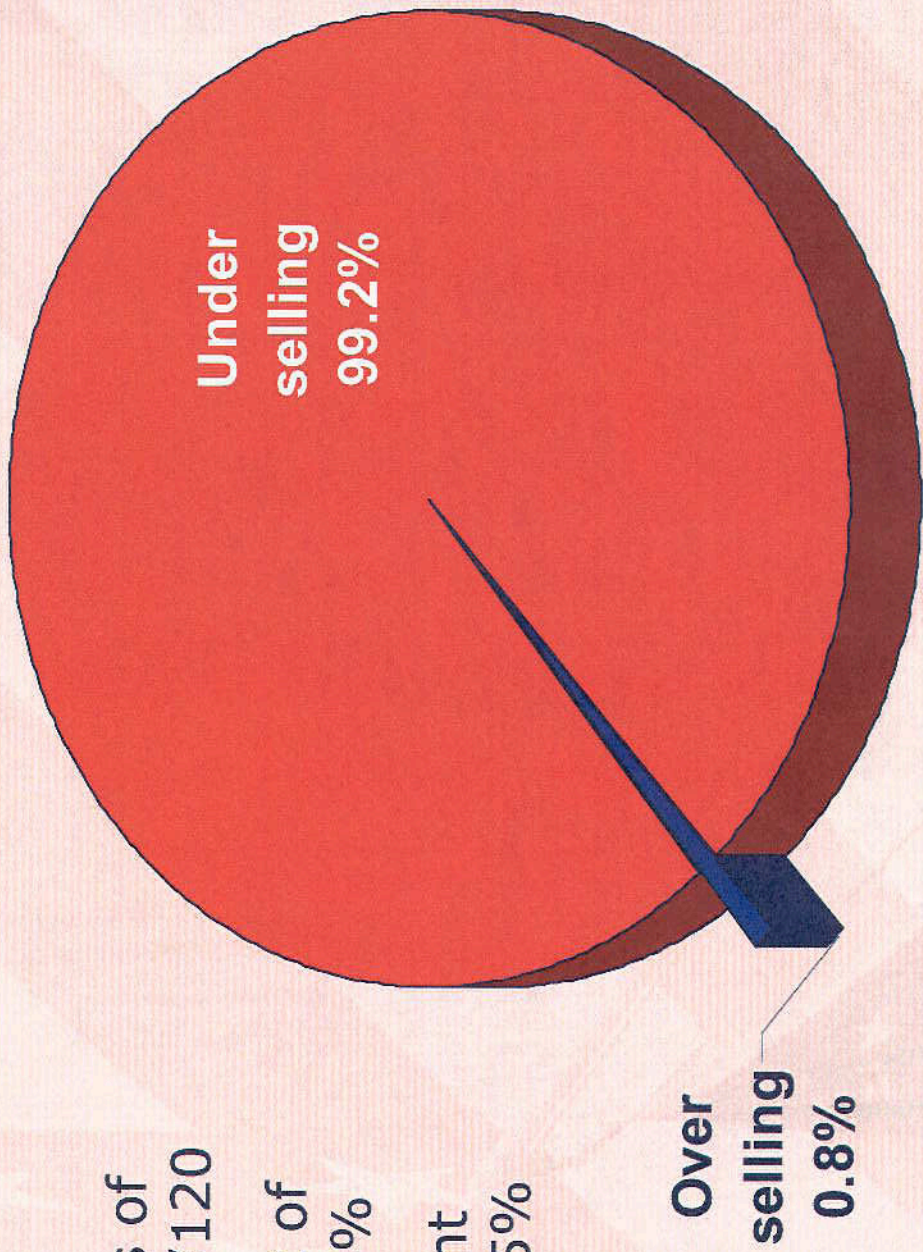
3. Causation: Purchasers Report Lower China Prices



Source: PSR at V-16

3. Causation: Consistent and Significant Underselling

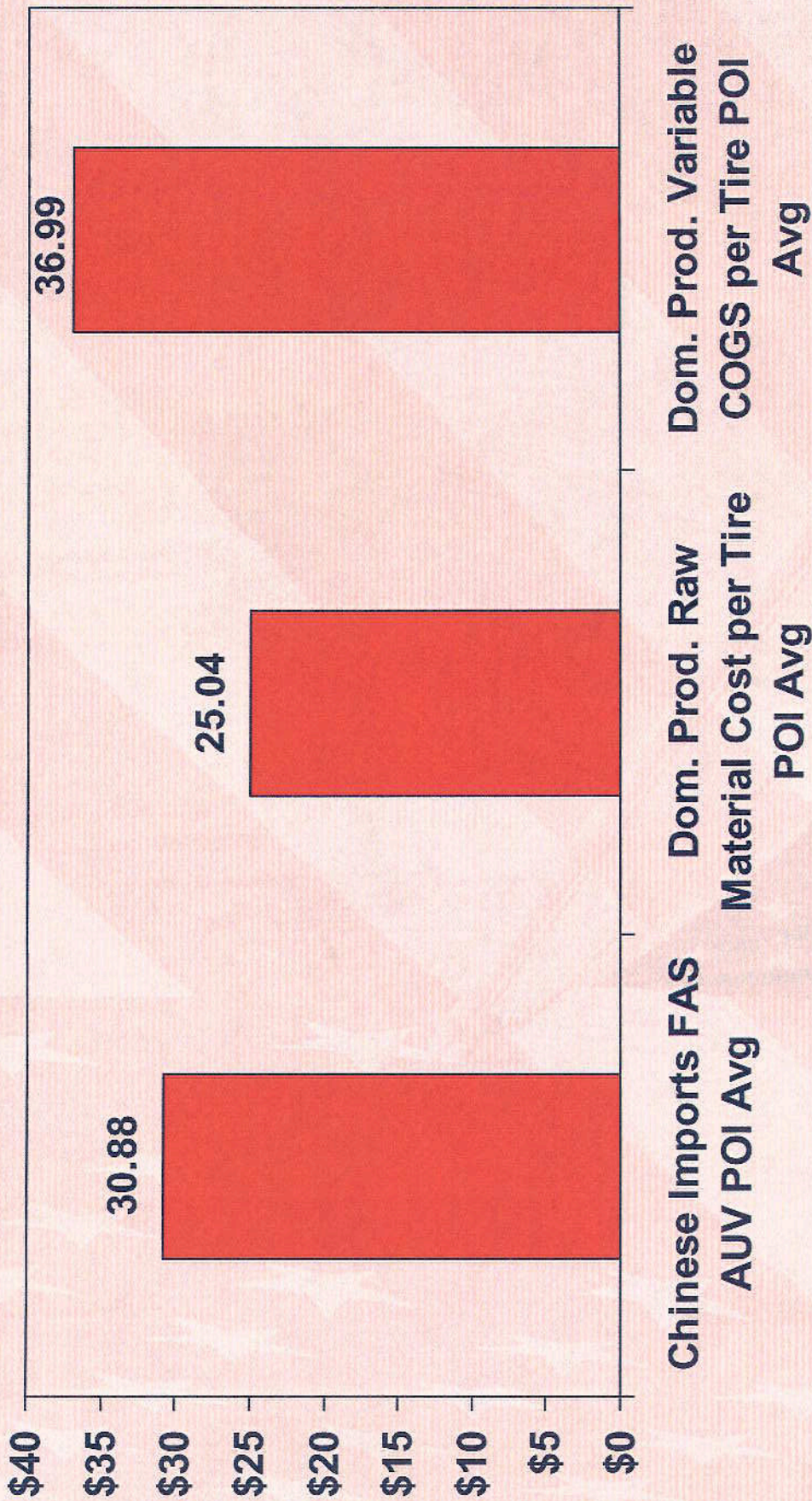
- Number of cases of underselling: 119/120
- Average amount of underselling: 19.4%
- Maximum amount of underselling: 45%



Source: PSR at Table V-16

3. Causation:

China Prices Below U.S. Variable Cost of Goods Sold



Source: FAS AUV from USITC Dataweb for subject imports; PSR Table III-5 at III-16.

3. Causation:

Rapidly Increasing Imports + Prices Below Variable Cost
= Lost Volume + Plant Closures

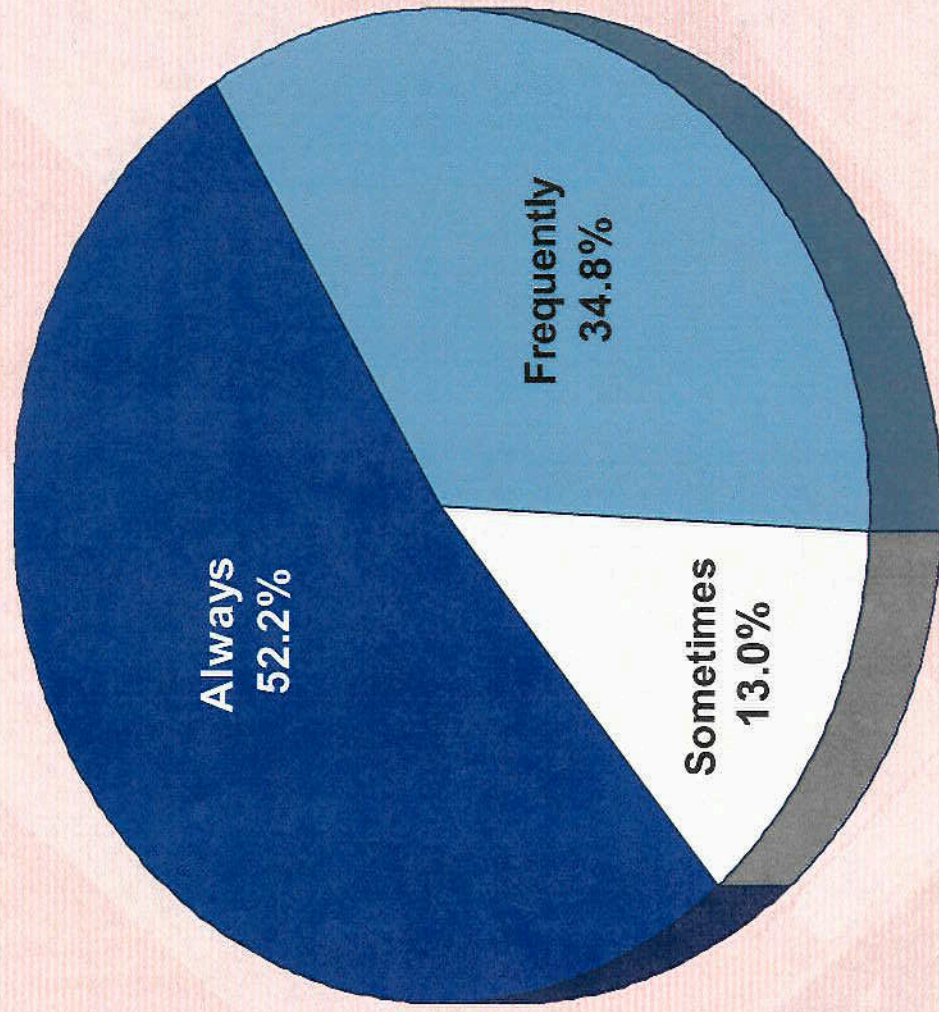
- **Goodyear (1 plant):** "We are under attack as never before by foreign competitors...{Customers} don't care where a tire is made." *Jon Rich, president of North American Tire, Goodyear Tire & Rubber*
- **Continental (2 plants):** "Global competition is putting pressure on us as our manufacturing costs are cheaper overseas...The production curtailments we announced today are a reflection of that reality." *Alan Hippe, president of Continental*
- **Bridgestone (2 plants):** Steve Brooks, Bridgestone vice president of manufacturing operations, cites "fierce competition from low-cost producing countries" as a reason for plant closings.
- **Cooper (1 plant):** "United States manufacturers have come under intense pressure in recent years from low-priced imports." *Cooper Tire and Rubber News Release (Nov. 22, 2006)*
- **Michelin: (1 plant):** "Michelin, like other tire makers with North American factories, is facing intense competition in the United States from Asian plants, {Jim} Macali {president of Michelin North America} and others said." *Akron Beacon Journal (Dec. 15, 2006)*

3. Causation: U.S. & Chinese Tires are Interchangeable

Importers saying U.S. and Chinese produced subject tires are interchangeable

87% of importers said that U.S. and Chinese subject tires are always or frequently interchangeable

94% of purchasers said the quality of Chinese tires meets or exceeds industry standards



3. Causation: Domestics Compete in All Market Areas

- Bridgestone: Caliente, Fuzion, Gillette, Road King, Sears, Triumph
- Cooper: Akuret, American Radial, Avon, Big O, Chaparral, Cordovan, Cornell, Dean, Delta, Dominator, Eldorado, Futura, Hercules, Jetzon, Laramie, Lexington, Mastercraft, Mentor, Merit, Motomaster, Multi-Mile, National, Roadmaster, Sigma, Summit, Telstar, Tempra, Vanderbilt, Wintermaster
- Denman: Parnelli Jones Dirt Grip, Gateway, Dawg Pound, Grip Spur, Lester, Universal
- Goodyear: Arizonian, Big O, Motomaster, Pathfinder, Road Hugger, Rocky Mountain, SA4, Silver Edition, Trail Finder, Vogue, Douglas, Remington, Republic, Sears
- Michelin: Fisk, Green+, Sears, Trivant
- Specialty Tire: American Classic, Apple 1, Universal

3. Causation: Imports Affect All Consumer Tires

"There is little doubt that these products {low-cost imports} are having some impact they are having an impact on sales in general - not just private brands. Many customers come in to make a purchase with a defined amount to spend They are not concerned with handling or comfort or even mileage; they just want the tire for the least amount of money. Low-cost, entry-level products fill that need."

- Len Lewin, CEO of ACCC, the largest tire dealer program group in the U.S. and one of the country's preeminent private brand marketers

3. Causation: Products Compete Regardless of Brand

- Michelin NA former President, Jim Micali: “We ought to be able to persuade them {buyers} that buying the more initially expensive but superior performance tire is the one to buy.”
- Independent dealers need information on long-term value so they can use it if a potential customer has a choice of buying a tire that may be cheaper initially but cost more over the life of the tire.

Source: USW PHB at Ex. 16

3. Causation:

Imports Forced Closure of U.S. Facilities Making Directly Competitive Items

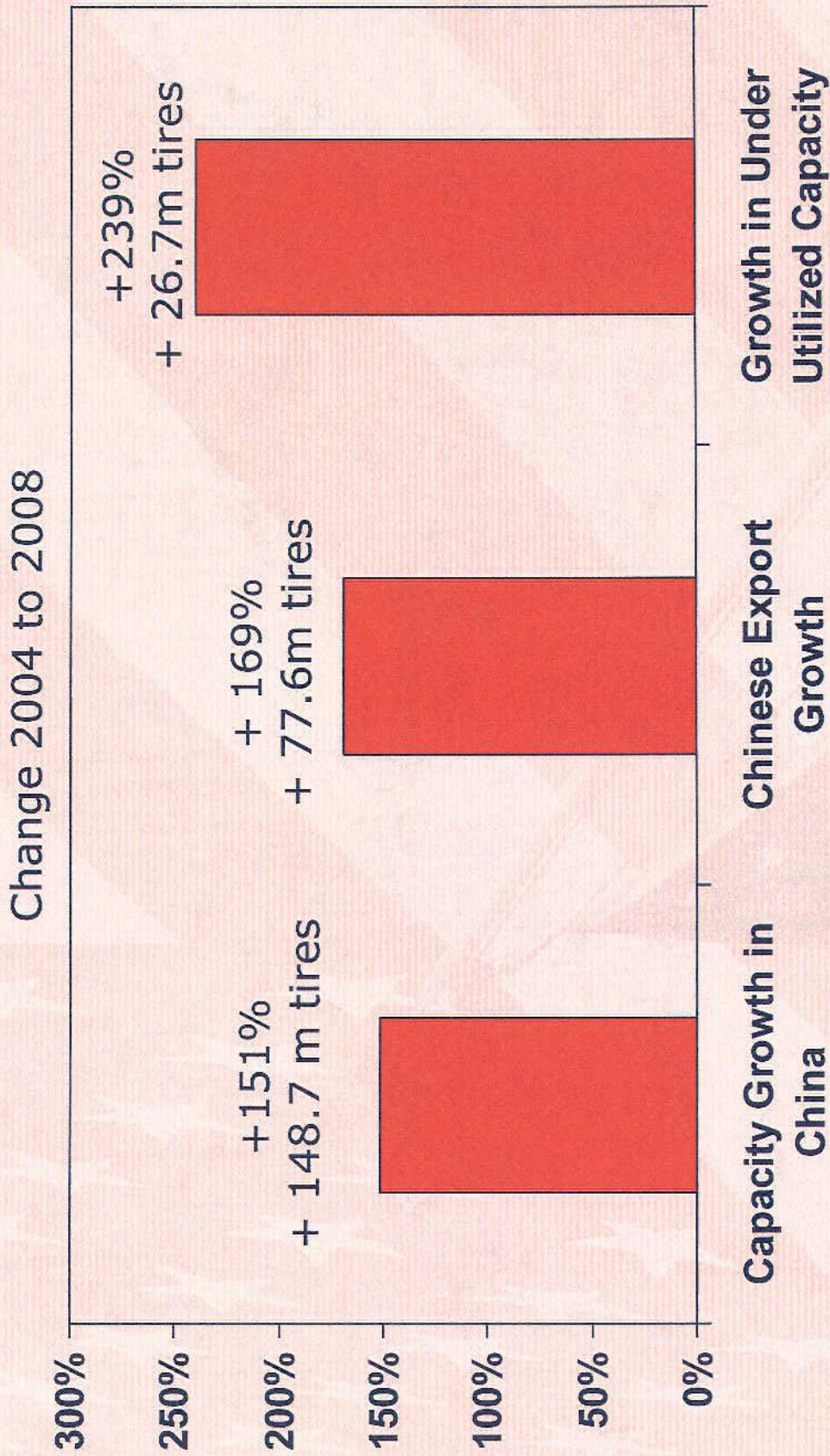
In 2006, imports caused Goodyear to cut 10 of 50 private brands it produced, resulting in the closure of the Tyler, Texas plant:

- According to ATD's senior VP for procurement, the decision "didn't come as a surprise because most American manufacturers are really having difficulty, when it comes to this cost segment, in producing the product that can compete with some of the offshore merchandise that's coming in."

4. Threat

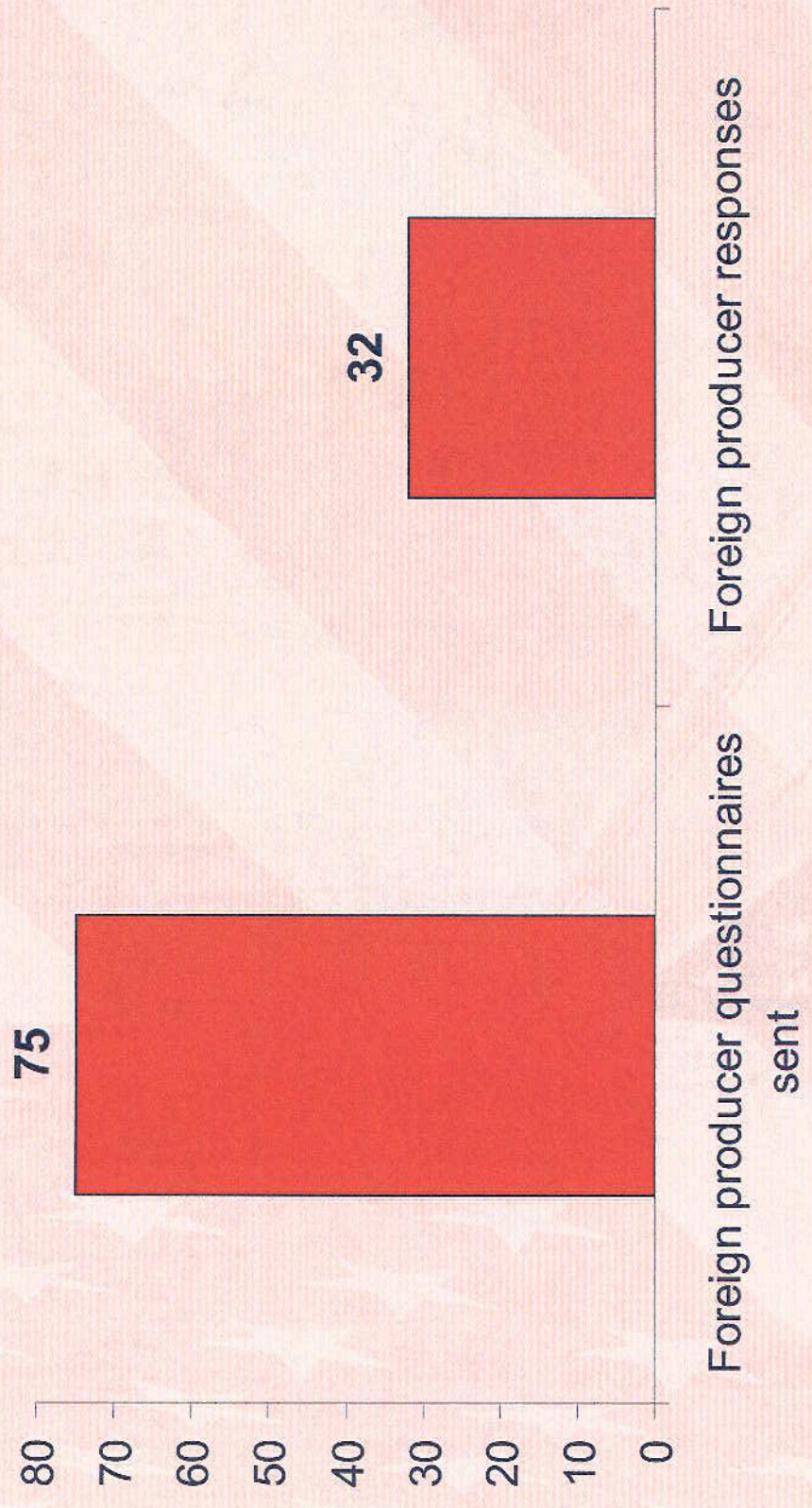
Absent relief, the domestic industry is threatened with more material injury

4. Threat: Capacity, Exports, and Underutilization Rising



Source: PSR at Table IV-2

4. Threat: Understated By Lack of Response



Source: PSR at IV-1

4. Threat: U.S. Attractive Target for Excess Capacity

- PSR incorrectly states U.S. prices are lower than prices in Europe and Korea
- Table IV-3 correctly shows U.S. prices are consistently higher than most other markets, including UK, Belgium, Germany and Korea
- Thus, the U.S. will continue to be an attractive export target for China's growing excess capacity

4. Threat: China Boosting Tire Export Incentives

- China increased its VAT rebate on exports of consumer tires on Dec. 1, 2008
 - Increased from 5% to 9%
- China stated the change was designed to help its exporters compete

5. Remedy

A quota is required to remedy
the material injury the
domestic industry has
suffered

5. Remedy

- Key Elements:
 - Quota of 21 million tires
 - Allocated across HTS subheadings at the 10-digit level
 - Quota remains in place for 3 years
 - Quota increases 5 percent each year
- Significant benefits to domestic industry and its workers, related industries, and U.S. communities