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Boto Tyre Co., Ltd.;
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P R O C E E D I N G S

(1:04 p.m.)

1
2
3 CHAIRMAN ARANOFF: Good afternoon, on behalf
4 of the United States International Trade Commission, I
5 welcome you to day one of hearings on Investigation
6 Number 701-TA-448 and 731-TA-1117 (Final) involving
7 Certain Off-the Road Tires from China.

8 The purpose of these investigations is to
9 determine whether an industry in the United States is
10 materially injured or threatened with material injury,
11 or the establishment of an injury in the United States
12 is materially retarded by reason of subsidized imports
13 and less than fair value imports of certain off-the-
14 road imports from China.

15 The schedule setting forth the presentation
16 of this hearing, notice of investigation, and
17 transcript order forms area available at the
18 Secretary's desk. All prepared testimony should be
19 given to the Secretary.

20 Please do not place testimony directly on
21 the public distribution table. All witnesses must be
22 sworn in by the Secretary before presenting testimony.

23 I understand that parties are aware of the
24 time allocations. Any question regarding the time
25 allocations should be directed to the Secretary.

1 Finally, if you will be submitting documents
2 that contain information you wish classified as
3 business confidential, your request should comply with
4 Commission Rule 201.6.

5 Before getting started this afternoon, I
6 would like to thank all of the parties for your
7 flexibility with respect to the somewhat unusual
8 scheduling of this hearing. This morning, the Court
9 of Appeals for the Federal Circuit heard argument in a
10 very important section 337 patent case that the
11 Commission decided last year concerning cell phone
12 technology.

13 The Court's decision in that case has the
14 potential to bring about substantial change in the
15 Commission's practice in Section 337 cases, and the
16 Commissioners collectively felt that it was important
17 that we attend the Court's proceedings.

18 In re-scheduling the hearing, we tried very
19 hard to accommodate the needs and travel plans of all
20 the witnesses to the best of our ability. On behalf
21 of the Commission, I thank you all for your
22 understanding and particularly thank those who had to
23 change their plans.

24 I'm pleased to see you all here this
25 afternoon, and look forward to a productive hearing

1 today and tomorrow morning. Madam Secretary, are
2 there any other preliminary matters?

3 MS. ABBOTT: Yes, Madam Chairman, with your
4 permission we will add Thomas M. Schultz, General
5 Counsel of Specialty Tires of America to the calendar.

6 CHAIRMAN ARANOFF: Thank you.

7 MS. ABBOTT: All witnesses for this
8 afternoon's panel and for making presentations have
9 been sworn.

10 CHAIRMAN ARANOFF: Thank you; will you then
11 please announce our first Congressional witness.

12 MS. ABBOTT: Our first speaker is the
13 Honorable Donald A. Manzullo, United States
14 Congressman, 16th District, State of Illinois.

15 CHAIRMAN ARANOFF: Good morning, Congressman
16 Manzullo; welcome to the Commission.

17 MR. MANZULLO: Good morning, Madam Chairman,
18 Commissioners; thank you for giving me the opportunity
19 to testify this morning. I want to give you a little
20 background on the community that will be affected by
21 your decision.

22 Freeport, Illinois is a struggling city,
23 located in the American Heartland. It has a long,
24 proud history. The city has about 25,000 people. It
25 was settled by the German immigrants in Stephenson

1 County during the 1840s and 1850s.

2 Freeport is also the home of the second
3 Lincoln/Douglas debate, whereby the Freeport Doctrine
4 was enunciated by Lincoln in which he trapped Stephen
5 Douglas, and Douglas won the Senate race and Abraham
6 Lincoln went on to become the President of the United
7 States.

8 This city has an immense and proud history.
9 In fact, when C-SPAN did the reenactment of that
10 second debate, over 5,000 people from this community
11 showed up in costume for the torch light parade to
12 reenact Lincoln's entry and arrival into the city on
13 the eve of that debate.

14 The population is now about 25,600,
15 according to the latest 2005 census figures. The city
16 saw a small decline in population in the 1980s and
17 1990s census, as manufacturing facilities closed up
18 shop and moved elsewhere. The 2000 census revealed
19 that Freeport's population was back to where it was
20 before the decline. But in each of the ensuing years,
21 Freeport gradually lost population. Now it's lower
22 than it was 57 years ago.

23 Medium household income in Freeport is about
24 \$35,400. The average house price in Freeport is about
25 \$79,000. The unemployment rate jumped 6.7 percent in

1 May of 2008, which is higher than the state and
2 nationwide average. Just last year, Freeport
3 celebrated a relatively low unemployment rate of 4.8
4 percent.

5 This town is typical of many small towns in
6 America. The people get up early each day, and go to
7 work to earn what many might consider to be barely
8 enough to support a family. Many people in Freeport
9 travel the 30 miles to Rockford, and you can imagine
10 how that's affecting them, with \$4.17 gasoline.

11 But I'm here today to testify on behalf of
12 the workers at the Freeport Titan facility. I come
13 as probably the only Member of Congress who's ever
14 gone to warehousing school to study the flow of the
15 finished product into the hands of consumer.

16 I spend about 75 percent of my time working
17 on manufacturing issues, dealing with everything from
18 minerals through supply chain management, into the
19 different types of productivity, right through to
20 export controls.

21 I'm also one of the co-founders of the
22 manufacturing caucus. When I was Chairman of the
23 Small Business Committee, we held over 60 hearings on
24 the issue of manufacturing in this country.

25 So I come to you today, not just

1 representing my constituents, but as somebody who
2 really understands the nature of manufacturing and
3 what is going on in this country. Titan Tire is just
4 one of five major businesses in Stephenson County,
5 surrounding Freeport, that employs over 500 people.
6 In fact, Titan and one other major company are the
7 only two large manufacturers left in Freeport.

8 Titan Tire provides their employees with
9 good union wages and benefits. The plant has been in
10 Freeport for nearly 45 years. In fact, at one point
11 in time, it was the largest employer in Freeport, with
12 over 900 workers. Many of these workers support
13 families and indirectly support and sustain nearby
14 small businesses and not-for-profits.

15 The loss of tire making at this plant would
16 devastate this little city. It's one of the last
17 remaining employers in Stephenson County, and it would
18 have ripple effects through Northwestern Illinois. We
19 just lost the giant GMC plant in Springfield,
20 Illinois, that makes the large GMC SUVs. That's 2,700
21 jobs that are gone; along with them, all the suppliers
22 of fasteners and other types of items that are found
23 on those automobiles. Jamesville is about 35 miles
24 from Freeport.

25 After many years of turmoil and reductions

1 in the work force, Titan Tire assumed control over the
2 Freeport facility in 2005 with a commitment to keep
3 production in Freeport.

4 I met with the new management, and it wants
5 to make this off-road tire making facility a success
6 in Freeport, as reflected in their investment in new
7 plant equipment.

8 If you grant affirmative determination in
9 these two cases, both Titan Tire and I expect to see
10 increased employment, production, and shipments at the
11 Freeport facility and in their other plants.

12 There's a pool of about 200 laid-off workers
13 that can return instantly, as soon as the orders are
14 there. They could be reinstated during heightened
15 production to be growing domestic market supply.

16 Unlike our other cases, this is not a
17 situation of short supply. There are workers out
18 there who worked at that plant for years and years and
19 years, just itching to get back to work.

20 Increasing the long-term viability of the
21 Titan Tire plant is part of an overall economic
22 development of Freeport that I'm working out with
23 local and state leaders. We're doing everything we
24 can to keep that town from dying.

25 If you grant the relief to the objectors,

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1 this could have a devastating blow on that plant, that
2 will hurt this little city even more; all because of
3 unfair competition from China.

4 When I served as the Chair of the U.S./China
5 Interparliamentary Exchange, I spent a lot of my time
6 dealing with exports, dealing with Chinese exports,
7 and meeting with the Ambassador and other people from
8 China, at least two or three times a week if not more
9 frequently, as the people come over here from China.
10 Your role is to determine whether or not the U.S. off-
11 the-road tire industry has been materially injured by
12 unfair imports from China.

13 Let me commend you for your decision in the
14 Circular Welded Carbon Quality Steel Pipe Case three
15 weeks ago. This established for the first time the
16 practical use of a new tool at the disposal of the
17 U.S. industry to challenge unfair Government subsidies
18 by non-market economies such as China.

19 The Bush Administration also deserves praise
20 for changing long-standing policy in this regard, and
21 I thank you for implementing this tool for the benefit
22 of U.S. manufacturers.

23 Let me read to you an interesting comment
24 that I wrote down from Wu Yi before she retired from
25 that position. She holds the position generally of

1 the equivalent of a Secretary of Treasury or Secretary
2 of Commerce. The reason I wrote it down is because it
3 goes to show the state of exactly how China governs
4 itself with regard to currency.

5 This was at the U.S.- China Business
6 Council, April 22 of 2004 in D.C., and I thought that
7 I had misunderstood her statement as to what they do
8 with their currency. But she had put out an English
9 version, which she said in Chinese. She says China
10 has a "market-based, managed unitary floating exchange
11 rate." Now you figure that one out.

12 That's what these guys back here from
13 Freeport are up against; people that play these word
14 games. Word games cost them jobs. It caused them to
15 lose their jobs and their families suffer. They're
16 caught in a small town in the Midwest, and they're
17 aren't jobs around to replace what happens when the
18 Chinese play these types of word games. They're doing
19 the same in this particular case.

20 Every day, we read stories about how the
21 Chinese government subsidizes its industries. State-
22 owned banks decide that loans do not need to be paid
23 back any more. Then these same banks receive massive
24 capital infusions to replenish accounts from the
25 central government.

1 Various environmental work place safety and
2 labor laws are routinely ignored. I was with a
3 company on the weekend. In order to meet the Montreal
4 Accords, they had to take out their machines and put
5 in new machines. These are the Clean Air Accords.
6 Guess where their old machines are going? They're
7 going to China, because China doesn't have those
8 environmental laws.

9 So as we spend money here to come up to U.S.
10 environmental quality standards, the old machines
11 leave the United States. They're shipped to China
12 where production begins in China, to compete with
13 these guys back here, and they don't to fulfill any of
14 those stringent Montreal requirements.

15 Raw materials by China's producers are
16 procured at less than market prices. Energy is
17 provided at a preferential basis.

18 On June 19th, China announced that it will
19 cut its oil subsidies, raising the price of gas and
20 diesel by 17 percent. But this is still not a free
21 market price. Yet, we are also supposed to applaud
22 the move while Americans suffer through market-based
23 pricing for gas at the pump.

24 While I welcome the gradual appreciation of
25 the Chinese R&B, the Chinese government still heavily

1 intervenes to ensure that its currency does not go
2 above a certain range. The egregious Chinese
3 practices together have harmful impact on U.S.
4 manufacturing and the U.S. economy as a whole.

5 While an affirmative decision in this case
6 would be a small step towards moving China more
7 towards a market economy, it would be a large and
8 sufficient step towards restoring a level playing
9 field for Freeport, Illinois, and domestic off-the-
10 road tire makers such as Titan Tire.

11 What's sad is that while the demand for off-
12 the-road tires rapidly grows, the U.S. market share
13 for domestic producers of off-road tires dropped from
14 57 percent in 2004 to 46 percent in 2007. At the same
15 time, imports of these tires have dramatically
16 increased by more than 81 percent between 2004 and
17 2007, resulting in a market share increase for off-
18 road tire imports from 19 percent in 2004 to 37
19 percent in 2007.

20 This shows that importers are using
21 subsidies and other advantages of producing in China
22 to specifically target the U.S. marketplace.

23 In contrast, U.S. domestic off-the-road
24 producers saw their production increase for the first
25 time in several years during the first quarter of 2008

1 to 995,000 tires, as compared to 910,000 tires
2 produced during the first quarter of 2007. This
3 evidence dramatically demonstrates the material injury
4 caused by Chinese imports of off-the-road tires on
5 U.S. producers.

6 I come here a Member of Congress
7 representing people who are getting really smacked in
8 the Midwest. I don't know how much more we can take.
9 Rockford, Illinois, the second largest city, has
10 unemployment I think now of seven to seven and-a-half
11 percent. They continue to lose industry after
12 industry after industry.

13 The folks at Titan Tire can meet any demand
14 that's given to them by any company. Anybody who says
15 that people there at Titan that have inventory, that
16 have excess capacity and 200 men and women ready to go
17 back to work, that says that that company cannot
18 supply enough tires, needs to go back to the drawing
19 board; or perhaps we're looking too much as the
20 definition of currency as defined by Madam Wu Yi.

21 Thank you very much for your time. I know I
22 went overboard. But we can't lose any more jobs in
23 America. Are there any questions?

24 CHAIRMAN ARANOFF: Are there any questions
25 for the Congressman?

1 (No response.)

2 CHAIRMAN ARANOFF: Thank you very much,
3 Congressman Manzullo.

4 MR. MANZULLO: Thank you.

5 MS. ABBOTT: Our next speaker is the
6 Honorable Leonard Boswell, United States Congressman,
7 3rd District, State of Iowa.

8 CHAIRMAN ARANOFF: Welcome, Congressman
9 Boswell; please proceed.

10 MR. BOSWELL: Thank you, Madam Chairman and
11 Commissioners; it's good to be here. It's a very
12 important matter. I understand that you understand
13 that. So I'll just make my testimony fairly short.
14 We have more detailed information in our submission
15 about the figures and things like that, if that's
16 okay.

17 So Madam Chairman and members of the
18 Commission, today I'm testifying in support of the
19 United Steel Workers and the U.S. tire industry to
20 urge a positive decision on the case pending before
21 you on subsidized and dumped off-the-road or OTR tires
22 from China.

23 The outcome of this case at the
24 International Trade Commission is critical to my
25 constituents in the 3rd Congressional District of Iowa

1 and to the future of this American industry.

2 I'm proud to be supporting the efforts of
3 both of the co-petitioners in this Case, the USW and
4 Titan International, as well as Bridgestone/Firestone.
5 In fact, both Titan and Bridgestone/Firestone have
6 plants and facilities in my Congressional District,
7 with a total of over 2,600 employees.

8 The USW represents highly skilled workers at
9 both manufacturing plants. Since I arrived in
10 Congress in 1997, I've worked with USW in Iowa and
11 nationally, to make sure that U.S. trade policy
12 provides a level playing field for U.S. workers,
13 companies, and the products they export. I'm very
14 pleased to appear today on behalf of this coalition on
15 the OTR tire trade issue.

16 Again, Titan Tire Corporation is based in my
17 district. They have a major production facility in
18 Des Moines which is critical to our manufacturing
19 economy. Their Des Moines facility is capable of
20 producing a wide range of OTR tires for agricultural,
21 construction, and earth mover and industrial
22 applications on the same production line.

23 Plus, Bridgestone/Firestone is also a large
24 player in our local economy, having invested more than
25 \$217 million in their production and distribution

1 facilities. Iowa is home to a major Bridgestone
2 distribution center, 33 company-owned retail stores,
3 and Bandag Tire Solutions headquarters, which
4 manufacturers retreading materials and equipment for
5 worldwide distribution.

6 They also have one of the largest
7 agricultural tire plants in the world, right in Des
8 Moines. This 2.6 million square foot facility opened
9 in 1945. Not only have they boosted Iowa's economy,
10 but they have also shown great community leadership
11 with their involvement in local charities. They have
12 won prestigious state and national environmental
13 performance awards.

14 Many of our workers have been hit hard by
15 the pressures of globalization. Job loss can
16 devastate the lives and economic security of workers
17 and their families in our rural communities. OTR tire
18 producers have specialized skills that are not easily
19 transferred, especially when unfair global competition
20 makes it less and less likely that they will find
21 comparable work in their industry and their skills.

22 This is particularly true in the case we are
23 discussing today, where an entire domestic industry is
24 threatened not by healthy competition; but by the
25 unfair trade practices supported by a foreign

1 government. I would like to be very clear. I believe
2 in and have practiced trade. But it must be fair
3 trade.

4 I have a great deal of respect for the ITC
5 and its reputation for factually-based analysis. In a
6 complex trade case like this one, I believe by looking
7 at the data and the numbers of Chinese dumped and
8 subsidized product, it is clear it has materially
9 harmed U.S. manufacturers of OTR tires.

10 In the OTR tire industry, American producers
11 are facing dramatically increased exports to the U.S.,
12 while Chinese companies benefit from both government
13 subsidies and dumped products significantly below
14 production costs.

15 These Chinese government subsidies and the
16 dumping practices of Chinese importers have left the
17 United States industry in significant economic
18 difficulty. As a result of the increasing volumes of
19 low priced imports, the domestic industry has
20 experienced steady declines in U.S. employment, sales,
21 shipments, and capacity utilization.

22 I am sure that you are aware that increasing
23 commodity prices and demand in the agriculture sector
24 is raising overall demand for off-the-road tires.
25 Rising demand should mean increased profits for U.S.

1 producers, but that is not the case.

2 Again, subsidized and dumped OTR tires from
3 China are the most significant factor in our domestic
4 OTR industry's weak financial performance. Our laws
5 are meant to protect American workers and businesses
6 from the dumping and subsidies that create these
7 artificially low priced imports.

8 For the OTR tire producers and worker in my
9 district, proper implementation of trade remedies is
10 absolutely essential to maintaining our local
11 production facilities and high wage and high skilled
12 manufacturing jobs.

13 As I mentioned before, I believe in trade.
14 But that trade must also be fair; and in the OTR
15 industry, foreign producers are not playing by the
16 accepted international rules of the game. So when the
17 rules are violated, as I believe they are in this
18 case, we must remedy the situation. In our balanced
19 trading system, I know the American workers can
20 compete and win against almost anyone.

21 In conclusion, I am grateful for the
22 opportunity to testify before you today. I know you
23 will carefully consider this important off-the-road
24 tire case; and I am hopeful that your consideration
25 will lead you to determine that material injury has

1 occurred to this important domestic industry.

2 Titan International, Bridgestone/Firestone,
3 and other petitioning companies are committed to
4 manufacturing in the United States. I am committed to
5 helping to secure the economic future of Iowa by
6 helping to restore fair trade and export opportunity
7 to Central Iowa communities. Hard working Iowa
8 families should not have to face the devastating
9 impacts of unfair trade from abroad.

10 I appreciate the critical role the
11 International Trade Commission plays in addressing
12 unfair trade and preserving the ability of American
13 workers and companies to compete. I urge you to
14 confirm these orders

15 I feel and I submit it's important to the
16 United States Steel Workers, to tire companies in
17 Central Iowa, and to our country's industrial base,
18 that you maintain the discipline on illegal dumping
19 and illegal subsidies in the OTR tire sector. I thank
20 you very much for this opportunity.

21 CHAIRMAN ARANOFF: Thank you very much. Are
22 there any questions for the Congressman?

23 (No response.)

24 CHAIRMAN ARANOFF: It appears not. We
25 appreciate your taking the time this afternoon.

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1 MR. BOSWELL: I wish you well.

2 CHAIRMAN ARANOFF: Thank you.

3 MS. ABBOTT: Our next speaker is the
4 Honorable Phil Hare, United States Congressman, 17th
5 District, State of Illinois.

6 CHAIRMAN ARANOFF: Welcome to the
7 Commission, Congressman Hare.

8 MR. HARE: Chairman Aranoff, members of the
9 Commission, it is a privilege to address you this week
10 on a matter utmost importance, not just to me, not
11 just to the constituents of the 17th Congressional
12 District which I represent, but to the economy of the
13 United States and of Illinois, and to the future of
14 manufacturing in America.

15 I'm here on behalf of the U.S. tire industry
16 and its workers to advocate an affirmative decision by
17 the ITC to provide relief from unfairly dumped and
18 subsidized imports of certain off-the-road OTR tires.

19 One of the Co-Petitioners in this case,
20 Titan International, is headquartered in my district
21 in Quincy, Illinois, and is a critical leader in our
22 regional manufacturing economy with over 1,000
23 employees in the area. In addition to having its
24 headquarters in my district, Titan International also
25 does much of its research and development there.

1 I have worked with the other Co-Petitioner,
2 the United Steel Workers, for many years to assure a
3 level playing field internationally for American
4 workers. As you know, the steel workers represent the
5 employees at each of the Titan plants.

6 I'm proud to appear today on behalf of both
7 the union and the management on this important trade
8 cause for off-the-road tires. Additionally, I
9 appreciate the support that Bridgestone/Firestone and
10 other major U.S. off-the-road tire producers have
11 offered in this case.

12 U.S. trade remedy laws are indispensable
13 tools which guarantee a level playing field and a fair
14 opportunity for American workers to compete against
15 unfair foreign trade practices. Your invaluable work
16 at the U.S. International Trade Commission, enforcing
17 laws, ensures that all workers in my district and in
18 our country have the opportunity to compete on an open
19 and level playing field.

20 For domestic OTR tire producers, a proper
21 implementation of trade remedies is an essential step
22 to keeping the production facilities and high wage
23 manufacturing jobs, which are so essential to keeping
24 economies in district like mine securely on American
25 soil.

1 The OTR tires addressed in this
2 investigation are used on a wide variety of vehicles
3 and equipment employed in agriculture, forestry, and
4 construction, as well as industrial settings for
5 hauling, towing, lifting and loading.

6 Despite recent increases in commodity prices
7 and demand in the agriculture sector, which have
8 correspondingly increased the need for OTR tires, the
9 domestic industry's financial performance remains very
10 weak.

11 Titan International is also a major supplier
12 of OTR tires for the U.S. military. For decades,
13 their wheels have carried the vehicles that help keep
14 our fighting men and women safe in combat.

15 However, in spite of increased production
16 capacity and proven successes, Titan has lost out on a
17 number of Defense procurement opportunities to cheaper
18 foreign products.

19 A U.S. company supplying the U.S. military
20 is good for our economy and good for our national
21 security; and ensuring a level playing field is vital
22 to the future competitiveness of Titan and other
23 domestic tire companies in our Defense supply chain.

24 Madam Chair and members of the Commission,
25 our trade laws are meant to protect U.S. businesses

1 and American workers from the dumping and subsidies
2 that create these artificially low priced imports.
3 When you look at the facts in this case, the almost
4 unavoidable conclusion is that material injury has
5 occurred, because of these unfair imports.

6 Last year, the Department of Commerce found
7 that the Chinese Government was unfairly subsidizing
8 Chinese OTR tire producers with subsidies up to 20.3
9 percent. Similarly, early this year, Commerce
10 determined that Chinese tire producers were also
11 dumping tires, dumping massive margins, ranging from a
12 problematic 11 percent to as high as a massive 210
13 percent.

14 As you can see in recent years, American
15 producers of OTRs have faced a double hit, as Chinese
16 companies increased exports to the U.S., while
17 benefitting from both Government subsidies and a
18 dumped produce at significantly below production
19 costs.

20 As you might expect, between 2004 and 2007,
21 imports of the tires from China increased by more than
22 80 percent, jumping from approximately 1.8 million to
23 3.2 million. By value, these imports increase 184
24 percent, from \$114 million to \$324 million. Clearly,
25 a surge in imports occurred during that period; and

1 predictably, as subsidized and dumped imports
2 increased, the U.S. industry lost market share.

3 The data shows that U.S. OTR producers'
4 market share declined from approximately 57 percent in
5 2004 to 46 percent in 2007. As a result of increasing
6 volumes of low priced imports, the domestic industry
7 experienced steady declines in capacity utilization,
8 U.S. shipments, quality of net sales, and U.S.
9 employment.

10 This is particularly troubling in the 17th
11 Congressional District that I represent. We're
12 already hard hit, and unfair trade laws have sent
13 good, high paying manufacturing jobs overseas.

14 The preliminary anti-dumping and
15 countervailing duty orders that were put into place in
16 late 2007 and early 2008 helped to level the playing
17 field, and the situation immediately improved for U.S.
18 tire producers. Tire imports almost immediately
19 decreased by 18 percent, and then it continued to
20 decline 44 percent in the three months following
21 Commerce's affirmation of the preliminary
22 countervailing duty determination.

23 Furthermore, during the first three months
24 of 2008, both the U.S. OTR tire industry employment
25 and production began to increase again. That means

1 high wage, high skilled jobs are being jobs are being
2 created again in this nation and industry across the
3 heartland of the United States; from Illinois to Iowa
4 and Ohio.

5 We know that these orders that you are
6 considering today are restoring balance in the U.S.
7 OTR tire market. This is exactly how are trade laws
8 are supposed to work. U.S. producers of OTR tires
9 have no objection to free and fair competition.
10 American industry and its workers, when provided a
11 level playing field can and do compete with anyone.

12 In conclusion, I'm grateful for the
13 opportunity to testify before you today. I thank you
14 for your careful consideration of these important off-
15 the-road tire cases.

16 I am confident that your careful analysis
17 will determine that material injury has occurred to
18 this important segment of the U.S. tire industry.

19 Titan International and the other
20 petitioning companies are committed to manufacturing
21 in the United States. However, absent relief, there
22 is no question that the domestic industry will be
23 threatened with increased harm by the import of dumped
24 and subsidized OTR tires from China.

25 Make no mistake, the stakes are high for

1 U.S. companies and their workers in this industry. I
2 salute the United States International Trade
3 Commission for the critical role it plays in
4 addressing unfair trade and preserving U.S. jobs and
5 our country's industrial base.

6 I strongly urge you to affirm these
7 important orders when you vote on August the 11th.
8 Thank you very much for having me this morning.

9 CHAIRMAN ARANOFF: Thank you; are there any
10 questions for the Congressman?

11 (No response.)

12 MR. HARE: Thank you very much.

13 CHAIRMAN ARANOFF: Thank you for coming
14 today.

15 MS. ABBOTT: Opening remarks on behalf of
16 Petitioners will be by Terence P. Stewart of Stewart
17 and Stewart.

18 CHAIRMAN ARANOFF: Good afternoon, Mr.
19 Stewart.

20 MR. STEWART: Good afternoon, Madam Chairman
21 and Members of the Commission. The imports from China
22 that are subject to these investigations have surged
23 since 2004, and are huge absolutely throughout the
24 period of the investigation in comparison with
25 domestic production, equaling more than 81 percent of

1 domestic production on a quantity basis in 2007, based
2 on the staff's import estimate.

3 The domestic industry producing the like
4 product, while being in a cyclical upswing in demand,
5 has seen production, shipment, sales, and capacity
6 utilization as measured in quantity, as well as
7 employment, wages, and hours worked, all decline
8 during the period of investigation.

9 While prices have increased for domestic and
10 imported product, reflecting rapidly increasing
11 material costs, changing product, and other causes,
12 domestic producers have faced unsustainably low
13 profitability through the period of investigation.

14 In fact, the operating income was just 1.1
15 percent for the three year period; a figure roughly
16 one sixth of all manufacturing, one fifth of the total
17 rubber and plastic producer industry, and as little as
18 one eighth of that earned by machinery manufacturers
19 in the same period, and far below any sustainable
20 level for a high fixed cost, cyclical industry.

21 Prices have not increased at a level to
22 cover increased material costs, as reflected in the
23 staff report. Domestic producer prices declined two
24 cents a pound between 2005 and 2007, while raw
25 materials increased five cents a pound during the same

1 period.

2 Price under-selling has been massive, with
3 the public staff report showing under-selling in
4 nearly 94 percent of the comparisons made, ranging up
5 to 65 percent. While domestic producers have some
6 advantages, including well regarded brands, the level
7 of price under-selling has resulted in the loss of
8 market share to dumped and subsidized imports.

9 Some parties have raised questions about
10 which data set best reflects total imports of subject
11 tires. We believe U.S. import statistics, as modified
12 by Commission staff but with an additional exclusion
13 of imported tires, with a price of \$20 to \$25 per
14 tire, more properly captures what other information in
15 the staff report makes clear. There was strong
16 increase in imports from China on both a quantity and
17 value basis during the period of investigation.

18 Certainly, domestic producers are losing
19 market share to Chinese imports. That can be seen
20 from a review of import statistics properly modified
21 or a review of questionnaire data from importers.

22 Imported questionnaires show sharp increases
23 in imports from China as a show of apparent
24 consumption on both a quantity and value basis almost
25 identical to the loss of market share for domestic

1 product.

2 As our witnesses today will make clear, this
3 loss of market share by domestic producers has nothing
4 to do with product availability, and everything to do
5 with aggressive pricing from Chinese exporters and
6 their importers.

7 The record strongly supports a finding by
8 the Commission of material injury to the domestic
9 industry by reason of dumped and subsidized imports.
10 Indeed, the interim data, which corresponds exactly
11 with the period when preliminary relief following the
12 Commerce determinations would be expected, shows the
13 immediate effect for domestic producers and their
14 workers of neutralizing the dumping and subsidization
15 of Chinese imports.

16 While we will hear much from the other side
17 about expanding the domestic industry beyond the
18 industry which matches the scope of the investigation
19 and issues about which database to use and the
20 significance of product availability, the irreducible
21 elements of the case don't change. Absent relief,
22 there have been and will be large and rising imports
23 from China at very low prices, which have cost and
24 will continue to cost U.S. producers volume and prices
25 sufficient to generate an adequate return, and cost

1 workers jobs and their hours of work.

2 Finally on the question of like product, the
3 Commission should find that products beyond the scope
4 of the investigation are not part of the like product
5 in this case.

6 There are significant differences, including
7 in product construction and in size and weight,
8 differences in manufacturing equipment and often
9 facilities, frequent shipments direct to end users
10 versus to OEMs for out-of-scope merchandise, limited
11 ability of most distributors to handle the out-of-
12 scope product because of specialized equipment, and
13 training needs and huge difference in price.

14 The average unit value of out-of-scope
15 product in 2007 was 57 times the average unit value
16 for certain OTR tires, a significant price difference
17 under any measure.

18 The companies and workers in support of
19 relief ask the Commission to ensure that the promise
20 of the law is realized in this case. Our industry has
21 been materially injured. We ask you to so find; thank
22 you very much.

23 CHAIRMAN ARANOFF: Thank you, Mr. Stewart.

24 MS. ABBOTT: Opening remarks on behalf of
25 Respondents will be by James P. Durling of Heller

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1 Ehrman.

2 CHAIRMAN ARANOFF: Good afternoon, Mr.
3 Durling.

4 MR. DURLING: Good afternoon, my name is
5 James Durling with the law firm of Heller Ehrman,
6 appearing today on behalf of Respondents. As you
7 listen to Petitioners today, we urge you to keep in
8 mind a few key questions.

9 Petitioners would have you believe that they
10 have identified an appropriate bright line to
11 distinguish large, non-agricultural OTR tires 39
12 inches or larger. But there is no such bright line.

13 OTR tires form a continuum. That is why end
14 users like Caterpillar use OTR tires with rim
15 diameters of 33, 39, and 49 inches, all in the same
16 equipment. These tires are made in the same
17 facilities with the same methods. They are sold to
18 the same customers. They are sold through the same
19 channels of trade. Whether above or below 39 inches,
20 these tires are both part of the same like product.

21 As you listen to Petitioners' arguments
22 today, comparing the two extremes of the continuum,
23 ask whether that argument they are making applies to
24 the alleged bright line at 39 inches. Is there really
25 any difference between the 33, the 39, and the 45 inch

1 tires, other than a continuum of sizes?

2 Once properly defined, the domestic industry
3 producing all OTR tires has been doing extremely well.
4 Domestic shipments of all OTR tires are up 19 percent.
5 Domestic shipments have kept up with the growing
6 market, and have maintained a stable market share at
7 about 60 percent.

8 Petitioners have tried to hide these
9 positive trends by focusing on the number of tires;
10 not the more appropriate number of pounds. It makes
11 no sense to focus on units of OTR tires, a product for
12 which the sizes range so widely.

13 Both of the tires in this photo fall with
14 Petitioners certain OTR tires. Ask Petitioners a
15 simple question. If a domestic producer gives up two
16 of these smaller tires, but replaces them with one of
17 these larger tires, and in doing so ships more pounds,
18 sells it for a higher price, and earns more profit,
19 how can that possibly be material injury?

20 Domestic prices are also up sharply. The
21 pricing products are up on average more than 20
22 percent. Moreover, these pricing products actually
23 understate the overall price increases, since they
24 include only the older designs. They include only
25 bias ply tires, and they include only smaller and

1 medium sized tires; all the declining segments of the
2 market.

3 The pricing products do not include any of
4 the newer designs, radial tires, or larger tires, that
5 have been fueling domestic industry growth and
6 profits.

7 Petitioners will argue a lot today about
8 under-selling. But ask them how under-selling can
9 possibly be having any injurious effect if more pounds
10 are being shipped at higher prices, if market share is
11 stable and gross profits are up.

12 By shipping more pounds and selling tires at
13 higher prices, the domestic industry has seen sharply
14 increased profits. Gross profits on all OTR tires
15 have doubled over the period to more than \$300
16 million.

17 Moreover, operating income has also surged
18 over the period. As the domestic industry shifted to
19 larger and larger tires, the operating margins on all
20 OTR tires increased to a record 11.2 percent in 2007.
21 Ask the domestic industry how matching or beating
22 every financial benchmark set forth in their briefs
23 can possible be considered material injury.

24 Although tire producers are doing quite
25 well, their customers continue to struggle to obtain

1 desperately needed product. You will hear a great
2 deal more about shortages tomorrow in our main
3 presentation. You will hear from a purchaser who
4 spent more than four years trying to persuade the
5 domestic industry to make a specialized tire that
6 could be used in the West Virginia coal mining
7 industry, to no avail.

8 Yet, Petitioners claim to have lots of
9 excess capacity. Ask Petitioners this. If you have
10 so much excess capacity, why have so many purchasers
11 reported so much difficulty obtaining OTR tires of the
12 types and the qualities and at the time they are
13 needed?

14 Indeed, times are quite positive for the
15 domestic positive for the domestic OTR producers.
16 That helps explain why Titan stock price has been
17 beating the market averages.

18 Ask the Titan representatives here today how
19 they reconcile their claims of injury with their
20 phenomenal stock price a stock price that on May 31st
21 was the top performer, the number one performing stock
22 for the preceding five year period.

23 Finally, consider the diverging trends
24 between imports and domestic industry performance.
25 Imports from China increased modestly and then

1 remained at about 11 percent of the market. Over the
2 same three period of time, domestic industry operating
3 income on all OTR tires increased in 2006, and then
4 more than doubled in 2007.

5 Operating margins reached record levels. It
6 defines any logic for the domestic industry to blame
7 imports. Ask the domestic industry this. How can
8 imports from China possibly be causing any adverse
9 effects when all the evidence points to 2007 being a
10 boom year? Thank you very much.

11 CHAIRMAN ARANOFF: Thank you.

12 MS. ABBOTT: Will the first panel in support
13 of the imposition of the anti-dumping and
14 countervailing duty orders please come forward?

15 CHAIRMAN ARANOFF: Madam Secretary, for the
16 record,
17 have the witnesses been sworn.

18 MS. ABBOTT: Yes, Madam Chairman.

19 CHAIRMAN ARANOFF: Thank you; Mr. Stewart,
20 please proceed.

21 MR. STEWART: Thank you, Madam Chairman; we
22 begin our testimony with a slide demonstration, which
23 demonstrates that the domestic certain OTR tire
24 industry has been materially injured by reason of
25 subject imports.

1 First, the growth in imports of Chinese OTR
2 tires has been rapid and substantial. As soon as the
3 slide comes up, we'll see that that's true. Do you
4 have the first slide? Okay, here we go.

5 Using the import statistics as adjusted by
6 the staff from 2001 through 2007, imports increased
7 from \$20 million to more than \$342 million. We
8 believe U.S. import statistics, as modified by the
9 Commission staff, but with an additional exclusion of
10 tires between \$20 and \$25 a unit or even higher would
11 better reflect actual imports of the subject tires and
12 reflect what other information in the staff makes
13 clean. there were strong increases in imports from
14 China on both a quality and value basis during the
15 period of investigation.

16 As discussed by the parties, there are
17 likely additional out-of-scope tires in the current
18 staff report data. Adjustments can be made to exclude
19 more low value imports at higher price points. As you
20 can see, the higher the value threshold, the sharper
21 the increase during the POI.

22 Regardless of the data set used, including
23 importer questionnaire data, subject imports have
24 increased and increased dramatically. Indeed,
25 relative to domestic production, subject imports are

1 massive. In fact, nearly 80 percent on some counts.

2 Second, the domestic industry has been
3 materially injured. Key indicators show downturns
4 even during a period of cyclical upturn. Production,
5 capacity utilization, shipments, sales, and market
6 share measure measured in units all declined. The
7 downturn is hurting workers in terms of employment,
8 wages, and hours worked.

9 In a cyclical, highly capital intensive
10 industry such as the certain OTR tire industry, it's
11 essential for the industry to generate strong returns
12 during the upside of the cycle. That clearly did not
13 happen here.

14 Industry profitability has been inadequate
15 for the industry to survive. Compared to other
16 industries, the domestic certain OTR tire industry's
17 operating returns were a fifth when compared to the
18 rubber and plastics industry, a seventh of machinery
19 manufacturing, and about one sixth of the operating
20 returns for all manufacturing.

21 Needless to say, an operating income margin
22 of barely one percent of sales is inadequate to meet
23 the industry's cost of capital.

24 The Commission will see from information
25 supplied by individual producers in the record the

1 direct injury to those sectors where the subject
2 imports are most heavily concentrated. The large
3 majority of subject imports in certain OTR tire demand
4 are bias tires, which account for between 60 and 70
5 percent of the U.S. certain OTR tire market.

6 A majority of Chinese OTR tires are also
7 concentrated in smaller sizes, areas where U.S.
8 producers have large amounts of unused capacity, which
9 would have been seen by the Commissioner and
10 Commission staff who made plant visits to the domestic
11 industry.

12 Finally, most Chinese imports are for sale
13 in the after-market. The evidence of causation in
14 this case, we would suggest, is compelling. The
15 industry's loss of market share, as measured by value,
16 is due to the increase in subject imports, and not to
17 non-subject imports. When importer questionnaire data
18 are examined, this same result, market share declined
19 by quantity and value for domestic producers, roughly
20 equal to that increase from China.

21 As the pre-hearing report makes clear,
22 according to the majority of purchasers, Chinese tires
23 are highly substitutable with domestically produced
24 certain OTR tires, and price is a very important
25 factor.

1 Under-selling was substantial and pervasive
2 throughout the period. As you will hear from our
3 witnesses, Chinese tires under-sell domestic
4 producers' tires by an average of 25 to 40 percent.
5 According to the staff pre-hearing report, subject
6 imports under-sold domestic producers in 94 percent of
7 the comparisons, by margins ranging up to 65 and-a-
8 half percent.

9 Such margins dwarf any advantages that
10 domestic producers might have over Chinese tires, such
11 as brand recognition, delivery time, and technical
12 support or service.

13 Subject imports have suppressed domestic
14 prices, which have been unable to keep pace with
15 increases in raw material costs, when examined on a
16 dollars per pound basis.

17 Causation is also evident by what has
18 happened since the preliminary duties were imposed.
19 After Commerce's affirmative preliminary
20 determination, one sees for the first time the nature
21 of what the market would look like under conditions of
22 fair trade. Not surprisingly, imports declined
23 significantly. Average monthly imports were 49
24 percent lower by volume in interim 2008 compared to
25 2007. They were 48 percent lower by value.

1 Meanwhile, the domestic industry's
2 performance has changed course. Production, capacity
3 utilization, shipments, sales, and market share are
4 all up dramatically. Workers are benefitting from the
5 upturn as employment, hours worked, and wages paid all
6 increased. Equally important, industry profitability
7 has improved substantially.

8 The before and after comparisons on these
9 next two slides make clear that the damage being
10 suffered by the domestic industry through 2008 was
11 caused by the dumped and subsidized imports from
12 China, which when neutralized no longer over-matched
13 domestic OTR tires on price, permitting recovery in
14 the domestic industry.

15 While the record fully supports a finding of
16 material injury, the domestic certain OTR tire
17 industry will also be threatened with additional
18 material injury without relief. As we showed in our
19 pre-hearing brief, the filing of the petitions had an
20 almost immediate impact on subject import volumes, and
21 the subsequent preliminary duties had even greater
22 effect.

23 Accordingly, the Commission should,
24 consistent with the statute, give less weight in
25 looking at the threat issue to data since the filing

1 of the petition. Here, for purposes of projecting
2 likely import volumes but for the bringing of this
3 case, we took the subject import volumes for the first
4 seven months of 2007, and compared them to the
5 comparable time period of 2006. We then extrapolated
6 what the likely import trend for full year 2007 would
7 have been, absent the filing of the petition and for
8 2008, absent preliminary relief.

9 You can see that but for the filing of the
10 petitions and the preliminary relief, the import
11 trends show sharp growth, which would have further
12 adversely affected domestic tire producers and the
13 workers, making the threat of injury in our view
14 imminent.

15 Finally, we want to address two issues that
16 received much attention in the Respondents' pre-
17 hearing briefs and in the opening statement of
18 opposing counsel.

19 First is the issue of availability of
20 supply. Caterpillar, for example, contends that the
21 domestic industry's manufacturing capacity has failed
22 to keep pace with domestic demand. The record
23 indicates the contrary.

24 The industry's capacity has substantially
25 exceeded apparent consumption throughout the period of

1 investigation. For virtually all part numbers, there
2 is no delay in availability.

3 Second, the basic number principles of
4 supply and demand instruct that where demand greatly
5 exceeds supplies, prices will increase sharply. If
6 that had been the situation, one would have expected
7 domestic prices for certain OTR tires would have kept
8 pace with increases in raw material costs, and would
9 have provided for adequate returns. Neither of those
10 things occurred.

11 While there may be spikes in demand that
12 take producers in the U.S. or abroad a certain amount
13 of time to ramp up to address, the claim of wide
14 spread shortages is not a fair reflection of market
15 conditions during the period of investigation.

16 Moreover, the vast majority of imports from
17 China during the POI have been the smaller sizes,
18 where Petitioners and other domestic producers had and
19 have idle equipment exactly because of the dumped and
20 subsidized Chinese imports; fully 63 percent of their
21 imports over the POI.

22 Respondents have also sought to conflate
23 reports of shortages of giant mining tires with
24 availability of certain OTR tires, and have argued
25 that the domestic like product should be expanded

1 beyond the scope to include non-scope, large OTR
2 mining tires. The issue is, of course, within the
3 Commission's discretion, and is decided on a case-by-
4 case, fact-specific basis.

5 Nonetheless, consistent with the
6 Commission's long established six factor test, there
7 is no basis in this case for expanding the like
8 product. There is a domestic industry that's
9 producing products that are identical to the tires
10 covered by the scope. Where that has been the case in
11 previous investigations, the Commission has generally
12 declined to expand the like product beyond the scope.

13 There are also reasonable dividing lines
14 between certain OTRs and out of scope mining tires.
15 The latter are substantially larger and, on average,
16 more than 40 times heavier than the former. The test
17 has never been the largest in-scope versus the
18 smallest out of scope.

19 Most domestic plants producing certain OTR
20 tires cannot produce the giant mining tires. Those
21 that do require separate production equipment to
22 produce them. Only distributors with special
23 equipment and specially trained personnel handle sales
24 of giant mining tires in the after-market; while many
25 giant mining tires are sold directly to end users and

1 not to OEM customers.

2 Finally as the staff report shows, the
3 average unit value of domestic producers' U.S.
4 shipments of non-subject OTR construction and mining
5 tires was more than \$15,000 a tire in 2007; compared
6 to the average unit value of certain OTRs of \$267, a
7 57 times higher amount.

8 With that, we turn to our first witness, Mr.
9 Morry Taylor of Titan International.

10 MR. TAYLOR: Thank you, Terry; Madam
11 Chairman, good afternoon. My name is Morry Taylor. I
12 am the Chairman and CEO of Titan International, the
13 parent company of Titan Tire Corporation.

14 I am accompanied today by two of our Vice
15 Presidents, Jeff Vasichek and Paul Hawkins. My
16 lawyers tell me that you have to decide whether a
17 domestic industry is being injured by the Chinese
18 imports.

19 What is the industry? It's the companies
20 that produce the tires that compete directly with the
21 certain OTRs that have been the subject of the
22 investigation by the Department of Commerce; and the
23 companies are the people who work with them, the
24 people behind me, like the workers here with us today.
25 That's who this case is all about. You hold their

1 livelihood and their families' future in your hands.

2 I'd like to begin by telling you a little
3 about Titan's history as a producer of certain OTR
4 tires. When we started this business, and we had zero
5 plants. We had zero employees. We built the company
6 by buying up failed plants sold off by other tire
7 companies that decided the future was not in certain
8 OTR tires.

9 Goodyear, which had been producing farm
10 tires in Freeport for more than 40 years, had stopped
11 investing in its Freeport facility because it couldn't
12 make money competing with Chinese imports. That's why
13 they sold the plant to us in December of 2005, and
14 took a write-down of \$73 million.

15 The same was true of Continental and its
16 plant in Bryan. Because they were intent on exiting
17 this business, rather than to continue to lose money,
18 we were able to buy those plants at a good price.

19 Had we not bought Freeport and Bryan, it is
20 likely that the jobs in those plants would have either
21 been shipped overseas or simply disappeared.

22 Titan has invested significant capital in
23 our plants, and we have worked closely with our
24 workers to improve our operation. But we're not
25 seeing the results on our financial bottom line, as

1 you can clearly see from our questionnaire response;
2 and, in fact, you can also see it in our public
3 financial statements which are, of course, based on
4 much more than our certain OTR tire business, in 2004,
5 when imports from China were significantly smaller in
6 volume than they have become, Titan International's
7 operating returns were 6.5 percent of sales.

8 In 2007, they were less than half of that,
9 under three percent. Why is this going on? It's
10 because the Chinese are selling dumped and subsidized
11 certain OTR tires into our market; the market that is
12 Titan's base.

13 Tomorrow, you are going to hear a lot about
14 Titan's stock price. In fact, you heard some of it
15 already today, and how Titan's sales have increased,
16 and how the future is rosy and bright. Those sales
17 increases largely reflect the fact that we have grown
18 through acquisition.

19 While we're pleased that the investment
20 community has faith in Titan's future, we have no
21 future without our base market, which helps to cover a
22 lot of our fixed costs -- certain OTR tires.

23 Before this case, we and the rest of the
24 domestic industry had been losing this market to the
25 Chinese. The financial performance we've seen over

1 the last three years in our certain OTR business isn't
2 viable. It's not meeting our cost of capital; and no
3 company -- I don't care who you are -- can operate for
4 very long without making its cost of capital.

5 Now the good news is, that with the filing
6 of this petition and especially with preliminary
7 duties that Commerce has imposed, we're seeing things
8 start to turn around. Customers we have not heard
9 from in awhile are calling and placing orders.

10 Our pricing has strengthened. In the first
11 quarter of 2008, our corporate-wide net margins were
12 about three percent; compared to the net loss we
13 suffered in 2007. Most important, we've brought
14 workers who had been laid off by Goodyear back to
15 Freeport.

16 All of this has happened as the Chinese
17 product is priced higher to account for the
18 preliminary dumping and countervailing duty levels.
19 At fair prices, Chinese product does not overwhelm the
20 U.S. produced product on price. Indeed, our workers
21 who are here today can compete with anyone, so long as
22 everyone is playing by the same rule book. All we're
23 asking from you is fairness, plain and simple.

24 Now before I close, I'd like to take a few
25 minutes to respond to some of the arguments and

1 comments made by the other side.

2 I took the time to read through the brief
3 from our friends at Caterpillar. They talk a lot
4 about shortages and how the industry can't supply the
5 market. They've included pages of quotes from me to
6 support their argument.

7 Read those quotes carefully. In each and
8 every case, what I am talking about are the giant
9 mining tires; the earth mover tires with rim diameters
10 of 39 inches or more, that we build in Bryan. We've
11 always acknowledged that because of strong demand in
12 the mining industry and the lack of existing capacity
13 in that business, that yes, there have been and
14 continue to be shortages of large mining tires.

15 But those tires are not part of this case;
16 and Titan, and we assume others, are responding to
17 that increased demand through expansion of capacity.

18 By contrast, in the agricultural market,
19 which is part of this case, we've got plenty of
20 capacity we're not using to produce small front farm
21 and implement tires.

22 I know some of you Commissioners who visited
23 Freeport saw that the production lines on which those
24 tires are built were not very active. That's because
25 the Chinese have chased Titan and other producers out

1 of that market.

2 Titan has \$400 million of additional
3 capacity to produce the tires that are subject to this
4 investigation. If we could get a price that covers
5 our production cost, we'll produce them. We also have
6 about \$124 million in inventory.

7 Caterpillar also claims that there are no
8 significant differences between the giant mining tires
9 and the other OTR tires with rim diameters under 39
10 inches. As our pre-hearing brief and questionnaire
11 and response made clear, there are major differences
12 in all the criteria that the Commission traditionally
13 considers; not the least of which is that the mining
14 tires cannot be produced on the equipment used to
15 produce the certain OTR tires covered by this case.
16 That is true for Titan, and we believe for all
17 domestic producers.

18 But as an OEM of equipment, Caterpillar
19 knows that there is a significant difference, as well.
20 Their very own literature says that 95 percent of the
21 large radial, earth-moving tires with rim diameters
22 greater than 39 inches and over are sold directly to
23 the mining companies and the quarry companies that buy
24 Caterpillar's equipment; which means they are shipped
25 to those companies without tires from Caterpillar.

1 That's generally not the case for the tires that are
2 the subject of this case.

3 Now, it's certainly true that a brand with a
4 reputation for quality adds value. However, that
5 value is small compared to the margins of underselling
6 by Chinese tires.

7 A 5% brand premium does you little good if
8 your customer can buy a comparable Chinese tire for
9 25% less than what you're offering. I'd also point
10 out that Caterpillar itself recognizes tires produced
11 under names such as Galaxy, Guizhou, Triangle as brand
12 names all of which are Chinese tires.

13 I think it's also important to address the
14 claims made by Super Grip concerning its underground
15 mining tires. Super Grip claims that it offers a
16 broader range of underground mining tires than do any
17 U. S. producers including Titan; and that Titan isn't
18 interested in producing specialty or short-production-
19 run tires. That's simply inaccurate.

20 First, Titan produces a number of different
21 underground mining tires at the present time. The
22 second point: Titan is bringing back other tires in
23 light of the improved pricing after the preliminary
24 determinations.

25 By the time we're done in a few months, we

1 will be offering a line of underground mining tires
2 that is broader than the forty-four products listed in
3 Super Grip's brief. Other domestic companies also
4 produce these tires. So the notions that mining
5 people in West Virginia won't be able to buy
6 replacement tires for their equipment is wrong.

7 The cases are permitting domestic producers
8 like Titan to compete for the business. That's just
9 plain fact. Titan employs 3,000 Americans, including
10 management employees as well as the people on the
11 factory floor. Their jobs depend on our ability to
12 succeed and prosper in our base market in certain OTR
13 tires. It's because of them that we teamed up with
14 the United Steel Workers to file this case to stop the
15 injury from the dumped and subsidized imports from
16 China.

17 Please think of them when it comes time for
18 you to make your decision.

19 Thank you.

20 MR. VASICHEK: Good afternoon, Commissioners.
21 My name is Jeff Vasichek. I am Vice President for
22 Sales and Marketing for Titan Marketing Services, a
23 part of Titan International.

24 I joined Titan in January 2006, following
25 Titan's acquisition of the Goodyear Tire & Rubber

1 Company's tire plant in Freeport, Illinois, which
2 produces off-the-road tires for the agricultural
3 sector. Prior to joining Titan I'd worked for
4 Goodyear twenty years.

5 Mr. Taylor reviewed the harm that Titan has
6 experienced from the increases in dumped and
7 subsidized imports of certain OTR tires from China.
8 I'd like to provide some more specific examples of the
9 harm we have experienced from increased Chinese
10 imports.

11 Let me begin with three observations: First,
12 a large majority of the certain OTR tire market
13 consists of bias tires. We estimate that bias tires
14 account for between 65% and 70% of the market overall.
15 This is also where most of the imports coming in from
16 China are concentrated, although an increasing
17 percentage consists of radial tires.

18 Second, the large majority of Chinese tires
19 are smaller-sized agricultural forestry and
20 construction industrial tires. The public prehearing
21 staff report shows that 60% of imports of U. S.
22 shipments of Chinese OTR tires, by quantity, were the
23 smaller-sized OTR tires.

24 Third, an increasing share of Chinese
25 certain OTR tires are going into the agricultural

1 sector, going from 30% in 2005 by volume to more than
2 40% in 2007. While Titan sells in all parts of the
3 certain OTR tire market, the agricultural segment is
4 the largest for Titan. Demand in this market has
5 been, and remains strong, but our financial
6 performance has not benefitted from the strong demand
7 because of the pricing pressures from Chinese tires.

8 We provided in our questionnaire response
9 several comparisons of the profitability from our
10 sales of bias and radial tires. First, we compared
11 the average prices and standard costs for each of the
12 tires that corresponded to the nine products in the
13 pricing section of the questionnaire and for our top
14 fifty radial tires.

15 This information is also presented in the
16 confidential Exhibit 8 of our prehearing brief. What
17 you see is continued downward pressure on our margins
18 for bias tires, which decline each year, while radial
19 tires react more to overall volume.

20 Next, we pulled up the same kind of price
21 and cost data for 384 Titan OTR tires for the period
22 2005 through 2007, which counted for about 12% of
23 Titan's net sales in 2007. The results show a rapidly
24 worsening situation for our bias tire business.

25 From two tires selling below cost in 2005,

1 the situation seriously worsened in 2006 and 2007 to
2 80 models from more than 160 models, respectively.
3 Not surprisingly, we also saw a huge contraction in
4 the average margin between price and cost for all 384
5 products.

6 These results are representative of Titan's
7 experience in selling bias and radial OTR tires in
8 competition with the dumped and subsidized tires from
9 China during this period. The market conditions for
10 bias and radial OTR tires that are sold into the same
11 sectors are not radically different if overall demand
12 in agriculture is strong, and is comparably strong for
13 both bias and radial.

14 Further, the raw material cost for these
15 tires are very comparable; the principle inputs,
16 natural and synthetic rubber, carbon black, oil and
17 chemicals are the same.

18 As a public Staff makes clear, raw material
19 costs have increased substantially, yet that did not
20 prevent us from making better margins on our radial
21 tires. The only significant difference between the
22 markets for radial and bias tires is the much larger
23 presence of Chinese bias OTR tires.

24 We're still at the relatively early stages
25 of import penetration of the radial portion of certain

1 OTR tires. The difference has meant a better ability
2 if Titan were to obtain reasonable prices on radial
3 versus bias tires. Where there's a greatest presence
4 of Chinese imports, we're finding the greatest margin
5 pressure in loss volume.

6 Thank you.

7 MR. ALLEN: Good afternoon. My name is Ken
8 Allen. I am the Vice President of Firestone
9 Agricultural Tire, a division of Bridgestone-Firestone
10 North American Tire LLC, which I will refer to as
11 BFNT.

12 I joined Firestone in 2001. I have over 27
13 years of experience with the types of tires at issue.
14 BFNT produces tires covered by this investigation of
15 plants located in the Des Moines, Iowa and
16 Bloomington, Illinois.

17 We employ approximately 2,000 workers at
18 these two plants. We produce the full range of the
19 certain OTR tires covered by the petition, including
20 forklift truck tires and underground mining tires.
21 Our Des Moines plant is one of the largest
22 agricultural tire plants in the world. It is
23 dedicated 100% to agriculture, forestry and industrial
24 tires.

25 The years 2005 to 2007 should have been

1 outstanding for our operations on certain OTR tires.
2 Demand for OTR tires has been very strong since 2005
3 due to rising farm income, and increasing commodity
4 prices for corn, soybeans, wheat, oil, copper, iron,
5 gold and silver. Thus, we should have been increasing
6 production and employment, and enjoying above-average
7 profits on certain OTR tires during this period of
8 strong demand.

9 Our industry must achieve above-average
10 profits at cyclical peaks because we will surely have
11 below-average profits or suffer losses during down
12 turns. BFNT, however, did not enjoy increasing sales
13 of certain OTR tires, or even average profits during
14 this period of strong demand. Instead, we experienced
15 declining sales in production and anemic profits in a
16 growing U. S. market.

17 The primary reason for this poor performance
18 is the adverse impact of unfairly priced imports from
19 China. The Chinese producers penetrated our market by
20 targeting the highest volume tires that were our bread
21 and butter. They did not penetrate the market by
22 offering new- and better designs. Instead, they
23 offered comparable tires that undersold our tires by
24 30% to 50%.

25 Chinese manufacturers copies both our tire

1 designs and our marketing materials in order to take
2 advantage of Firestone's reputation in the market.
3 Slide 2 shows our traction field and rote standard
4 bias tires. Slide 3 is a U. S. dealer price sheet
5 offering a Chinese tire that it says looks like
6 Firestone's traction field and road.

7 Slide 4 is a large distributor's data sheet,
8 which identifies the Firestone Traction Field and Road
9 as a comparative brand. The data sheet also copied
10 our marketing materials word for word in describing
11 the tire's features.

12 I totally reject the claim that imports from
13 China were drawn into the market by a shortage. BNFT,
14 at all times, had ample capacity to make the very
15 types of tires that were targeted by the Chinese
16 producers. If these tires had been in short supply,
17 then the Chinese would have charged a premium to enter
18 our market, not 50% lower prices.

19 I also totally reject the claim by our
20 opponents that we voluntarily shifted production away
21 from small bias tires to larger radial tires. BNFT
22 was forced to cut production of many of our high-
23 volume tire models because we could not meet the low
24 Chinese prices. Biased tires comprise a large
25 majority of the market of certain OTR tires, and that

1 is not likely to change.

2 Slide 5 shows a small tractor that is
3 appropriately equipped with rear- and front bias
4 tires, pulling an implement with bias tires. Slide 6
5 shows a large-production farm tractor towing
6 agricultural implements. The tractor has eight
7 radials. The physical attribute of radial tires, for
8 example, is superior traction, making them a good
9 choice for the tractor.

10 The farm implement that you see in that
11 photograph has 20 small-biased tires. Biased tires
12 serve the application. So the market for biased tires
13 is huge and it's not going away. But we lost a very
14 large chunk of that market to subject imports. That
15 forced us to significantly curtail our production.
16 The unfairly low prices from China also prevented us
17 from raising prices enough to cover our rapidly
18 increasing cost of production.

19 From January 2004 to December 2007, we
20 experienced a 67% increase in raw materials, and a 43%
21 increase in energy costs. Our costs for raw materials
22 like natural rubber and for energy are now at all-time
23 record levels. Although BNFT sources its raw
24 materials globally and can leverage its buying power
25 to obtain the lowest price available, we have seen

1 Chinese copies of our tires that are being sold for
2 less than our cost of manufacturing.

3 We were able to raise prices to offset our
4 increasing costs. The price increases were slow and
5 low. It took a long time to get any increase at all,
6 and when we did, the increase was relatively small.
7 When we tried to explain to our customers that these
8 increases were imperative giving rising input costs,
9 they typically responded that they were not seeing the
10 price of imports from China go up.

11 Prior to the filing of this case, we
12 couldn't meet the low Chinese prices by making tires
13 at our facilities in the United States, so we explored
14 the possibility of obtaining from China the large
15 volume bread and butter items that I mentioned
16 earlier. This would result in a substantial
17 contraction of our domestic production and would
18 effectively write off a significant part of the
19 investment in our operations.

20 Since the filing of the petition in June of
21 last year, our performance has improved considerably.
22 With imports from China receding from the market, our
23 sales volume went up and we were able to obtain some
24 sorely needed price relief. And our customers have
25 been much more willing to accept price increases

1 needed to cover our rising costs.

2 If this period of relief is short lived,
3 however, we will have no choice but to seriously
4 consider outsourcing our large volume bread-and-butter
5 products because those products cannot be made here at
6 prices competitive with those previously offered by
7 Chinese suppliers.

8 Thank you.

9 MR. RASEY: Madame Chairman, Commissioners,
10 my name is Shawn Rasey. I am the Vice President of
11 North America for Bridgestone Firestone Off-Road Tire.
12 I have been employed by BFNT since 1992, and I have
13 worked in the off-road construction mining industry
14 for 28 years.

15 BFNT's OTR division manufactures and sells
16 tires for construction and mining applications. BFNT
17 manufactures these certain OTR tires primarily at a
18 facility in Bloomington, Illinois. We are one of the
19 two largest manufacturing employers in the
20 Bloomington-Normal area, which is located in central
21 Illinois.

22 Roughly 65% of our production in Bloomington
23 consists of certain OTR tires, as defined in the scope
24 of the investigation. The remainder are giant earth-
25 moving tires with a rim diameter of 39 inches, and

1 greater that are excluded from the scope. Most of the
2 OTR tires that we make in the United States have a rim
3 diameter of 25 inches or smaller. That's the segment
4 where we face the most intense competition from
5 construction- and mining tires from China.

6 I agree with Titan that earth-moving tires,
7 with a rim diameter of 39 inches or larger, are not
8 like earth-moving tires with a rim diameter of 39
9 inches or less.

10 Slide 7 shows me next to one of these
11 excluded tires. There is a quantum leap from the
12 level of investment in technological expertise needed
13 to make certain OTR tires to what is needed to make a
14 giant earth-moving tire. Building the giant tires
15 require much more technical know how and substantial
16 investment in much larger equipment.

17 For example, only two of the eight types of
18 tire-building machines at our Bloomington plant can
19 make tires having rim diameters of 39 inches or
20 larger. While tires under 39 inches are typically
21 cured in conventional curing presses, tire 39 inches
22 and larger are more commonly cured in pot heaters.

23 These investments and technological barriers
24 are why there are only four domestic producers of
25 giant earth-moving tires, and also why you don't see

1 any significant volume of Chinese imports of giant-
2 earth moving tires. The demand from the mining sector
3 was extremely strong and growing from 2005 to 2007.

4 We were at the top of our demand cycle, a
5 time when we should have been enjoying record sales,
6 production, prices and profits across the full
7 spectrum of our mining- and construction tire
8 products. Notwithstanding strong demand, we performed
9 poorly during this period on tires that are the
10 subject in this case.

11 There is only one reason for this poor
12 performance during a time of ideal demand conditions.
13 Imports of these tires from China were priced at
14 unbelievably low prices across the board. We
15 performed much better on the larger earth-moving tires
16 where we did not face unfairly subsidized competition
17 from China.

18 Even before this petition was filed, BNFT
19 had hard evidence that we were losing sales to
20 unfairly priced imports from China. In April of 2007,
21 we asked twelve of our key dealers whether they
22 purchased imports from China rather than the
23 equivalent-sized Bridgestone or Firestone products due
24 to price competitiveness by the Chinese imports.

25 As you will see on Slide 8, all twelve

1 indicated that they had done so. As shown on Slide 9,
2 they shifted from our product to Chinese products due
3 to prices for both bias and radial tires.

4 We also asked them: How big a difference
5 there was in the price of the tires that they were
6 buying from us and the imported Chinese tires that
7 they were purchasing? As you can see from Slide 10,
8 they reported very large price differences. Our price
9 competitiveness with other major domestic and off-
10 shore tire manufacturers was in a much tighter band.

11 The low-priced Chinese imports also forced
12 us to suffer lower prices on our remaining sales. We
13 have faced unprecedented increases in raw materials
14 and energy costs since 2004. We watched in disbelief,
15 however, as imports from China were priced in a manner
16 that bore no relation to the global prices for rubber
17 and energy.

18 This aggressive pricing was also not
19 affected by the weakening of the dollar and an
20 explosive rise in ocean transportation costs, both of
21 which should have given us a decided competitive
22 advantage versus imports from China, and versus other
23 imports from other countries as well.

24 China's insatiable appetite for natural
25 rubber significantly contributed to pushing pricing

1 for natural rubber to record levels. This is shown on
2 Slide 11. Slide 12 shows a 40% increase in our raw
3 material costs from January 2005 to March 2008.

4 While manufacturers here in the United
5 States have been forced to either absorb or pass these
6 raw-material increases to American consumers, our
7 Chinese competitors were receiving subsidies to lower
8 their costs of rubber. For me, I cannot imagine a
9 better example of unfair.

10 The imposition of preliminary duties has
11 significantly improved our business. We reported in
12 our questionnaire response that our profitability on
13 certain construction product lines suffered
14 significantly due to low-priced imports from China.

15 Up until the time that the preliminary
16 duties were imposed, we had large inventories of these
17 products. When the duties were imposed, we received
18 an influx of new orders for these tires. As a result,
19 only six months later our inventories of these tires
20 have been worked down to zero.

21 I strongly disagree with the other side's
22 claims that imports of certain OTR tires were drawn to
23 this U.S. market due to shortages. They were pushed
24 into this market due to low prices. Yes, there were
25 shortages of giant earth-moving tires but, as admitted

1 by the Chinese producers, there are virtually no
2 imports of those tires from China.

3 And, yes, there had been some tight supply
4 situations where a relatively small number of tire
5 models that are within the scope of this case. But
6 those tight-supply situations have generally been for
7 radial tires with a rim diameter over 25 inches.

8 The imports, on the other hand, are
9 substantially all 25 inches and smaller. Your data
10 indicate that 80% of Chinese mining- and construction
11 tires are less than 24 inches. These are the tires
12 for which we have the greatest excess capacity at both
13 Bloomington and Des Moines.

14 In conclusion, if we receive relief from
15 unfair trade, we would seriously consider adding
16 people and investing more money in this business. If
17 we do not receive such relief, we will not be able to
18 do either of these things.

19 Instead, we would be forced to consider
20 outsourcing a significant segment of this business to
21 offshore manufacturers. This would inevitably lead to
22 laying off highly skilled and loyal workers here in
23 the United States. That would be a crushing blow to
24 our domestic manufacturing base.

25 Please help us keep production of these jobs

1 in Illinois. Thank you.

2 MR. IVY: Good afternoon, Madame Chairman
3 and Commissioners. My name is Joe Ivy. I am the
4 Director of Manufacturing at BFNT's plant in Des
5 Moines, Iowa. I have worked for BFNT since 1996.

6 Today, I want to emphasize three points from
7 the Des Moines's plant manufacturing perspective.
8 First, the successful operation of our plant is highly
9 dependent on our sales of bias tires. In fact, over
10 80% of the tires that we make are bias tires, not
11 radial. Over 70% of our tire-building machines, and
12 about 60% of our curing presses, are dedicated solely
13 to bias-tire production.

14 If we don't have sufficient orders for bias
15 tires, this equipment sits idle and it cannot be used
16 to make other types of tires. Your Staff saw this
17 idle equipment when they visited us last July.

18 Second, prior to the initiation of these
19 investigations, we had made substantial investments in
20 bias-tire building equipment to reduce our labor and
21 material costs in an attempt to meet the low prices of
22 Chinese imports. Our investments were successful in
23 driving down production costs, but the Chinese prices
24 continued to undercut us by large margins.

25 Third, as a result of lost sales of Chinese

1 tires, we had substantial excess capacity to make bias
2 tires during the periods of these investigations. We
3 had numerous tire-building machines and curing presses
4 that could not be used.

5 In addition, due to lack of orders and
6 increasing inventories, we had to shut down the entire
7 plant for fourteen days in 2006 and six days in 2007.
8 In addition, we shut down bias production for six more
9 days in 2007. This situation has improved since
10 Chinese imports began to back off from the market with
11 the filing of this petition and the imposition of
12 preliminary duties.

13 We are now increasing production and
14 employment to make the types of tires that the Chinese
15 targeted with their low prices. For these reasons,
16 the other side's arguments that we have voluntarily
17 shifted to large tires and to radial tires is flat
18 wrong.

19 We were forced to sharply reduce our
20 production of biased tires and to idle equipment used
21 to make those tires. This left a huge hole in our
22 plant that we are now starting to fill with the
23 preliminary duties in place.

24 Thank you.

25 MR. MATEER: Madame Chairman, Commissioners,

Heritage Reporting Corporation
(202) 628-4888

1 good afternoon. I am Don Matter the III, President
2 and Chief Executive Officer of Specialty Tires of
3 America, Inc., and also Polymer Enterprises, Inc., the
4 parent company of Specialty Tires.

5 I have just completed my twentieth year
6 working for the company. Specialty Tires of America
7 is considered by government regulations to be a small
8 business employing approximately 730 workers in the
9 states of Pennsylvania and Tennessee. Our name says
10 it all. We manufacture tire products having
11 specialized applications, normally in short or limited
12 production runs. Our product line-up includes certain
13 OTR tires used in the industrial, construction,
14 agricultural and mining industries, and all of
15 Specialty's tire products are manufactured in our two
16 American tire plants.

17 Specialty Tire has been producing tires
18 since 1915, and the company's emphasis is on the
19 domestic bias replacement tire business. Our farm OTR
20 tires are marketed under the American Farmer brand
21 name. We also produce off-road tires for dock cranes,
22 front-end loaders, earth movers, and the like, under
23 the American Contractor brand.

24 We also produced a full line of underground
25 mining tires as well as pneumatic fork-lift tires.

1 Our factory in Tennessee is the newest factory in the
2 United States built to produce bias tires and geared
3 to the production of certain OTR and specialty tires.
4 The plant began production in 1997.

5 If we had to make that decision today, we
6 would very likely decide not to build the Tennessee
7 plant because imports of dumped and subsidized tires
8 are destroying the market. Specialty Tires has felt
9 first hand the impact of increased imports of OTR
10 tires from China.

11 On average, Chinese tires undersell our
12 prices by 30%. The pricing pressure from Chinese
13 imports has prevented our company from being able to
14 fully recover the rapidly rising costs of raw
15 materials.

16 Not long ago the price of natural rubber was
17 \$.42 a pound. Your public preheating report says that
18 it's now \$1.42 per pound. In fact, today, it's \$1.48
19 per pound. We have experienced similar cost increases
20 in the other major components of our tires, including
21 synthetic rubber, steel bead wire, carbon black,
22 fabric and processing oils.

23 Our inability to pass on cost increases in
24 certain OTR tires contrasts with our experience with
25 other types of tires that we make that do not compete

1 with Chinese OTR tires, such as high-performance race-
2 car tires and tires serving the antique and
3 collectible car markets.

4 In those markets, not only can we recover
5 our increases in raw materials costs, but we also are
6 generating much better operating returns than we do
7 from our certain OTR tire sales. Having said that, we
8 have seen a definite improvement in the certain OTR
9 tire market since the Commerce Department imposed
10 preliminary duties.

11 In 2008, we have seen both growth in our
12 sales of these tires and also improved margins; and,
13 overall, our certain OTR tire business has improved
14 40% in the first six months of this year compared to
15 the first half of 2007.

16 Now, I attribute all of this improvement
17 directly to the corrective affect of the preliminary
18 duties that importers are now required to post on
19 imported tires from China.

20 Specialty Tire recently announced that it
21 was starting production of rear-agricultural R-1 bias
22 tires; and we're producing 10 of the 25 different
23 sizes that we will ultimately offer. Business is
24 brisk because of strong demand in the farm sector.

25 The imposition of the preliminary duties,

1 and their affect on prices, made this a feasible
2 business decision. I strongly doubt that we could
3 have justified moving ahead with this investment but
4 for the relief from dumped and subsidized imports that
5 we're experiencing.

6 If the duties are removed and final orders
7 are not imposed, we would have to seriously reconsider
8 continuing this product line because of the pricing
9 pressures from Chinese tires that would most certainly
10 return.

11 In closing, I'd like to comment briefly on
12 the submissions made by Super Grip and Trelleborg.
13 Super Grip says they offer a much broader line of
14 underground mining tires than do any U. S. producers,
15 and they included a chart comparing their 44 different
16 tire models to 12 of ours.

17 We currently produce 36 of the afore-
18 mentioned underground mining tire models, and have
19 molds and equipment for production of additional tire
20 models if needed. Our line-up is at least 44 models,
21 not 12. Similarly, Trelleborg says that Carlisle is
22 the only U. S. producer of fork-lift tires. That is
23 factually incorrect.

24 As I mentioned at the outset, we also
25 produce fork-lift tires and would be most happy to

1 produce more if we get orders and can earn a
2 reasonable return.

3 Thank you for your time.

4 MR. HOOVER: Good afternoon, Chairman
5 Aranoff, Vice Chairman Pearson, and members of the
6 Commission. My name is Ron Hoover. I am the
7 Executive Vice President for the Rubber and Plastics
8 Industry Conference of the United Steel Paper &
9 Forestry Rubber Manufacturing, Energy, Allied
10 Industrial and Service Workers International Union.

11 Specifically, the USW represents the workers
12 employed in the plants of four of the seven domestic
13 producers who comprise the certain OTR tire industry:
14 Titan Tire Corporation in Des Moines, Iowa, Freeport,
15 Illinois and Bryan, Ohio; Bridgestone-Firestone in Des
16 Moines, Iowa, and Bloomington, Illinois; and Goodyear
17 Tire & Rubber Company in Topeka, Kansas, and Denman
18 Tires in Leavittsburg, Ohio.

19 Let me add here that our International
20 President, Leo Gerard, sends his heartfelt greetings
21 and regrets at being unable to testify in person. He
22 also sends his best wishes to the workers sitting in
23 the hearing room today. And I'd ask those workers to
24 please stand to be recognized. Thank you.

25 The USW strongly supports these cases on

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1 certain OTR tires from China. Imports from China have
2 increased rapidly over recent years and have entered
3 at prices far below U. S. producers' OTR prices.
4 Consequently, even though the markets into which
5 certain OTR tires are sold have seen strong demand
6 during this period, domestic producers, and
7 consequently, our members, have not been able to
8 benefit from the strong demand.

9 Instead of seeing increasing employment,
10 employment in the industry declined by more than 5%
11 between 2005 and 2007. Compare that to other sectors
12 that produce equipment that use certain OTR tires.
13 Employment in construction machinery and manufacturing
14 increased 9.2% between 2005 and 2006.

15 In mining and oil and gas machinery
16 manufacturing, employment increased 20%. That the
17 certain OTR tire industry did not see a comparable
18 increase in employment is additional evidence of the
19 harm caused by dumped and subsidized Chinese OTR
20 tires.

21 Workers in this industry are highly skilled.
22 You just can't hang a help-wanted sign outside the
23 factory door when you need to hire someone to operate
24 a Banbury mixer, a tire assembly machine, or a curing
25 press. It takes a lot of skill and years of training

1 to produce a large agricultural tire or a construction
2 or industrial tire.

3 So the jobs that have been lost in this
4 industry are high-skilled jobs. In Freeport,
5 Illinois, we have a large number of workers who are on
6 what we call a recall list. That means if Freeport
7 needs to hire more workers, there is a list of folks
8 who have the necessary training and skills, and who
9 are available to come back. That is a lot of
10 underutilized labor that won't show up in any of your
11 data, but it's definitely out there.

12 And the flood of imports from China has
13 prevented these workers from coming back to work over
14 the last three years in what, in all other respects,
15 is a strong market.

16 On a happier note, since the Commerce
17 Department issued its preliminary dumping and
18 countervailing determinations in these cases, and
19 started requiring duty deposits, employment is up in
20 the industry as a whole in the first quarter of 2008
21 compared to the same period in 2007. Some of our
22 members on that recall list have in fact been called
23 back to work in Freeport, producing certain OTR tires.

24 Employment is also up at Titan's Des Moines,
25 Iowa plant. At the end of 2006, Des Moines had 461

1 USW members working. In May of this year, that number
2 is up to 532. If you want positive proof of a
3 connection between dumped and subsidized Chinese OTR
4 tires and injury to the domestic industry, it seems to
5 me you have proof right there when the preliminary
6 duties have helped neutralize the dumping and
7 subsidization.

8 Our members need relief from the dumped and
9 subsidized Chinese imports of certain OTR tires. We
10 ask you to see that our members receive the relief
11 promised by our laws.

12 And I want to thank you for your attention.

13 MR. LESLIE: Good afternoon. I'm Tracy
14 Leslie, Executive Vice President of Michigan Tire
15 Distributors Inc., and President of Leslie Tire
16 Service Inc. Michigan Tire Distributors is a
17 wholesale division of Leslie Tire Service, which was
18 started by my father in 1964. I purchased the
19 business in 1977. I have owned the company ever
20 since.

21 Leslie Tire has four locations that sell OTR
22 tires directly to the end user. Michigan Tire
23 Distributors, created in 2001, sells OTR tires to
24 dealers throughout southwest Michigan, Indiana and
25 Ohio.

1 Imports of Chinese OTR tires covered by
2 these investigations are having a negative impact on
3 the U. S. producers of certain OTR tires. Over the
4 last few years, imports of certain OTR tires from
5 China have increased by my estimate by at least 50%.
6 This increase in imports from China has occurred
7 largely at the expense of domestic certain OTR tire
8 industry. I'm selling fewer U.S.-produced OTR tires
9 than I used to.

10 My company offers Chinese OTR tires such as
11 GPX, in order to remain competitive with other dealers
12 even though my preference is to sell American-made
13 tires. Every week I receive flyers from other OTR
14 wholesalers offering special prices on Chinese OTR
15 tires.

16 Most of the Chinese OTR tires that are
17 coming into the market are bias, agricultural,
18 construction and industrial tires; and a large part of
19 my market consists of bias tires. There are also
20 Chinese radial tires coming in. There does not yet
21 appear to be as significant a presence as there is in
22 bias-ply tires. It should come as no surprise then
23 that bias-ply OTR tire prices are under significantly
24 greater pricing pressure than radial OTR tire prices.

25 Many customers buy OTR tires based solely on

1 price, particularly in the agricultural after market
2 where the typical end user is a farmer with a few
3 hundred acres to plow. Such customers compare the
4 various tire sizes available and purchase the least
5 expensive tire, which is almost always a Chinese tire.
6 The difference in price is so large that they
7 overwhelm other factors such as perceived quality.

8 I understand that the Commission's
9 preliminary determination mentions reports of
10 shortages of domestic OTR tires. That has not been my
11 experience for the vast majority of domestic tires
12 that compete with the Chinese imports. Any issues
13 with supply have been rare and generally resolved
14 quickly.

15 For example, someone might refer to a
16 shortage and the reality is that it took two to three
17 days, rather than a couple of hours to locate a
18 particular tire. These situations are uncommon and
19 for the most part there are plenty of OTR tires
20 available where we operate.

21 In closing, I hope you won't let happen to
22 the domestic certain OTR tire producers what happened
23 to the domestic producers of mobile home tires. Low
24 priced imports drove those U. S. producers out of the
25 market.

1 Thank you.

2 MR. MONTHEI: Good afternoon. I'm Kelly
3 Monthei, Owner and General Manager of Graham Tire in
4 Worthington, Minnesota, which is one of the largest
5 independently owned tire dealership groups in the
6 United States.

7 Graham Tire has 25 retail locations in four
8 states: Iowa, Minnesota, Nebraska and South Dakota.
9 We are also a wholesale distributor of OTR tires,
10 supplying tires to more than a thousand dealers
11 throughout the midwest.

12 I have witnessed a large increase in imports
13 from the Chinese certain OTR tires over the last few
14 years. Imports of Chinese certain OTR tires have had,
15 and continue to have, a direct negative impact on U.
16 S. producers of OTR tires.

17 Graham Tires started buying Chinese tires
18 about six years ago in order to remain competitive
19 with other dealers and wholesalers. The tire business
20 is highly competitive. If a farmer stops buying his
21 farm tires from me and starts buying from another
22 dealer offering cheaper Chinese tires, the chances are
23 good that he'll also buy his truck tires and car tires
24 from the same dealer. So I can't afford not to be
25 competitive across the board, including certain OTR

1 tires.

2 Chinese certain OTR tires are priced
3 substantially below the U. S. produced tires. For
4 customers who buy primarily on the basis of price,
5 which many do, U. S.-produced certain OTR tires simply
6 cannot compete with such low prices.

7 After Commerce's preliminary determinations,
8 I have noticed a significant change in the market.
9 Prices of Chinese certain OTR tires have increased
10 significantly, and many Chinese suppliers have a
11 smaller presence in the U. S., and we're selling more
12 domestic tires. So the preliminary duties are making
13 a real difference.

14 My understanding is that the large earth-
15 moving tires, with a rim diameter of 39 inches or
16 greater, are not covered in the scope of this
17 investigation. In my view, there are a number of
18 important differences such large earth-mover tires
19 have versus the products covered by the investigation.

20 We sell these large mining tires but only in
21 the few locations that have specialized equipment
22 needed to handle them, and where our employees have
23 specialized training. The complexity of replacing
24 these large mining tires can be seen in the difference
25 in time it takes to change it over: Up to two to three

1 days to change six of these large tires versus two to
2 three hours to change all of them on a tractor.

3 Our customers also view them differently.
4 The large mining tires can cost as much as \$50,000 to
5 \$80,000 each. Consequently, the mining companies have
6 purchased these tires and are much more concerned
7 about warranty and coverage and service than the
8 farmer buying a \$500 front tire. Mining companies can
9 lose huge sums if the trucks are out of commission due
10 to a worn out tire. Finally, large mining tires are
11 simply not interchangeable with any of the Chinese OTR
12 tires you are investigating. Thank you.

13 MR. STEWART: Madam Chairman, that concludes
14 our direct presentation.

15 CHAIRMAN ARANOFF: Thank you, very much, and
16 thank you to everyone on this afternoon's panel for
17 taking the time away from your businesses to be with
18 us today. I want to also recognize all of the
19 workers, who joined us today. Thank you for coming to
20 see how we conduct our proceedings in this case. We
21 appreciate that you made the trip to join us. And, in
22 particular, I want to send our greetings to Mr.
23 Gerard. We understand why he was unable to be here
24 today and our thoughts are with him.

25 With that, I will turn it over to Commission

1 Okun to begin the questioning.

2 COMMISSIONER OKUN: Thank you, Madam
3 Chairman, and I join the Chairman in welcoming all of
4 you here today. I appreciate such a large number
5 joining us to tell us about your business. I, also,
6 join the Chairman's remarks earlier expressing the
7 Commission's appreciation for your flexibility in
8 accommodating the scheduling for today's hearings.
9 And I would also like to greet the workers, who have
10 joined us today. I hope you find it to be an
11 informative process. Having had the opportunity to
12 tour one of Mr. Taylor's plants in Freeport, I would
13 know Mr. Hoover's remarks about the skill and training
14 involved. I didn't know how tires were made until I
15 went there and I can now know the difference between a
16 bias and a radial. I understand what goes into it.
17 But, I, also, did find watching the process, how much
18 skill and training was involved with that, to be a
19 fascinating process. So, I appreciate you being here.
20 And, Mr. Taylor, I appreciate the Riley brothers and
21 the others at your plant, who gave us a very
22 informative tour while we were there.

23 Let me begin with the question -- I know
24 that each of you today have taken strong exception to
25 the view that there were shortages in the market.

1 But, I do want to go back and ask some specific
2 questions about that. And I would note that I can't
3 see all of your names. We have a sheet up here with
4 your names on it. In responding, if you can just
5 restate your name, just to make sure that I know who
6 is talking and also for the court reporter, that would
7 be helpful, as well.

8 In the staff report, the public staff report
9 in Chapter II, III, there are a large number of
10 producers in this particular -- a large number of
11 purchasers in this case, 22 out of 50, who reported
12 having a difficult time of taming the subject product
13 during the period of investigation. And, again, they
14 were looking -- they were asked specifically about
15 subject tires and I'm not now talking about anything
16 that might be argued as a separate like product, the
17 large mining tires. But, they were asked to comment
18 specifically on that. And the other thing the staff
19 report that I noted was that three of the seven U.S.
20 producers had acknowledged that they had refused to --
21 were unable to supply tires during this period. So, I
22 would like to just go back to each of you -- I know
23 you had a little bit of an opportunity to talk about
24 it in your remarks, but if you could expand for me on
25 how you see the market, if you did have difficult in

1 supplying product, if you can talk a little bit more
2 about that and, then, obviously, for post-hearing, to
3 counsel, to make sure that if there is any
4 documentation available that helps us better
5 understand what particular products were involved and
6 what period.

7 And I'll just start, Mr. Taylor, on the
8 front row with you. But, take both from the producers
9 that are here and then also from the distributors,
10 because I think each of you -- or at least one of you
11 commented on availability, as well. Mr. Taylor?

12 MR. TAYLOR: Well, I think that the tires
13 you're talking about happen to be in what we would
14 call the construction 25-inch radials and that covers
15 the scope of the time of the years. Up until August
16 of 2006, Titan was not in that business. Those are
17 out of the Bryan, Ohio plant. And our largest
18 customer happens to be John Deere. And the Bryan,
19 Ohio plant, at that time, was owned by Continental,
20 which is a German company. And they sold an awful lot
21 of their product through a holding company and they
22 would also export it all over the world.

23 When we acquired the facility on August 1,
24 2006, the first thing that we did was John Deere was
25 in need and we made a contract with John Deere. And

1 that's publicly acknowledged and we took care of
2 supplying Deere. Then what else we did, at that time,
3 is we took those tires, the production, and we started
4 to supply our own distributors. So, what you have is
5 a lot of times in this market, you might have a lot of
6 distributors and at this period of time, Michelin, and
7 I believe there were some other companies, were
8 shipping product into the U.S. and they stopped
9 shipping in. So, you had a number of months problem
10 of being able to supply that. To increase that, we
11 actually went up to our Freeport plant that you were
12 in and we realized that we had this production
13 equipment there that with some modification, we could
14 make the 25-inch radial steel-belted tires there. And
15 we invested millions of dollars and got into that
16 business up there and we're filling all the orders we
17 could get. And then since then, they've come in from
18 China. And, of course, while you were up there, you
19 should have seen equipment that was not run, because
20 it's an oversupply at this stage of the game today.

21 COMMISSIONER OKUN: Okay. I may have some
22 thoughts on that, but let me go to Mr. Allen.

23 MR. ALLEN: I think the fact that there were
24 shortages is grossly overstated. Our discussion with
25 our dealer counsel during the period was very strictly

1 related to the price issue. And if there were indeed
2 spot shortages, some of them may have occurred, in
3 many cases, due to our inability to compete. We did
4 have, in fact, additional capacity and through most of
5 the period, we were drawing inventory.

6 COMMISSIONER OKUN: Okay. Mr. Mateer? Oh,
7 yes. Put your microphone on, please.

8 MR. MATEER: Thank you. A few comments.
9 First of all, as I remarked, we built a new tire plant
10 in 1997 and I was dedicated to Speciality, including
11 certain off-the-road tires. That includes rim
12 diameters or rim sizes are diameters that are 25 inch
13 and under. We manufacture zero radial tires in some
14 of the construction and agricultural markets that the
15 other gentlemen have addressed. So, again, it's all
16 bias. It's all replacement. It's 25-inch big
17 diameter rim sizes or under.

18 I am appalled to find out that there are
19 accusations of shortages, because since we introduced
20 the off-the-road product line into that production
21 facility in Tennessee in 1999, we have virtually
22 scraped to find business, operating the plant
23 typically about 50 percent utilization. So, I think
24 from that standpoint, we are ready, willing, and able
25 to provide product. And the plant was constructed in

1 a modular fashion, which means that we have a second
2 concrete pouring, which would house a Banbury, in the
3 event that we needed to mix more rubber. In addition
4 to that, we have the capability in a modular fashion,
5 expanding that Tennessee facility by putting in more
6 tire building capability and more curing press
7 capability should the demand require it. We simply
8 haven't had the need. It was more of a necessity on
9 our part to expand that facility. We weren't able to
10 fully satisfy the existing capacity we've had since we
11 put that plant in operation over 10 years ago.

12 COMMISSIONER OKUN: Others back there? Mr.
13 Leslie, did you comment on this?

14 MR. LESLIE: Yes, I agree with Mr. Mateer.
15 The distributors or wholesalers that come up with the
16 shortages issue is simply not true. The only shortage
17 of the issue was the price on the tires. That was
18 that you could find tires. Absolutely, we were one of
19 the dealers that went to Mr. Mateer to try to compete
20 with the Chinese tires, give us a little bit of
21 relief, but not enough to where you could confidently
22 think that you were going to keep a customer in your
23 business, because the dealer down the street, if they
24 had one or two of the Chinese brand tires, you were
25 going to lose the customer just because of price.

1 Even though we've been in business 30 years, the
2 service couldn't outweigh the price.

3 COMMISSIONER OKUN: Okay. Mr. Monthei, did
4 you have anything on that particular point?

5 MR. MONTHEI: I guess, you know, with us, we
6 started buying the Chinese products to compete because
7 of the price difference. And about six years ago, it
8 came up where we couldn't compete in like terra tires
9 and farm tires and we had to start buying the products
10 to be competitive. But, we haven't had a shortage
11 problem. We've been able to get the products when we
12 needed them and take care of our customers. So, it's
13 always been on price.

14 COMMISSIONER OKUN: Okay. Yes? Someone
15 else -- two other people with their hands up back
16 there, go ahead.

17 MR. HAWKINS: My name is Paul Hawkins. I
18 work for Titan Tire and I was in charge of the Bryan,
19 Ohio facility at the time Mr. Taylor referenced when
20 it was owned by Continental. And I think one of the
21 things you need to understand is that part of the OTR
22 business is very cyclical. Towards the end of 2003
23 and 2004, we were at a cyclical bottom and what you
24 have to do in that situation is you have to
25 dramatically reduce your inventory and your capacity

1 to produce. And that's what we were basically doing
2 all through 2003 and into 2004.

3 At that point, the market turned and when it
4 did turn, we were in a situation of very low inventory
5 and very low production capacity. So, we were
6 building up our production capacity into 2005, which
7 is the beginning of the period of interest, I guess.
8 And at that point, we were short of some inventory.
9 There were some shortages. But, as we built up
10 capacity and we got back to our old production levels,
11 we pretty much were able to fill all of that.

12 COMMISSIONER OKUN: Okay. There was a
13 question from me about reported capacity utilization;
14 but my red light is on, so let me come back to that on
15 another round. I appreciate all of those responses.
16 Thank you.

17 CHAIRMAN ARANOFF: Thank you. Commissioner
18 Lane?

19 COMMISSIONER LANE: Thank you. I, too,
20 welcome everyone to this panel. I especially welcome
21 the workers within the audience.

22 Mr. Taylor, I, unfortunately, was not able
23 to tour your facility and I would have liked to have.
24 And so in order to make up for my neglect of you, I
25 will focus most of my questions on you. Is that fair

1 enough?

2 MR. TAYLOR: That's fair enough,
3 Commissioner.

4 COMMISSIONER LANE: Okay. I am especially
5 interested in the allegations in the Super Grip brief
6 relating to the tires that Super Grip makes for the
7 mining industry and that the ability of Super Grip to
8 make tires for the mining industry that are within
9 scope and the ability of Super Grip to make those
10 tires in small runs of up to 700 tires, which Super
11 Grip, as I understand it, is saying that the larger
12 manufacturers cannot do and are not doing and are not
13 supplying to the mining industry. And then I read in
14 the brief that because of the duties that have been
15 placed on its tires, it has stopped importing those
16 tires from China. And so, I am assuming, then, that
17 somebody has to be filling that void to the mining
18 industry. And as I understood your testimony, you
19 said that Titan can make those tires. Are you making
20 those tires right now in the same specifications that
21 Titan -- I mean, that Super Grip was doing?

22 MR. TAYLOR: Well, before Super Grip, we
23 made the tires. And not only ourselves, but you heard
24 Mr. Mateer, they make them. There is also a company
25 called Carlisle in Clinton, Tennessee that Titan used

1 to own and we sold it to them and they make them.
2 When we acquired the Continental general plant in
3 Bryan, Bryan had shipped the molds over to our
4 offshore Continental plant, to try to reduce the
5 pricing, because Super Grip was bringing them in from
6 China at, you know, 30 to 40 points less than where
7 we're at. So, you look and that's the only reason why
8 we got out of it. We have the wheel plant in
9 Saltville, Virginia, because we are the only company
10 in the world, who make both the wheel and the tire.
11 And so, in reference to the mining industry, we make
12 the wheels. And when you look at Appalachian Tire,
13 who is probably the largest distributor of them, Walt
14 Dial, he doesn't want to buy the Chinese, I don't
15 believe, but the price difference is so large, he has
16 no choice. Once you have a little bit of levelness,
17 fairness, then we're in it big time, because now we
18 not only have the wheel, we have the tire, and that's
19 what we try to do. So, there's no shortage of that.

20 COMMISSIONER LANE: So, when Super Grip says
21 that it is selling its tires higher than the domestic
22 product, is that wrong?

23 MR. TAYLOR: Yes. I haven't run into it and
24 I have Mr. Vasichek, who is the head of all of our
25 sales and marketing. But, I've never seen a situation

1 where someone would pay more for a Chinese tire than
2 they will for a tire from us. So, I don't believe
3 it's right.

4 COMMISSIONER LANE: Okay. Mr. Rasey, were
5 you raising your hand?

6 MR. RASEY: Yes. Commissioner Lane, to add
7 to what Mr. Taylor is commenting on, we will, by the
8 way, present some post-hearing brief material on some
9 actual inaccuracies that we found in the pre-hearing
10 brief presented by Super Grip. But, generally
11 speaking, we could also say that we're actively
12 involved with the mining industry in West Virginia,
13 both the surface mines, as well as the underground
14 mines. And Bridgestone-Firestone, also, has a product
15 line currently available. It covers most of the high
16 volume items that are demanded by the underground
17 mining equipment and, certainly, the Chinese products
18 are much lower priced than our products in those
19 applications. I could also say that there are a
20 number of cases where we did find some specific
21 allegations brought forward by Super Grip that there
22 was no replacements for certain tires that they
23 produce. And, again, there are some factual
24 inaccuracies there. We have some specific instances,
25 again, that we'll share with the Commission relevant

1 to that, as well.

2 And finally, I think from our perspective,
3 based on what Mr. Mateer has testified to already and
4 what Mr. Taylor has testified to relevant to their
5 ability, we, also, have that ability with any sizes
6 within that range for that industry.

7 COMMISSIONER LANE: Okay, thank you. Mr.
8 Vasichek, did you want to say something?

9 MR. VASICHEK: No. I was going to agree
10 with Morry, we haven't seen any issues of the pricing
11 with Super Grip.

12 COMMISSIONER LANE: Okay. Now, Mr. Taylor,
13 I think you said that -- you were commenting on the
14 Respondents alluding to your good stock price and you
15 said that it was -- that you all were very concerned
16 about covering your fixed prices and your fixed costs.
17 And I just wondered, how do you allocate your fixed
18 costs between the in-scope tires and the out-of-scope
19 tires?

20 MR. TAYLOR: The out-scope tires,
21 Commissioner, we're building a new plant. So, the
22 out-scope tires have no bearing. When you look at our
23 stock price and what happens, you have to understand,
24 we're building the 63-inch, which is the world's
25 largest tire. The only two people in the world, who

1 produce the 63-inch, up until February 15th of this
2 year, was Bridgestone and Michelin. So, being a
3 little American that likes a challenge, we decided
4 Americans should get into it. So, we're building a
5 plant and we're building it right next to Bryan, Ohio.
6 And from the day we crack ground until we produce, we
7 built the factory and we produced our first tire,
8 which was February 15th. And I'm sitting here. Of
9 course, I see the -- back in the back of the room, I
10 see one of my tire builders on the first stage here.
11 So, they're supposed to be beginning production today.
12 So, we'll have a chitchat in a moment back there. But
13 --

14 COMMISSIONER LANE: Well, now, wait a
15 minute, he's here supporting you, so that you ought to
16 give him credit for that.

17 MR. TAYLOR: I appreciate and I really
18 appreciate him, you know, coming here to see what goes
19 on. But, as our opponent said, our stock price was
20 really high, because I have shareholders, who are
21 hoping and gambling that we pull it off. So, that
22 tire and that will be set this coming December, when
23 we put the fixed cost to the new facility. Right now,
24 that's an accounting way that is put under our capital
25 expansion and under construction. So, the product --

1 when the other Commissioners went up to Freeport,
2 where if they had gone to Des Moines, all of those
3 tires are under the scope of this investigation. And
4 the Bryan facility, the only tires that are not under
5 the scope was the 39, the 45, the 49, and 51 inch.
6 They never made the 57 or the 63, which is where
7 everything is. So, what you do with your fixed costs,
8 your fixed cost is your property tax, your building,
9 and everything else, and you figure out how -- what it
10 would be if you didn't make a tire and then you put
11 that as a cost and that goes over where your budget of
12 your sale sign. That's how your fixed cost is.

13 COMMISSIONER LANE: Okay, thank you. Mr.
14 Stewart?

15 MR. STEWART: If the question pertains to
16 how the allocations are done for purposes of the
17 questionnaire response, we would be happy to provide
18 that in post-hearing brief. That was an issue that
19 was verified by Commission staff, as I understand it,
20 during their verification of the company.

21 COMMISSIONER LANE: Okay, thank you. Madam
22 Chairman, I will wait until my next round.

23 CHAIRMAN ARANOFF: Thank you. Commissioner
24 Williamson?

25 COMMISSIONER WILLIAMSON: Thank you, Madam

1 Chairman. And I, too, want to express my appreciation
2 to the witnesses and the workers for being here today.
3 I had the good fortune to visit the plant in Freemont.
4 I must admit, I was very impressed with the -- watch
5 the workers build the tires. And that leads me to ask
6 my first question to Mr. Hoover about how long does it
7 take -- I know there are lots of different jobs in
8 this process, but could you give us some idea of how
9 long it takes a worker to become skilled in this -- in
10 some aspects in tire building?

11 MR. HOOVER: Well, if you have someone new
12 off of the street that doesn't have previous
13 experience, it depends on what jobs he goes to. Some
14 jobs, it can take as much as 12 weeks or more to get
15 them trained. And when they're trained and they're
16 pretty efficient, but they're not yet at that point as
17 efficient as the old hands that have been around, you
18 know, and built for years. If you would like, we can
19 address that in the post-hearing brief.

20 COMMISSIONER WILLIAMSON: Well, I
21 particularly wanted -- I was wondering if you know
22 anything about the Chinese industry and workers there.
23 Are those plants any more automated than the U.S.? I
24 was very impressed with how much manual labor goes
25 into building --

1 MR. HOOVER: Yes.

2 COMMISSIONER WILLIAMSON: -- particularly
3 the larger tires.

4 MR. HOOVER: Frankly, I don't know how
5 mechanized the Chinese are. I can't help you there.

6 MR. TAYLOR: Commissioner, yes, I've been
7 through a lot of the Chinese products and I would put
8 it this way, I was in one facility that had 4,000
9 people and we would produce the same product with 400.
10 So -- but, then there's been new plants that do not
11 make what we're doing, but they have gone in for
12 automotive and for truck and they just bring the
13 machinery over and that gets to be push button. But,
14 since Mr. Hoover said 12 weeks, it's a little -- I
15 think my tire man back there would tell you it takes a
16 long time to know how to build the tire and that 12
17 weeks is on the short side. They're very skilled.
18 They work hard, as you've seen.

19 MR. IVY: Commissioner Williamson?

20 COMMISSIONER WILLIAMSON: I'm sorry. I'll
21 say, I saw one guy and I knew it was a lot more than
22 12 weeks.

23 MR. IVY: Commissioner Williamson, on behalf
24 of Bridgestone-Firestone's plant in Des Moines, Iowa,
25 just to touch on your question regarding tire

1 builders, it takes us about nine months for a tire
2 builder off the street to be able to run at rate. By
3 that, I mean the minimums. So, to get him to be an
4 exceptional tire builder, we're talking about 12 to 15
5 months. But just to get at rate, about nine months.

6 COMMISSIONER WILLIAMSON: Okay. Mr.
7 Hawkins?

8 MR. HAWKINS: I've been in several Chinese
9 plants, certainly not the bulk of them, but in the
10 ones that I've been in, the manning levels were
11 significantly higher than what we've had in Bryan,
12 Ohio, for the similar operation.

13 COMMISSIONER WILLIAMSON: Okay. That's
14 good. Those are very helpful. As I said, I saw some
15 workers and I knew it took years to get -- to do some
16 of the things I saw some people doing. But, this is
17 helpful to understand.

18 Mr. Rasey, in your testimony, you stated
19 that OTR tires under 39 inches are typically cured in
20 conventional curing presses, where tires greater than
21 39 inches are more commonly cured in pot heaters. Can
22 you explain what a pot heater is and how is that
23 different from the curing press?

24 MR. RASEY: Sure, I would be happy to,
25 Commissioner. If you would, when you were at the

1 Titan plant, you may have seen what would be commonly
2 referred to as a clamshell, which means that when you
3 went to the curing area, the tire and the mold are
4 placed into that clamshell and it closes over the mold
5 to apply the pressure and the heat, so that you'll
6 cure the tire to get it to finished stages. And
7 that's a very customary way to do tires of these
8 certain OTR sizes, as we mentioned.

9 A pot heater, on the other hand, is a much
10 different animal. A pot heater -- and we're in the
11 process actually right now, Bridgestone-Firestone, of
12 putting a new one in our plant in Bloomington,
13 Illinois, for tires that are outside of the scope.
14 And to define that, that pot heater that's going in is
15 going to be -- I think we had to dig a whole 35 feet
16 down into the ground and I think we had over 1,000
17 yards of concrete into that hole, to try to contain it
18 with our piping. And what will happen, Commissioner
19 Williamson, is that when you take the molds, like you
20 would put in the clamshell, but those then are placed
21 in a crane into the pot heater and then you'll stack
22 two or three molds into that chamber. The lid then is
23 put down onto that chamber with another hoister, a
24 heavy duty crane, and then that would then cure the
25 products in that area. So, it's a much different

1 process. It gets the same result, ultimately, but
2 it's a much different process because of the process
3 and investment, as well.

4 MR. TAYLOR: There is one thing. As we just
5 told you, everything is fine, but he forgot to tell
6 you that the reason it's so deep, Commissioner, is
7 because there's a cylinder under there and when you
8 put this thing together, think of a bit silo, big
9 tube, and that cylinder then comes up and it looks up
10 -- the top is locked and it pushes against the top,
11 because you have to have pressure, and that pushes the
12 mold. And whether you have a 33-inch tire in there or
13 you have a 45-inch tire, the one that takes the
14 longest to cure, that's how long you have to leave
15 them in there, because you can't take one out. It's
16 for multi-use. And the clamshell, which is a curing,
17 it's by itself and it's one tire at a time and it has
18 the bladder. Everything that goes into a pot heater
19 has to have its own bladder assembly put in it and
20 blown up together to put in there. It's just so much
21 different than the 35 and under. Under 35, you can
22 put in 100-inch press and go from there. Above that,
23 you go to pot heaters.

24 COMMISSIONER WILLIAMSON: Now, is it a fixed
25 rule, you have to use pot heaters if you're going to

1 do over 35?

2 MR. RASEY: Well, I don't know of anybody
3 that's made curing presses, maybe somebody, someplace
4 in the world. But to my knowledge, I know Goodyear
5 doesn't have one. I do not know if Firestone has a
6 pot heater -- I mean, a clamshell that can take a 39-
7 inch tire. I don't know.

8 MR. IVY: Bridgestone-Firestone doesn't have
9 a curing press that they can take above a 39-inch
10 tire.

11 MR. TAYLOR: I don't know of any either.

12 COMMISSIONER WILLIAMSON: Okay. So, that's
13 why you have --

14 MR. TAYLOR: That's why it's built where it
15 is. It's a whole different process, everything. The
16 current 63-inch is 13-1/2 feet. So, the mold, itself,
17 is 18 feet in diameter. So, it's larger than your
18 circle that you've got there. I mean, if you sit 24
19 hours, you'll get one.

20 COMMISSIONER WILLIAMSON: Thank you. Mr.
21 Stewart, you, I think, made a reference to -- I guess
22 you said, I think a strong -- cyclical -- a positive
23 cyclical trend in the industry. And I don't know if I
24 got that correct. I mean, marked sales, they follow
25 certain cyclical trend and where are we in that trend

1 now?

2 MR. STEWART: Thank you, very much,
3 Commissioner. While, as is probably apparent, I enjoy
4 speaking, it probably would be better to have the
5 industry folks tell you. As the staff report makes
6 clear, the demand for tires is obviously a derived
7 demand, both from the OE side and in terms of the
8 after market. You can have different cycles for the
9 agriculture than you may have for the industrial
10 construction. But, if you look at the period from
11 2004 to 2007, it has been an upward cycle, in terms of
12 apparent consumption. What I had said in my opening
13 comments and in the slide presentation was that
14 despite that strong upward trend, the domestic
15 industry hadn't seen the benefits that you would
16 expect. It's similar to the statements of both Mr.
17 Taylor and the folks from Bridgestone-Firestone made,
18 as well, in terms they should have been seeing
19 extraordinary profits. And in a certain OTR business
20 it wasn't there and it wasn't there because of the
21 extreme price pressure.

22 MR. DORN: Commissioner, if I could just add
23 to that. Joe Dorn, Bridgestone. I don't think there
24 is any disagreement about that point. The Chinese
25 response, in their pre-hearing brief at page 33, said

1 "demand for OTR tires tends to be cyclical, trends in
2 U.S. farming and mining sectors. As agriculture and
3 commodity prices rise, sales of OTR tires increase."
4 They went on to point out that demand had been very
5 strong during the period of investigation. I think
6 both sides agree with that point.

7 COMMISSIONER WILLIAMSON: And I guess we
8 could say dealing with commodity prices that the
9 upward trend is continuing, is that fair to say?

10 MR. STEWART: On the agricultural side, that
11 is correct.

12 MR. TAYLOR: That's true on the other
13 commodities, at this point in time. I mean, it's
14 going to be interesting what happens out four or five
15 months from now. I think the farmers, they need a
16 break for a while. I've been in this 40 years and I
17 think it's a good time for them.

18 COMMISSIONER WILLIAMSON: Okay. My time has
19 expired. Thank you for those answers.

20 CHAIRMAN ARANOFF: Commissioner Pinkert?

21 COMMISSIONER PINKERT: Thank you, Madam
22 Chairman. I would like to join my colleagues in
23 welcoming this panel, thanking you for being here. I
24 would also like to thank the workers in the back for
25 being here and I hope that we get at some of the

1 issues that may concern you at this point.

2 So, I would like to begin actually following
3 up on some of the questions that Commissioner
4 Williamson was asking about the apparent consumption.
5 If we're looking at this period from 2005 to 2007, is
6 there a particular measure of apparent consumption
7 that you would use in saying that 2007 was a banner
8 year in the cycle?

9 MR. STEWART: Well, there's a lot of
10 controversy from the pre-hearing briefs about how the
11 pre-hearing staff report has come up with apparent
12 consumption. The staff has done an admirable job of
13 trying to follow what both we on the Petitioners' side
14 and on those on the Respondents' side submitted during
15 the preliminary portion of the case, which is that
16 there is -- it is apparently the case that there are
17 products included in the U.S. import statistics, which
18 are not part of the scope, even though from the
19 description in the tariff schedules, they ought to be
20 part of the scope. And so the question is how do you
21 take those out.

22 There's been an effort to take some out when
23 you do it at the level that was done at the
24 preliminary, which is a \$20 cap. Anything below \$20
25 is too inexpensive to likely be a certain OTR. What

1 you end up with is something that suggests that there
2 was a significant drop off in imports in 2007, which
3 is not consistent with the importer questionnaire
4 data, where certain OTRs were asked for. The problem
5 with the importer questionnaire data obviously is a
6 subset of the whole. And so, the question is where do
7 you go from the importer questionnaire data to the
8 Census data.

9 We ran a series of extrapolations following
10 what the staff has done, but moving the price point
11 up. Domestic producers will have few, if any, tires
12 that are anywhere close to \$25 or \$30 or \$35 in the
13 certain OTR side. So, there is some upward movement
14 that could be had. At the same time, you can find
15 flyers from distributors that are offering Chinese --
16 there will be an occasional Chinese tire that is below
17 \$20. That's not the import price, but it's a price
18 that a distributor is paying, whether that is getting
19 rid of excess inventory or what have you.

20 So, it's not clear how you get to a correct
21 number, but it's somewhere between those two.
22 Anything but the \$20 would suggest that there is a
23 strong growth in apparent consumption. The staff has
24 done what they should have done, which was to rely on
25 what had been done preliminary and that would suggest

1 that you have a downturn on consumption, at least in
2 units, in 2007. That's inconsistent with everything
3 else that's in the staff report. The majority of
4 purchasers, majority of importers, majority of
5 domestic producers all indicate that they believe that
6 demand has been up. Domestic producers on a unit
7 basis haven't been participating in that until you get
8 to preliminary relief.

9 MR. DORN: Commissioner Pinkert, if I could
10 just -- Joe Dorn for Bridgestone -- if I could just
11 add to that. In terms of the trends in terms of
12 consumption, we think the most telling table in the
13 report would be Table E-2, at page E-4, which uses the
14 importers' questionnaires, tabulate the imports, and
15 that shows the increase of apparent consumption from
16 2005 to 2007, which, as Terry says, is consistent with
17 all the record evidence about increasing demand. But,
18 as Terry also noted, those import numbers, of course,
19 are understated because of lack of --

20 COMMISSIONER PINKERT: Thank you.

21 MR. DORN: Term-wise, they seem to be right.

22 COMMISSIONER PINKERT: That's very helpful.

23 Now, for the company witnesses, would you say that
24 within the scope, I'm just talking about within the
25 scope here, that the sales of the larger sized

1 merchandise offset losses on the lower sizes during
2 this period from 2005 to 2007?

3 MR. TAYLOR: There's no question that the
4 more larger tires you can build, the better off your
5 bottom line is going to be. But, you have to
6 understand, as Kelly from Graham Tire mentioned, when
7 you see -- you know, you're talking thousands and
8 thousands of implement tires and you're only talking
9 maybe a thousand of the big tires. So, you're little
10 tires eat up a lot of that fixed cost. So, you can
11 move it however you wish to do it, comes out to be the
12 pounds. But, there is no question that what you can
13 make on a big tire gets -- comes down to -- you know,
14 you lose reference on the small side. There's no
15 question about it.

16 COMMISSIONER PINKERT: Mr. Hawkins?

17 MR. HAWKINS: Yes. I guess the word
18 "offset," I mean, we really can't make the switch from
19 smaller tires to larger tires. We're happy to sell
20 more larger tires and I think, in fact, we did. But,
21 the capacity and the equipment that's used to make
22 smaller tires is not interchangeable with larger
23 tires. So, it isn't like we suddenly decided to make
24 a bunch of larger tires. We sold the larger tires
25 that we could, but that still left capacity in our

1 plants that couldn't be utilized for the small tires.
2 And, obviously, we would have been better off if we
3 could have sold the smaller tires, as well.

4 MR. ALLEN: This is Ken Allen. With respect
5 to our business and Firestone Agricultural, imports
6 from China were concentrated disproportionately to the
7 smaller sizes. And what that did was created a
8 situation where we were unable to compete on the lower
9 sizes; therefore, able to sell larger sizes. So, that
10 would have explained potential shift in that regard.

11 MR. MATEER: Commissioner Pinkert, I would
12 also like to add from Specialty Tires of America, it
13 may be a situation where if you would relate to the
14 high gas prices right now and SUVs are part -- they're
15 not selling. And so, the market has shifted to maybe
16 a hybrid or an economical car. I'm very certain that
17 although they're both equals, it's much different
18 equipment it takes to produce those different
19 platforms.

20 From Specialty Tires' perspective, and I
21 appreciate your thoughtful question, as far as the
22 offset, we did not have any offset that we could go
23 to. We simply produced tires that were not outside
24 the scope of the certain OTR investigation. So, there
25 was not truly an alternative for us to put that other

1 production capacity to work producing a completely
2 different product line, which takes completely
3 different equipment. So, for us, there really was no
4 recourse in terms of changing direction and moving
5 into the offset business that might be able to satisfy
6 us for a while.

7 MR. IVY: Commissioner Pinkert, I would like
8 just to --

9 MR. TAYLOR: You can't take a big factory
10 and have all of this as -- the stop at Freeport, some
11 of the Commissioners, and have all this machinery and
12 then just run over to the big and make just big. It
13 doesn't balance out. You have to have both or what
14 happens, eventually, you're just gone. So, that's
15 really what transpires in this business.

16 COMMISSIONER PINKERT: Mr. Vasichек?

17 MR. VASICHEK: As Kelly said before, I grew
18 up in a rural community and I understand the farming
19 and Mr. Allen touched on it, too. The onslaught of
20 these foreign cheap Chinese tires started off really
21 in the small tires, 11x15 farm utility for farm
22 service-type tires. And as Kelly said with his
23 customers, they just don't buy those tires. They buy
24 tires for their tractors. They buy tires for their
25 pickups and everything else. And the equipment is not

1 interchangeably. For you, who were at Freeport, you
2 saw press lines that were down. That factory can
3 produce hundreds of thousands of those tires, which we
4 had to get out of that business, even in my previous
5 life in my other company, because we could not compete
6 at a tire that was somehow priced well below our
7 costs. It was just unimaginable.

8 COMMISSIONER PINKERT: Mr. Stewart?

9 MR. STEWART: Commissioner, one interesting
10 fact -- and, of course, the staff report has done an
11 excellent job of identifying the sales and the
12 breakouts, and it would be fair to say that if there
13 is a pickup in the larger size, that the domestics had
14 a better ability to participate in that, because there
15 was less concentration of the Chinese imports. But
16 since the preliminary determination, what you see in
17 the interim data is a reduction in the average weight
18 of tires shipped by domestic producers, which is
19 exactly a confirmation of what the witnesses have
20 said. Since the preliminary, all of these much
21 smaller tires that they used to be able to compete on,
22 they're now getting business on, and so they are
23 producing more of those tires where they've had idle
24 capacity sitting for some time, because of the extreme
25 price competition. So, you have in the staff report

1 an excellent confirmation that the price is what has
2 been driving, in part, the movement in the average
3 weight.

4 MR. IVY: Commissioner Pinkert, this is Joe
5 Ivy with Firestone Agricultural Tire Company. Just to
6 follow-up on your question, as I noted in my
7 testimony, some of the products we make are bias
8 tires. Seventy percent of our tire machines are
9 dedicated to those bias tires. As Mr. Taylor noted,
10 you can't just switch those machines over and make
11 larger tires. The capability and the tooling, it's
12 just not -- it's impossible. You just can't make
13 those switches between small and large tires with
14 those same types of tire machines. We still today
15 have significant idle equipment in our factory.
16 Although we've seen an uptake in capacity in the
17 second-half of 2007 and the first-half of 2008, we
18 still have idle presses and tans in our factory today.

19 COMMISSIONER PINKERT: Thank you, Madam
20 Chairman.

21 CHAIRMAN ARANOFF: Thank you. We'll turn to
22 Vice Chairman Pearson.

23 VICE CHAIRMAN PEARSON: Thank you, Madam
24 Chairman. I would like to add my voice to my fellow
25 Commissioners in extending a welcome to you. I very

1 much enjoyed the day at Freeport and I was left with
2 the impression that it probably would be quite a bit
3 easier for a tire builder to learn to be a
4 Commissioner on the U.S. International Trade
5 Commissioner than it would be for me to learn to make
6 tires. There is a lot of skill and experience there.

7 Mr. Monthei, let me start with you. Let me
8 begin by greeting a fellow Minnesotan, which I do
9 whenever one is brave enough to appear. I am
10 wondering, you live and work at Worthington?

11 MR. MONTHEI: Yes, I do.

12 VICE CHAIRMAN PEARSON: Okay. So, let's
13 take a hypothetical situation. There's a farmer at
14 Bingham Lake. He's out in the field and he gets a
15 puncture in one of his rear wheels on a heavy tillage
16 tractor. Do you provide similar service to him, if
17 he's got an American-made tire versus an imported
18 tire?

19 MR. MONTHEI: I sell both, so, yes, we take
20 care of the product that we sell him no matter what it
21 is. The reason we have the products that we have was
22 to stay competitive. Because, as I stated earlier, if
23 I can't fix his farm tire, I'm not going to fix the
24 truck tire. I won't get his car. I won't get his
25 service. We do automotive service, as well. So, if I

1 lose the tire business, I lose -- it's hard to measure
2 how much of his business with the farmer. You know
3 how Minnesota is. They're a small community. He
4 dictates what happens to probably 50 percent of the
5 businesses in that town or more. And if he's not
6 spending money, nobody is doing well. So, I can't
7 afford to lose one customer by somebody else taking
8 him away from me, selling him a product that's at less
9 price. And the one thing, it's not a quality issue.
10 It's a price issue. The products work and we're not
11 knocking the Chinese product and saying it doesn't
12 work. It performs well. But, even if, you know, it
13 comes within 25 percent of what maybe a Goodyear or
14 Titan does, the price difference still doesn't bind
15 the next level up. And a lot of the tires that we're
16 selling to them, I call it commodity, the 11L15s, the
17 skid loader tires. Do you understand what a skid
18 loader tire -- I don't know if everybody does, but
19 they're throwaways. They ruin them.

20 VICE CHAIRMAN PEARSON: They spin a lot.

21 MR. MONTHEI: Yes, they spin around and they
22 run them into things and destroy them. So, a lot of
23 times they don't care about the price and the quality
24 -- you know, some do and some don't. But, it's hard
25 to give up any customer because of a price issue and

1 that's what this has all been about for us. I mean,
2 we were forced to go to other products to stay
3 competitive and keep the customer.

4 VICE CHAIRMAN PEARSON: Okay. So, a farmer,
5 who is doing business with you, knows that you're
6 going to service whatever you sell him.

7 MR. MONTHEI: Absolutely.

8 VICE CHAIRMAN PEARSON: How about the
9 warranty question, do the domestic manufacturers offer
10 a better warranty than the imports?

11 MR. MONTHEI: They're fairly similar. They
12 aren't exact. Say, the yard tractors, what I would
13 call the one that's just in the yard, maybe using a
14 loader and hard water, whatever, they're as concerned
15 with the tire on that, as the big tractor out in the
16 field. The big tractor has the bigger tires on them.
17 They're more concerned warranty there. And we have
18 Jeff and the field people to come out and work with
19 us, if we have an issue on a tire on a big tractor.
20 They come out and look at it or we can contact them
21 and do something. With the Chinese product, we don't
22 have that. We don't have people that can come out and
23 do it. So, we don't sell that product up there as
24 much, because the farmer is more concerned about the
25 warranty there.

1 VICE CHAIRMAN PEARSON: Okay. So, the
2 Chinese product then tends to be more competitive on -
3 - what, for smaller equipment?

4 MR. MONTHEI: Yes, the skid loaders, the
5 backhoes, smaller loaders, end loaders. A lot of the
6 farmers, as you know, they have end loaders and pay
7 loaders out on their farm for moving the manure around
8 and all of that. And so, we sell a lot of the product
9 there. They aren't as concerned there as they are on
10 the one -- they're cut on the time, because if he's
11 going across the field and blows a tire and has to --
12 you know, it starts raining or he can't get finished
13 planting, he's done; or if he can't get the crop
14 harvested because it went down, he's done. So,
15 there's different areas that we sell different
16 products and they're more concerned about it. But, on
17 a lot of the stuff we're talking about, the commodity
18 stuff is what has hurt us and that's where the volume
19 is at. It takes a lot more of the small tires and we
20 sell a lot more of those than we do the big one and
21 that's where the price issue has hurt us, where
22 competitors come in and sell it at a cheaper price.

23 VICE CHAIRMAN PEARSON: Okay. So, implement
24 tires, wagon tires, that sort of thing, that's where
25 you're facing more competition from Chinese product or

1 you need to be able to offer Chinese product in that
2 line in order to be able to compete?

3 MR. MONTHEI: Right.

4 MR. IVY: Commissioner Pearson, this is Joe
5 Ivy with Firestone Agricultural Tire. I would like to
6 touch on the quality question that you asked. We
7 actually looked at our business model in 2004 and
8 decided to enter discussions in fall of 2006 with
9 Guizhou in China to purchase tires directly from China
10 to be able to compete in this front and bias market.
11 We did have a visit over in February of 2007 and
12 subsequent to that visit, we did test their tires.
13 Their tires met our quality standards at our test
14 facility in Akron, Ohio. And their quality is getting
15 better day end and day out. So, from a quality
16 standpoint, we don't agree with the purchasers'
17 testimony, that there are quality issues with this
18 product line. They meet our minimum standards from a
19 quality standpoint.

20 VICE CHAIRMAN PEARSON: I'm a few years
21 behind, because I guess it's been now 27 years or
22 something since I was actively engaged in farming and,
23 at that time, as far as I know, in terms of major
24 tires on equipment, we didn't run anything other than
25 Goodyears or Firestones. I don't know whether there

1 was anything available other than those and I would
2 have been extremely reluctant to touch a non-branded
3 tire for a major use like that. And so, there
4 obviously has been some evolution in the thinking of
5 farmers since the days when I had hair and it was
6 brown.

7 Could you comment on that? Has the farm
8 community gotten more open to the idea of imported
9 purchases generally?

10 MR. TAYLOR: Well, I think they -- if you go
11 back to your 20 some years ago, Commissioner -- you
12 only have to go back to 2006 and the farmers were
13 tough to get two dollars for a bushel of corn. So,
14 they were not making any money. I mean, there's been
15 a few spurts here and there, but it's also been a
16 rough little road for a lot of them. Those employees
17 sitting in the back of the room, some of them have
18 small farms. Now, when you have three, four, five,
19 six, and seven dollar corn, the farmers have a little
20 more money at this point. But, they've been through
21 and the time of the scope was a very tough time. So,
22 money talked.

23 VICE CHAIRMAN PEARSON: So, the decline
24 we've seen in imports of Chinese tires toward the end
25 of the period of investigation is driven largely by

1 the high price of corn?

2 MR. TAYLOR: I wish it was, but it isn't.

3 VICE CHAIRMAN PEARSON: I just had to try.
4 Going back to a comment, Mr. Leslie, that you made
5 earlier, I was just trying to understand, you
6 described I think a situation of a part-time farmer
7 perhaps having more of an interest in imported or less
8 of an interest on brand-named tires. Is that what you
9 were saying?

10 MR. LESLIE: Well, yes. In our area in
11 southeast Michigan, a lot of the thousand, two
12 thousand acre farmers that went away either to golf
13 courses or construction, which was where we probably
14 sell more construction, smaller construction type
15 tires, the skid steer, loaders, lulls, sky tracks,
16 that area, so we brought Chinese tires in, the
17 agricultural, the few that we were selling at the time
18 until the industry started going up a little bit and
19 we brought more in. Basically, I mean, we could put
20 \$100,000 worth of inventory in and have double the
21 tires. I mean, why would you not want to do that?
22 You've got double the customers with half the money.

23 VICE CHAIRMAN PEARSON: Yes. And your
24 competitive against your competitors.

25 MR. LESLIE: Right.

1 VICE CHAIRMAN PEARSON: We've talked some
2 about radials versus bias ply tires. There must be
3 fundamentally some significant share of the market
4 that just has a preference for bias plies. We were
5 switching to radials for the heavy tractors when I was
6 farming and I assume that evolution has continued.
7 But what is it about some equipment that likes bias
8 plies? Is that market always going to be there or
9 should the entire marketplace over time shift to
10 radials?

11 MR. ALLEN: Commissioner Pearson, if I could
12 address it. Ken Allen. The advantages of radial, if
13 we look and if we were delineated, at least in the
14 agricultural sector, and my colleagues on the off road
15 can talk about the difference between bias and radial
16 in their market, agriculturally, the question comes as
17 the advantage of traction, the advantage of load, the
18 advantage of whether or not we're going to be able to
19 reduce the compaction. And the compaction has to do
20 with how well we're going to be able to provide a
21 route network to support the crop.

22 In production agriculture, and obviously you
23 came from, in your experience, from production
24 agriculture, where most of your income was derived
25 from agricultural operations. Those --

1 VICE CHAIRMAN PEARSON: Or most of the
2 losses --

3 MR. ALLEN: Or most of the losses, those are
4 the markets in the power units and the tractors where
5 they would be concentrated towards radial. In the
6 markets where the application is for -- it might be
7 for agricultural application, but their primary
8 income, as some of the colleagues in the back of the
9 room might have, where they are part-time farmers,
10 where they're not dependent upon that level of acreage
11 that they would farm and it's not fully dependent upon
12 their living, is they would have smaller equipment and
13 the smaller equipment would not necessarily yield that
14 payback for the premium to the radials.

15 VICE CHAIRMAN PEARSON: Okay. So, even
16 though within the lifetimes of many of us, we've seen
17 all automobile tires go from bias ply to radials. You
18 do not anticipate a similar change over time in the
19 agriculture use market?

20 MR. ALLEN: We do not.

21 VICE CHAIRMAN PEARSON: Okay. My light is
22 changing, so thank you, very much. Thank you, Madam
23 Chairman.

24 CHAIRMAN ARANOFF: Thank you. I want to
25 turn for a while to the like product issues, which a

1 number of my colleagues have touched on and it may
2 sound like I'm asking the same question 14 different
3 ways, probably because I am. So, let me just start
4 with this one. In Titan's brief or Petitioners'
5 brief, you assert that that out-of-scope large tires
6 use steel ply and steel belts, while tires that
7 correspond to the product within the scope use fabric
8 ply and belts. So, I want to assess whether that is a
9 clear dividing line. Are there no products that fall
10 within the scope that use steel ply and belts or is
11 this really a distinction between agricultural and
12 other OTR tires?

13 MR. TAYLOR: Madam Chairman, there is no
14 steel, except for the bead of the tire. There is no
15 belts or anything in an agricultural tire that is
16 steel. They use nylon fabrics in the radial. The
17 carcass of the tire is built with nylon. The belts
18 are generally speaking with nylon. The only tires
19 could be in the forestry tire, which those are for
20 penetration. They're not for the radial side. When
21 you talk about the 25-inch radials, the 24-inch
22 radials that are used in the OTR type tire, you have -
23 - the side of the tire is produced with metal belts.
24 It's just like little cables. So, there are hundreds
25 of them going around. And then the steel belts go

1 around the -- underneath the tread. So, there is a
2 difference there.

3 When you get to the out-of-scope tires, you
4 still have those steel cables, only the difference you
5 have is now all those other tires were in the
6 clamshell process, the building drums are different.
7 Everything is different. Now, you go up to the sizes
8 that are so huge, you have to be in a different
9 facility.

10 CHAIRMAN ARANOFF: Okay. Okay, but that's a
11 separate issue.

12 MR. TAYLOR: Okay.

13 CHAIRMAN ARANOFF: I'm just -- and I will
14 get to that. But, what I'm still trying to get a real
15 clear answer on is, in terms of the use of steel
16 parts, steel belts, and steel ply, are there products
17 within the scope that use those, either agricultural
18 or the smaller mining or construction --

19 MR. TAYLOR: Smaller mining and
20 construction, those have steel.

21 CHAIRMAN ARANOFF: Okay. So, we cannot use
22 the use of steel ply or steel belt as a dividing line
23 that divides the products within the scope from the
24 products outside the scope?

25 MR. TAYLOR: Well, the ones that are outside

1 the scope, it's a tremendous amount more. It's many,
2 many belts. It's like -- I don't know how to compare
3 it. It's just huge, a huge difference.

4 MR. IVY: Commissioner Aranoff, Joe Ivy with
5 Firestone Agricultural Tire Company. Also, the
6 forestry tires, as Mr. Taylor touched on earlier, also
7 has steel within the Ag market.

8 CHAIRMAN ARANOFF: Okay. Well, then, maybe
9 what I should do is turn to this next question, which
10 is that looking at the kind of comparisons that
11 Petitioners use in their brief to establish this
12 distinction between products within and outside the
13 scope, you tend to compare large agricultural tires to
14 large mining tires or sometimes small agricultural
15 tires to large mining tires, while Respondents tend to
16 provide comparisons between large and small mining
17 tires. Can you compare for me a 39-inch or slightly
18 below 39-inch mining tire, so a product within the
19 scope, to say a 32-inch mining tire, you know, maybe
20 in the same series? Respondents point to ones that
21 are in the same series. Help me to understand what it
22 is that establishes that clear dividing line. I
23 understand what you're saying about the curing, but if
24 there's anything else, other than the equipment with
25 respect to curing.

1 MR. TAYLOR: All right. If you were to take
2 a 38-inch agricultural tire, that tire would weigh
3 approximately 500 pounds. That tire would be -- the
4 sidewall of the tire, the carcass of the tire would be
5 made with nylon. All of the plies are making this --
6 it makes no difference whether it's a bias or radial
7 in the agricultural side. This is a 38-inch tire. It
8 would be approximately 74 inches tall, which would be
9 6'2" and probably be close to be 600 to 700 pounds.
10 That's the agricultural tire within your scope.

11 CHAIRMAN ARANOFF: How about a mining tire
12 within the scope?

13 MR. TAYLOR: A mining tire would be, okay,
14 35 inch. Forget the Ag now, so now we're going to
15 mining in the scope, a 35 inch. That tire would be 80
16 -- I believe 83 inches tall. That tire would be 21
17 inches wide. And if it's a radial -- we make them
18 radials, the steel -- it would have a steel carcass
19 and steel belts and it would be cured in a clamshell
20 press, weigh probably close to 1,200 pounds, I
21 believe, maybe 13, whatever -- someone can get the
22 weight exactly.

23 Now, you take the same mining tire, that
24 goes on a haul truck and that haul truck could
25 actually run down the road and you could ship those

1 tires on the truck or you could put those in a
2 container and ship them. Now, if you move up to the
3 one we're just doing, the super giant -- pardon -- oh,
4 39 inch is going to be approximately almost eight foot
5 tall. It is going to be -- help me out fellows, 40
6 some inches wide -- it's real wide and it would have
7 many more belts. The side carcass would have heavier
8 steel cables and then have more belts into it. And it
9 would probably weigh in --

10 MR. RASEY: Probably about 5,000 pounds.

11 MR. TAYLOR: -- 5,000 pounds. And you
12 couldn't ship -- if you put it on a piece of
13 equipment, you couldn't ship the equipment. It's just
14 too huge. The equipment would be way up. So, you
15 have to take all of that off, you ship the base of the
16 equipment and another truck would bring the tires.
17 That's the differential.

18 CHAIRMAN ARANOFF: Okay. Mr. Stewart?

19 MR. STEWART: Thank you, Madam Chairman.
20 The differential that Mr. Taylor has gone through on
21 the weight is multiple and 35 is kind of the first
22 size that would be within on a mining tire and it
23 would be within the scope and the 39 is the first that
24 is outside the scope and the price would be a multiple
25 of two. Now, the Commission, of course, has looked at

1 the past at claims of looking at something that's very
2 close to the outside versus something that is with
3 inside and you have -- I would say most of the cases,
4 at least that I have read, that hasn't been the focus
5 of how you determine whether or not you have
6 reasonable cutoffs. But, multiples of two or three or
7 four difference between what's inside and what's
8 outside is normally big enough in terms of size,
9 weight, and price. And if you recall the testimony of
10 the customers, they would tell you that if you are
11 going to handle one of these -- any tire that is
12 outside of the scope, you need special equipment, a
13 much more expensive truck to handle it. You would
14 need specialized people to handle it.

15 Now, on the manufacturing side, it's not
16 only the curing press, the pot boilers --

17 MR. TAYLOR: All the building equipment,
18 everything is just so huge and so much difference,
19 because you have to -- the stuff is just so big. You
20 can't have an operator move it, so you have to have
21 all of the other equipment there that puts it
22 together.

23 MR. STEWART: And when you've looked at
24 physical differences in the past where you're talking
25 about a product that is outside the scope, which is

1 what this is, and whether or not the like product
2 should be expanded, you have looked at whether or not
3 there are clear dividing lines. And when you've
4 looked at whether or not there are reasonable dividing
5 lines, in terms of the continuum, where the continuum
6 should end I think is the language you used in the
7 aluminum plate case, when you look at the decisions,
8 it's a question of whether -- it's not a question of
9 whether there is a complete break and whether things
10 are completely different.

11 So, the vast majority of the tires that are
12 inside the scope, as Mr. Taylor said, do not use
13 steel. Yes, you have some that use steel, but you had
14 many cases where the argument has been, well, there is
15 some physical characteristics that are the same. You
16 have big differences in size. You have big
17 differences in weight. You have big differences in
18 price.

19 You have differences in distribution, both
20 in terms of after market. It's a much more limited
21 after market that can use it. It has to be a
22 specialized dealer that has a specialized equipment
23 and training. And you have a difference in terms of
24 how it is handled with OEMs, where the vast majority
25 of the sales, if not all of the sales, go directly to

1 end users versus to the original equipment
2 manufacturers.

3 And, of course, the tires are not
4 interchangeable. Tires may not be a good example of
5 interchangeability because there are tires that are
6 within the scope that may be interchangeable within
7 various uses within the scope but there are no tires
8 outside of the scope that are interchangeable.

9 So if you go through your criteria we believe
10 that there's a very strong case that in looking at
11 whether you should expand or include something that is
12 not in the scope there is no justification to do so
13 however.

14 CHAIRMAN ARANOFF: Okay. I'm bi given
15 little pause by some of the examples that the
16 Respondents gave in their brief and there was one that
17 they showed on their slide at the beginning of the
18 proceeding where they're showing tires in the same
19 series, some of which are in the scope and some of
20 which are outside, and in their brief they have charts
21 that say everything about these tires, the rim size,
22 the weight, the price, increases proportionally, and
23 they show me lines, and they say this is a continuum.
24 Bigger tire, bigger price, higher weight, bigger
25 hauling capacity.

1 I look at that and say hmm, I take your
2 point that if you compare the big ones and the small
3 ones they're very different, but right there in the
4 middle I'm not sure I've found the point where I can
5 say there is a dividing line and not a continuum.

6 MR. TAYLOR: The picture is very charming,
7 but you cannot take those tires and take that little
8 machine and take those tires and put it on the little
9 machine. And you surely can't take the tires from the
10 little machine and put it on the big machine. It just
11 doesn't lower it to break them apart.

12 CHAIRMAN ARANOFF: Okay. My time is up and
13 I will come back to this because I have more
14 questions. But I think all along this product line
15 there's not interchangeability. There's obviously
16 quite a range of products. So that I think at least
17 to me is not the most important factor. But I'll come
18 back to this on the next round because I already am
19 using my privilege of Chairman and using lots of time.
20 I have to get out of that habit.

21 Commissioner Okun?

22 COMMISSIONER OKUN: Thank you Madame
23 Chairman.

24 Mr. Taylor, I know you've had an opportunity
25 to respond to some of the questions and you talked in

1 your testimony about some of the business decisions
2 that Titan made. I just wanted to have you expand on
3 some of that so that I understand Titan's thinking
4 during the period of investigation.

5 Starting with 2005, you had talked about the
6 decision to purchase Goodyear's assets, you talked
7 about Continental. Help me understand what you were
8 thinking in terms of business plans when you were
9 doing that. What was the idea of expanding into
10 different types of tires. Help me understand better
11 what was going on during that time period.

12 MR. TAYLOR: It's not real complicated to
13 me. If you go through, and you've been through the
14 plant, you had two companies, each making a couple of
15 thousand SKUs. So if you combine the facilities so
16 that the plant in Des Moines makes all one size, the
17 plant up there, you would end up getting efficiencies,
18 you don't have to be changing, and you're going to be
19 very competitive and you'll be the low cost producer,
20 all right?

21 I'm a tool maker by trade, a welder by
22 trade, an engineer. All right? That's how you look
23 at it.

24 Then you stop and say to yourself my main
25 competitor is sitting behind me and I've learned a

1 long time ago it's always better to compete against a
2 big dog than a dog your own size. Big dogs are a
3 little slower.

4 But what happened, if you turn around, and
5 I'm from Detroit so I understand across the pond. But
6 you do not believe, when you look at freight you
7 cannot put a lot of these tires into a container and
8 ship them over. It costs you a fortune. But you
9 never as a simple person, you never stop and figure
10 out that somebody's going to keep subsidizing,
11 somebody's going to just drop this stuff under their
12 cost because that's not how the brain works on my
13 side. So that's why we're here.

14 COMMISSIONER OKUN: So I can be clear, I
15 want to make sure I understand.

16 When you were looking at it you were talking
17 about, first of all, talking about your domestic
18 competition who's sitting behind you?

19 MR. TAYLOR: Correct.

20 COMMISSIONER OKUN: What you're describing
21 now is what you didn't anticipate was the foreign
22 competition.

23 MR. TAYLOR: It's not foreign -- Always
24 before you had the dollar exchange reference to Europe
25 and everybody else. But our friend Michelin does not

1 make tires in the U.S. in the farm business, all
2 right? So they have to ship them in.

3 You do not expect someone that's for a
4 profit motive to just lose money. That's how I look
5 at it. So you have to take it, what advantage does
6 someone have some place else? So you can say well,
7 they have a labor advantage. Okay. But if your
8 freight eats up your labor that's a different
9 situation. So the only way you can lose this battle
10 is if somebody is subsidized or they dump it. You
11 just don't think about that.

12 But in answer to your question,
13 Commissioner, my thinking was you put them together,
14 you become much more efficient, and the less you have
15 to change the better your quality, the better
16 everything was. That's why we went into acquiring the
17 Goodyear business and Goodyear looked at it a
18 different way and they wanted out.

19 And then the Continental, Bryan, Ohio
20 facility, had been on the market a long time. So once
21 you had acquired the Freeport facility and you go
22 through the Bryan, Ohio facility, they had only
23 radialized their product line up to 25 inch. I think
24 they might have went to 33 inch. Our attitude there
25 was well, if we could buy it at a good price, and to

1 let you know how we bought the facilities, being an
2 old tool maker and that, something like an old farmer,
3 I just walked through, and the iron was worth more
4 than what I had to pay for it. So you could have
5 scrapped it out and got the money back. It's the same
6 thing with Bryan. You could never build these
7 facilities for a fraction. So I stole them. Okay?
8 Simple.

9 (Laughter).

10 COMMISSIONER OKUN: When you were making
11 those decisions --

12 MR. TAYLOR: I just tell you the truth.

13 COMMISSIONER OKUN: Were those things that
14 had to go through the Board of Directors, or would
15 that not be the case?

16 One of the things that I've always been
17 interested in in a number of these cases when there's
18 consolidation going on in the industry or different
19 business decisions being made, is to have an
20 understanding kind of contemporaneously what the
21 business decisions being made were.

22 Is there anything that would be available to
23 us, obviously it's business proprietary information,
24 that would talk about kind of the business decisions
25 and how you viewed these facilities and competition if

1 that were part of it?

2 MR. TAYLOR: This might come sa a shock, but
3 you see, it's like in this room. Half the people in
4 this room are smarter than the other half. I'm
5 probably on the low half, okay?

6 So if I was real, real smart I wouldn't be
7 in business because you'd out-think everything.

8 It just makes sense. It makes sense in your
9 job. I look at my job as to create jobs. The worst
10 thing that can happen in my business is that you have
11 to reduce your work force.

12 I started private, and I got tired of
13 working for banks. So what you do is you go public.
14 We went public. When I went public I made more money
15 than I ever thought I'd ever have. I'm married to a
16 little Irish girl and I gave my employees 20 percent
17 of my holdings. I don't regret it.

18 So your job is, you've got to have a mark
19 when you leave. I think the people in the back of the
20 room, I don't think there's one of them back there
21 that might not agree with me. Mr. Hoover over here on
22 my right, we had the longest strike in the history of
23 the rubber industry, almost four years. Then I think
24 what happened is they realized I want to create jobs
25 and that's really what they want. We just had a

1 different way of coming around the bush. I would look
2 at him as a real good friend today. I know he's an
3 honest man.

4 I think those employees would tell you that
5 they might disagree with me and I might be an SOB, but
6 he works.

7 So I don't know how to answer your question.

8 COMMISSIONER OKUN: You know your business
9 better than we do, than I do. So one of the things
10 that these hearings help us do and the information you
11 present is help us understand what we don't know.

12 If there's anything available to help us
13 follow that in a contemporaneous way, because if you
14 hear today, we'll just take up what we know will be
15 Respondents' argument. Tomorrow we'll hear from the
16 Respondents, and the Respondents as you have noted are
17 going to talk about that the analysts out there look
18 at what you've done and have bet big on it. That's
19 why your stock price goes up, right?

20 So one argument that we will hear is that
21 you're looking at a market that's good. By
22 specializing, by going into a product line that makes
23 you more money, that's why the analysts drive up your
24 stock market. Therefore, why would we find that
25 subject imports are injurious? That's the argument.

1 Give me a response.

2 Then what I was going to say is for us
3 analyzing it, having contemporaneous information when
4 you made these decisions is better than people after
5 the fact saying well I made these decisions and I, you
6 know, here's why. That rationalization.

7 MR. TAYLOR: I kind of find it interesting
8 that everyone's concerned, I think it's great. It's
9 the first time I heard today that our stock did the
10 best in the last five years. I want a chart of that.
11 That's what I told counsel.

12 Maybe I'm just an old man that tells it the
13 way it is and New York is a little refreshed with it.
14 They just have more fun with me coming in there and
15 laughing about them, just like a concrete jungle where
16 you're sitting here.

17 I have no idea why the stock went the way it
18 is. I'm so smart I sold at \$5, I sold at \$10, I sold
19 at \$13, \$15, \$17, \$22, \$30-something. My wife sold at
20 \$42. So what does that make me, all right?

21 (Laughter).

22 We did \$823 million in '07 which was a
23 record. We lost \$7 million. You go back to '06. It
24 was a record, too.

25 So damned if I know. I don't profess to

1 know what the thinking is of where.

2 Now I do know that on the 63 inch tire that
3 I mentioned about earlier that we're building, we've
4 come up with some new designs, some new things that
5 were patented, and they're supposed to be shipping
6 tires this week and if we hit our production numbers
7 that we've set a goal to hit, then that will generate
8 almost \$300 million in sales for us and the margins on
9 that are huge.

10 But I don't know how to, if you want how my
11 brain thinks, that's just how my brain thinks. The
12 question was could we do it.

13 COMMISSIONER OKUN: My red light's come on.
14 I'll have an opportunity to make some follow-ups
15 perhaps, but thank you very much for those responses.

16 Thank you.

17 CHAIRMAN ARANOFF: Commissioner Lane?

18 COMMISSIONER LANE: Mr. Stewart and Mr.
19 Dorn. I have a question for you all.

20 Has the Commission ever decided or has
21 anybody ever argued that Petitioners should be
22 permitted to bring the case that they choose, and that
23 if you choose the scope of the product that some
24 deference should be given to your choice? And after
25 you answer that, could you tell me in simple words why

1 you have chosen to exclude the 39 inch tires and above
2 out of scope?

3 MR. STEWART: Well, off the top of my head,
4 Commissioner Lane, I don't know if anyone has made
5 that specific argument as you've articulated it, but
6 it's intrinsic in the way cases are put together.

7 Normally when a petition is being put
8 together the Petitioner is looking at what the cause
9 of the problem is. As the Chinese have indicated in
10 their questionnaire response, there are few if any
11 large mining tires that are coming in. So very
12 clearly, large mining tires are not a part of the
13 problem.

14 So once you've identified what the problem
15 is you take a look at whether there is a case on that
16 problem. The simple fact of how cases get put
17 together, if the problem is a right hand you look at
18 whether there is a case against the right hand. Or if
19 it's wooden chairs or whatever it happens to be.

20 In this case the scope was defined to be the
21 tires that were causing trouble to our clients. And
22 if you look at the Commission's historical review of
23 like product, you in fact treat the analysis within a
24 scope differently than you treat the analysis of
25 products that are outside of the scope for the exact

1 reason that on the one hand a Petitioner who brings a
2 narrow case, i.e. addresses the problem, is in fact
3 limiting the amount of trade that is adversely
4 affected.

5 Now there are industries that have brought
6 very broad cases because they have experience where
7 bringing a narrow case does not get them relief
8 because they find problems slopping over.

9 So not surprisingly this case, like every
10 other case I've been involved with in my career,
11 whatever position the domestic side takes, of course
12 it's the job of the Respondents to take the opposite.
13 So if we have a narrow case, they wish it to be
14 broader; if you have a broad case, they wish it to be
15 narrower. That's the nature of this process.

16 The Commission itself has afforded more
17 deference to cases where there is an identity of
18 domestic product to the scope. Even though you
19 reserve the discretion to in some cases expand that,
20 it is rarely invoked. And many of the kinds of issues
21 that have been discussed previously have been found to
22 be sufficiently different in other contexts to justify
23 sticking with a scope, a like product that is
24 identical to the scope.

25 That would be my effort to be responsive.

1 COMMISSIONER LANE: Thank you.

2 Mr. Dorn?

3 MR. DORN: I would also point out that the
4 statute gives us some guidance here because you're
5 told to define the domestic product that's like the
6 imported article subject to investigation. If there
7 is a like product then you don't have to find products
8 most similar in characteristics in uses.

9 Here we are defining the like product to
10 match up with the imports subject to investigation.

11 If you look at the pictures that you saw in
12 the opening statement, there's a 33 inch, 39 inch and
13 45 inch rim diameter tire. What's in scope is up to
14 33 in this. So 39 and 45 are out, right?

15 What matches up on the domestic side with
16 what's being brought in as imports? It's only the 33
17 inch. Up to 39 but not including 39. It's very clear
18 that the tire that goes on the 39 inch, 45 inch
19 equipment cannot go on the 33 inch. That is a clear
20 dividing line based on rim diameter which is a metric
21 everybody in this industry uses. The Tire and Rim
22 Association delineates tires by rim diameter. It's a
23 clear dividing line. Nobody has any trouble answering
24 the Commission's questionnaires in terms of dividing
25 what's in and what's out. Customs won't have any

1 trouble in dividing what's in and what's out.

2 In terms of a continuum, it's clear if you
3 have a continuum going from eight inches to 30 inches,
4 that we come in and try to divide that continuum at
5 some point, at 16 inches or whatever, 24 inches. We
6 would have trouble doing that because all that product
7 is in scope. It's a continuum, and it matches up with
8 imported articles.

9 But when you start going out of scope that
10 continuum issue is dealt with differently in your
11 prior cases. Just looking for a reasonable dividing
12 line. Here there is a reasonable dividing line and
13 it's a very clear dividing line because it's based on
14 rim diameter. And rim diameter not only is easily
15 demarcated, but rim diameter affects all the other
16 attributes including weight, the overall size of the
17 tire, the construction of the tire, and price.

18 Contrary to what the other side says, I look
19 at the data and I see the jump from in scope, say 35
20 inch, but out of scope 45 inch or 39 inch. The price
21 jumps up pretty high. It's not a linear relationship.
22 And freight jumps up pretty high. So we think that's
23 a reasonable dividing line.

24 COMMISSIONER LANE: Thank you. Mr. Narkin?

25 MR. NARKIN: Steve Narkin with King &

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1 Spalding.

2 I'd just like to add briefly to what Joe
3 said. In terms of the law that you have in this area
4 that I think provides some important guidance to you,
5 if you look at the legislative history, the Senate
6 report to the 1979 Trade Agreements Act, there's one
7 sentence and it said two things, and I'm paraphrasing
8 here.

9 It says on the one hand don't define a like
10 product so broadly as to deny a domestic industry
11 relief that's being hurt by imports. The cautionary
12 message that you should get out of that is in a case
13 like this one where you're being asked to expand the
14 like product, to include products that the Chinese
15 either don't make or certainly aren't sending here,
16 that's exactly the kind of thing I think the
17 legislative history is telling you not to do. And
18 that's why as a general rule I think the Commission
19 has been reluctant to expand the like product beyond
20 the scope.

21 But the legislative history also explains, I
22 think, why you see some exceptions. But they're rare.
23 The first part of the statement says don't define a
24 like product so narrowly as to permit minor
25 differences in physical characteristics and use to be

1 your basis for defining separate like products.

2 So that's why I believe you see on a couple
3 of occasions, I'll just mention two that the other
4 side has cited in their brief, like dry pasta or
5 greenhouse tomatoes, where those products aren't
6 fundamentally different.

7 In pasta, for example, the argument was made
8 well, pasta for industrial applications should not be
9 included in the like product that contains pasta for
10 retail. The Commission looked at that and said the
11 product is virtually identical. Similarly in
12 greenhouse tomatoes when the Commission looked at
13 that. They said there are very slight differences in
14 the physical characteristics of tomatoes that are
15 grown in greenhouses as opposed to what's grown on the
16 field, but basically the greenhouse tomatoes that
17 you're talking about in a quality spectrum are
18 actually somewhere sort of in the middle.

19 So I think to make a long story short, in
20 those rare instances when the Commission has expanded
21 a like product beyond what's in the scope, they are
22 being consistent with this language and the
23 legislative history that says don't let trivial
24 differences in products form the basis for separate
25 like products.

1 COMMISSIONER LANE: Mr. Salonen?

2 MR. SALONEN: Thank you, Commissioner Lane.

3 I think there are two other examples of
4 cases where the Commission demonstrated that it's
5 inclination was really to keep the like product co-
6 extensive with the scope.

7 The first example that occurs to me is the
8 anti-friction bearings case from 1989 where in the
9 case of ball bearings the scope included ground ball
10 bearings, but not unground. The Commission had no
11 problem defining the like product commensurate with
12 that scope.

13 Then in 2003 you had an investigation on
14 ball bearings from China where the scope did include
15 unground ball bearings and the Commission had no
16 problem with having the like product, again, line up
17 exactly with the scope.

18 These are related products. The vast
19 majority of the products have been investigated
20 before.

21 The other line of cases I think you also
22 have is the magnesium cases. Back in the '90s you had
23 a case on pure and alloy magnesium from Canada. There
24 was some argument as to whether or not alloy magnesium
25 was a separate like product from pure, and the

1 Commission said no because for the most part the
2 products were identical up until the very end of the
3 production process when some alloys were added.

4 But then you had subsequent investigations
5 limited just to pure magnesium and the Commission had
6 no problem in keeping the like product limited to that
7 and not expanding it to include alloy magnesium even
8 though it had included it in the earlier
9 investigation.

10 COMMISSIONER LANE: Thank you.

11 CHAIRMAN ARANOFF: Commissioner Williamson?

12 COMMISSIONER WILLIAMSON: Thank you Madame
13 Chairman.

14 I was just wondering if someone could
15 explain to me, it seems as if the Chinese imports at
16 one point were more predominantly in the construction
17 and industrial sector whereas the U.S. production if
18 anything was more in agriculture and forestry. I was
19 wondering if there was sort of a reason why they moved
20 into that sector first. Or is there a significant
21 difference.

22 MR. ALLEN: This is Ken Allen.

23 I would suggest that the entry of the
24 Chinese into the light construction was due to the
25 limited number of sizes that's in that market. In the

1 small sizes, also loader backhoe and of course as we
2 mentioned, those were the first bread and butter items
3 they were able to bring into the market. The barrier
4 of entry was very low.

5 COMMISSIONER WILLIAMSON: Thank you.

6 MR. BUTTON: Ken Button from Economic
7 Consulting Services.

8 Your observation is quite right. Initially
9 we were more focused on the construction sector, but
10 the conversations you've had all along have indicated
11 that an opportunity appears to have been seen in the
12 small agricultural bias tires. Over the period of
13 investigation we have here, the proportion of the
14 total Chinese imports has shifted markedly such that
15 whereas in 2005, this is all public data, 30 percent
16 of the Chinese imports were in the agricultural
17 sector. That now has gone up to 41 percent. From 30
18 percent to 41 percent.

19 So it's expanded there and it's also
20 expanded its market share within that sector so that
21 there's really a focus. So over the period of
22 investigation not only did the Chinese increase their
23 own emphasis within their product lines on
24 agriculture, they increased their share of the total
25 of agricultural tires. Not that they gave up a share

1 in construction because the same period shows that the
2 market share of the Chinese in the construction
3 sector, even though it's a lesser portion of their
4 total tire line, they expanded their market share in
5 construction as well.

6 This is something to keep in mind in context
7 when you hear a discussion tomorrow about shortages.

8 For the Commission's purposes I believe
9 shortages are relevant as a causation matter. Did
10 shortages exist and pull in the Chinese product?

11 What you have found is that the Chinese are
12 focused and have some of their most rapid expansion in
13 the small agricultural bias tires where the U.S.
14 industry has some of its greatest capacity and
15 unutilized capacity at this time.

16 So with respect to the economics of
17 causation you have the Chinese moving into a sector
18 opportunistically. The shortage issue I believe, from
19 the causation point of view, is largely a distraction.

20 Thank you.

21 COMMISSIONER WILLIAMSON: Thank you for that
22 clarification.

23 You may have answered my next question, but
24 let me just pose it. On pages 62 to 77 of its brief,
25 GPX argues that the domestic producers have not

1 accurately reported their capacity. I guess my
2 question is, please respond to their claims,
3 specifically addressing the issue of shortages.

4 MR. IVY: Commissioner Williamson, I'm Joe
5 Ivy with Firestone Agricultural Tire.

6 From a shortage standpoint, we started in
7 June of '05 building inventory for the next 21 months.
8 So from June of '05 until March of '07 we built
9 inventory. We started idling equipment the same time
10 we were building inventory. So from a capacity
11 standpoint I have a lot of equipment, but this unfair
12 competitive pricing put us in a situation where we
13 couldn't make money nor could we sell our products.
14 And again per my pervious testimony, we had to take
15 production days out to try to offset some of those
16 losses.

17 COMMISSIONER WILLIAMSON: Ms. Lutz?

18 MS. LUTZ: This is Jennifer Lutz with
19 Economic Consulting Services.

20 I'd just like to point out that this is a
21 very unusual circumstance for the Commission in that
22 the two largest producers had their questionnaire
23 responses verified by the Commission staff. I believe
24 it's proprietary what portion of the industry they
25 account for, but it's a very large portion that the

1 staff has gone, verified their responses, and the
2 numbers checked out.

3 MR. NARKIN: Commissioner Williamson, this
4 is Steve Narkin again. If I could just add to that.

5 What the Respondents implicitly are asking
6 you to assume when they say there's an inconsistency
7 between the fact that there are supposedly shortages
8 out there and the capacity utilization data, is that
9 there are shortages across the board. If there were
10 shortages for bias tires, radial tires, small tires,
11 big tires, then yeah, you would expect the domestic
12 capacity utilization to be about 100 percent.

13 But as you've heard from several witnesses
14 here today, there are huge swaths of the market in
15 which they operate, in which they've have significant
16 excess capacity.

17 COMMISSIONER WILLIAMSON: Thank you.

18 On page 52 of their brief the Chinese
19 response or assert that the Commission should use
20 poundage rather than units or value as its principal
21 measure of import shipment volume. I was wondering do
22 you agree with this assertion or not?

23 MR. RASEY: Commissioner Williamson, it
24 really is I think a bit of a smoke screen, if you
25 will. I can tell you from my personal experience, and

1 I would think that most of our counterparts here would
2 agree, I don't ever remember calling a customer and
3 saying how many pounds of tires would you like to buy
4 today? It's what kind of tire do you need for which
5 application and how can we help you?

6 So that argument I think really doesn't hold
7 water from that perspective. We sell tires. We sell
8 the units and the volumes to those customers to fit
9 specific applications.

10 So that whole notion of tires being the real
11 applicable issue, that's an issue of mix in the
12 manufacturing, I think, in terms of what mix we select
13 to build. But at the end of the day our customers buy
14 units and not pounds.

15 MR. ALLEN: I'd like to echo that. This is
16 Ken Allen.

17 Certainly the photos that you saw of the
18 tractors and the difference in the horsepower of those
19 tractors, they do not order pounds of tires to go on
20 those tractors. They order the number of tires they
21 need and the sizes that they do need.

22 MR. BUTTON: Ken Button.

23 The point earlier was made with respect to
24 capacity. The capacity to make small tires is
25 involved with equipment which makes the smaller tires.

1 That can not be used to make the very large tires at
2 all.

3 If you start switching to pounds rather than
4 units, you basically obscure the real location of the
5 capacity that the industry has and the fact that it's
6 limited to the total number of tires, large tires that
7 it can make.

8 COMMISSIONER WILLIAMSON: Mr. Narkin?

9 MR. NARKIN: If I could just add to those
10 answers briefly from the legal side, although I think
11 the answer that Mr. Rasey gave in particular is very
12 telling. He's telling you that they sell units, they
13 don't sell pounds. The only industries that I'm aware
14 of where the Commission has used pounds would be
15 something like steel where the units are defined in
16 terms of a weight like tons.

17 The other side has attempted to persuade you
18 that there are three cases, and I won't try to tick
19 off their names but you probably know what they are,
20 where the Commission put pounds to one side. Has
21 relied on value rather than units. Those cases don't
22 really work either.

23 If you look carefully at them what you will
24 see is that in each of them the case involved both a
25 finished product and various sub-components, whether

1 they're parts or sub-assemblies, whatever. So the
2 units are sort of a mix -- apples, oranges, pears,
3 grapefruits, whatever.

4 So to some extent in a case like that you
5 can't really use the units. Therefore that's one of
6 the reasons why you'd use the value numbers instead.

7 There are other bases on which we could
8 distinguish these cases as well, but maybe we'll save
9 that for the post-hearing.

10 COMMISSIONER WILLIAMSON: I appreciate those
11 answers.

12 On page 117 of its brief GPX talks about the
13 difference between price for U.S. brands and explains
14 there's multi-tire branding, and that the brand
15 premium for the top tier is ten percent to 50 percent
16 more than other major brands. I was wondering if you
17 agree or disagree on that.

18 MR. STEWART: Let me start off if I could,
19 Commissioner.

20 You have information in the staff report
21 which provides estimates from purchasers of the
22 preference for brands, and most of those are in the
23 three to seven percent range. I believe I saw one or
24 two that were above that. I believe that the
25 testimony that Mr. Taylor had earlier was if you got

1 five percent because of brand that would be an
2 indication that you had a good brand, but the
3 underselling is 25 to 30 percent.

4 COMMISSIONER WILLIAMSON: Thank you.

5 MR. ALLEN: Mr. Commissioner, this is Ken
6 Allen. I wasn't sure that I could clearly hear the
7 question, but I believe you were asking what the level
8 of brand premium there could be.

9 What we experience and have been told by our
10 dealer counsel time and again is that that brand
11 premium is in the five to ten percent range, and
12 actually in the very small bias it actually contracts
13 to less than that.

14 COMMISSIONER WILLIAMSON: Thank you.

15 My time is up, I thank you for those
16 answers.

17 CHAIRMAN ARANOFF: Commissioner Pinkert?

18 COMMISSIONER PINKERT: Thank you, Madame
19 Chairman.

20 I want to start with Mr. Button. I believe
21 you were trying to answer my earlier question about
22 whether there had been an offset between the sales of
23 the larger sizes and the lost sales of the smaller
24 sizes.

25 I don't know if you had a chance in your

1 last answer to complete what you were trying to get at
2 earlier, but I wanted to give you that opportunity.

3 MR. BUTTON: Thank you, Commissioner, I
4 appreciate that.

5 There has not been an ability to offset it.

6 When the Chinese producers expanded their
7 share of the small agricultural bias tires, the U.S.
8 industry sought to maintain that or keep that business
9 but was unable to, and it was pushed to expand to the
10 extent that it could produce of some of the larger
11 tires within that realm. That did not mean it could
12 still get the volume it sought in the small
13 agricultural bias tires to help it with respect to
14 spreading its fixed costs over its P and L. That
15 continues to be a substantial problem in 2005, 2006,
16 and certainly the first half of 2007.

17 Until the preliminary relief was achieved in
18 the beginning of 2008, the industry was prevented
19 really from making a strong return into the small
20 agricultural bias tire sector. They had begun to do
21 so after the filing of the petition the prior summer.

22 But the fact that they have been able to
23 reassert themselves in that sector of the market I
24 think is an important indicator of the causation issue
25 of how the Chinese hurt them there in the first place.

1 COMMISSIONER PINKERT: Looking to the
2 future, and maybe just looking at this for a year or
3 so into the future. If the Chinese imports continue
4 to increase their share the way they have in the last
5 few years that we're looking at for the purposes of
6 this investigation, would the domestic industry be
7 able to continue to increase its sales of the larger
8 size tires, I'm not going to use the word offset, but
9 would they be able to continue to increase at the rate
10 they had in the past?et cetera, et cetera, et cetera

11 MR. RASEY: Commissioner Pinkert, this is
12 Shawn Rasey. Could I address that question?

13 COMMISSIONER PINKERT: Yes.

14 MR. RASEY: I think Mr. Taylor testified
15 earlier as well that when you're operating a factory
16 as we do here, we have large equipment and we have
17 small equipment, and we still have that fixed overhead
18 on the smaller sizes. So at the end of the day what
19 really becomes the relevant question to answer, I
20 think, is what happens with that idle capacity which
21 we've all now experienced because of the unfairly
22 dumped and subsidized Chinese tires.

23 Can we make more giant tires in our
24 factories here? Some of us can with additional
25 investment. But without relief in this action who's

1 to say that the Chinese after a few years aren't going
2 to continue that same type of action and be competing
3 with us in those same levels with products that are
4 unfairly subsidized from China a well. I think that's
5 a key issue to consider as well.

6 MR. TAYLOR: A point to make, what's really
7 going to happen is if you stop and, if you say the
8 scope of the tires you currently have being
9 investigated here. You have Freeport which makes
10 them, you have Titan Des Moines that makes them, you
11 have Firestone Des Moines, you have Denman, and you
12 have Specialty. You have those five factories.

13 If the scenario goes as you suggested, it's
14 quite obvious that one or two of those are going to
15 have to be eliminated. That's just a fact of life.
16 As you go, just keep eliminating because no one's
17 going to make an investment. You're just going to
18 have to at some point pull the plug.

19 MS. LUTZ: Jennifer Lutz with ECS.

20 I think two things might be helpful to your
21 thinking about this. For one thing there's a limit to
22 the demand for these larger radial tires, such that
23 they need the smaller, more commodity tires to help
24 allocate their fixed costs.

25 The other issue is if you look at the

1 shipment data of the imports, the imports from China
2 are increasing their share in radial tires, in bigger
3 tires. So while the competition may not have been as
4 strong in those segments earlier, it's getting there.

5 COMMISSIONER PINKERT: Thank you.

6 Turning to Mr. Hoover for a second. I noted
7 that in Mr. Taylor's testimony earlier today he talked
8 about the 20 percent ownership of the employees in his
9 company. I might have gotten that wrong, but
10 somewhere in that neighborhood.

11 Is that fairly typical for the industry?
12 And what's been your experience with those kinds of
13 programs?

14 MR. HOOVER: First let me say that my
15 members that work for him don't have 20 percent of the
16 company. That's in some of his other businesses. It
17 is not very typical, but we do have some. It's a form
18 of an ESOP as I understand it.

19 MR. TAYLOR: Let me clarify for you,
20 Commissioner.

21 We went public in 1993 and in 1993 we had
22 two wheel plants, Quincy is our headquarters and we
23 had another one up in the Quad Cities. At that time I
24 think we were a \$100 million business. It is at that
25 time that I gave public stock to my employees. Most

1 of them I think sold. They did very well, so that's
2 what happened. It was before I met Mr. Hoover. We've
3 expanded since then.

4 COMMISSIONER PINKERT: Is that in the form
5 of an ESOP?

6 MR. TAYLOR: No, no. Huh uh. I had to
7 fight IRS. My little Irish wife, God bless her, she
8 thought it was a good idea, too.

9 COMMISSIONER PINKERT: -- you did, as I
10 recall.

11 MR. TAYLOR: Yeah. So we gave them so many
12 shares, I forget how many shares now, each person. So
13 the IRS came back and said well that was like giving
14 all your employees a bonus. It didn't come from the
15 company, it came from me personally. So I had to
16 fight them. At that time you were allowed to give I
17 think up to 20,000 or something per person. So we won
18 the battle. But that's what happened to it.

19 COMMISSIONER PINKERT: Thank you.

20 Looking at the data in Table IV-6, I have a
21 relationship about the relationship between the non-
22 subject imports and the subject imports. This is not
23 a Bratsk question, just as a preface. I'm not asking
24 what would happen if all of the subject imports left
25 the market.

1 I'm simply asking the question, have the
2 increases in the subject imports come at the expense
3 of the non-subject imports? If not, what data should
4 I be looking at in Table IV-6?

5 MR. STEWART: Let me start with that,
6 Commissioner Pinkert.

7 That table, as I recall, is a table that is
8 based on the staff's analysis of the import statistics
9 deducting imports that are below \$20 from the
10 database. So this is a table where there's
11 disagreement as to whether it is a good representation
12 of what has happened to apparent consumption.

13 We tried to present in terms of
14 alternatives, both in our pre-hearing brief and in the
15 slide presentation earlier, what that data looks like
16 if you use a higher deductible than \$20 in terms of
17 looking at it. Depending on what you do, you get a
18 significantly different issue.

19 I think in some cases you've had some
20 products from overseas where there have been plant
21 strikes or things of that sort which have led to
22 reduction of product coming into the U.S. which is
23 probably temporary in terms of the non-subject and is
24 not related to the increase in Chinese imports which
25 would tend to be a different tire at a different

1 level.

2 We have problems with this table. I believe
3 most of the other parties do. And it's a question of
4 what else needs to be taken out to get there.

5 On a value basis, this table does show a
6 close to one-for-one diminution of apparent
7 consumption for domestic production compared to a rise
8 in apparent consumption for Chinese imports in the
9 2005-2007 time period.

10 COMMISSIONER PINKERT: Mr. Dorn?

11 MR. DORN: Commissioner Pinkert, if you look
12 at Table E2 at page E4 of the report which is based on
13 the importers' questionnaire data, you'll see that
14 China's share of the market increased from 14.7
15 percent in 2005 to 21.1 percent in 2007, and the non-
16 subject import share remained flat at 18.3 and 18.4.
17 All that share was taken from the U.S. industry which
18 lost share from 67 percent in 2005 to 60.5 percent in
19 2007.

20 I would note that given the conditions in
21 the market including the weakening dollar in
22 increasing ocean freight rates, U.S. industry should
23 have been gaining market share against China and non-
24 subject imports during this period of time.

25 So even if the Chinese took some of the non-

1 subject share, that's non-subject share that the U.S.
2 industry should have been taking had there been fairly
3 priced imports from China.

4 MR. STEWART: As you'll recall,
5 Commissioner, this was the comparison table plus the
6 information from the purchasers and importers and
7 domestic producers, all of which would correspond to
8 the fact that imports have increased their share.
9 There's been no indication from purchasers or anyone
10 else that non-subject have declined. It is the reason
11 that there is in part a challenge to the U.S. import
12 statistic data as modified by the staff at this point.

13 COMMISSIONER PINKERT: Just as a quick
14 follow-up question Mr. Stewart.

15 If I'm just looking at Table IV-6, and I
16 understand that there are questions about the table
17 and I understand there's some other data that Mr. Dorn
18 has directed my attention to. But just looking at
19 Table IV-6, is there a reason to pay more attention to
20 the value data that you've pointed me to rather than
21 the share of quantity data within that table?

22 MR. STEWART: The answer I would say is
23 since we have problems with it the answer would be
24 while the value data helps us and the quantity data
25 wouldn't help us in terms of the analysis, that's not

1 an intellectual reason for saying it, but we do have
2 problems with the data and we think the other data is
3 more consistent with what purchasers and importers and
4 producers all understand to be going on in the market
5 place.

6 COMMISSIONER PINKERT: Thank you.

7 Thank you, Madame Chairman.

8 CHAIRMAN ARANOFF: Vice Chairman Pearson.

9 VICE CHAIRMAN PEARSON: Thank you, Madame
10 Chairman.

11 I have one more question regarding bias ply
12 and radials. That is, are there functional reasons
13 why people will prefer bias ply tires for certain uses
14 even if they were more expensive than radials?

15 MR. TAYLOR: As earlier testimony explained,
16 for operational flotation and everything else you use
17 the radial. But if you get into something where you
18 have side wall and you radial tires have a tendency,
19 the bulge on the side wall. And the first radial tire
20 on your car you'd seen, you thought it was flat, no
21 air in it. That's also part of the reason they
22 operate.

23 The bias has a stiffer side wall. So in
24 your construction, like if you do not take backhoes
25 and put radial tires on backhoes or they would really

1 bounce down the road, look like an Energize Bunny.
2 But when you hit the curb you would also cut your
3 tire.

4 I could say that they solved that by making
5 a bigger wheel for your cars, but that's a different
6 subject. You hit curbs now and you've got a big bill.
7 But that's why you would have a bias ply tire, is to
8 prevent side wall cutting of the tire.

9 VICE CHAIRMAN PEARSON: Does anybody have an
10 estimate, just to give me a sense of this, what
11 percentage of the market always will be bias ply for
12 functional reasons? Kind of a rough idea? If not
13 now, something in the post-hearing just to give me
14 something to put my arms around.

15 I'm assuming that some of these tires could
16 be either radial or bias ply and people are buying the
17 bias ply because they're less expensive, which is
18 perfectly rational. But I just don't have a sense of
19 how much the market is one versus the other.

20 MR. TAYLOR: I don't think you'll ever see
21 the market go greater than 60 percent to 70 percent
22 radial, but that's in the scope of all the tires we're
23 talking about.

24 VICE CHAIRMAN PEARSON: Mr. Monthei?

25 MS. MONTHEI: On the small tires like the

1 wagon tires, the tractor fronts, all that stuff, it's
2 always bias and it's never going to change from that.
3 It's just not economical to try and build a radial in
4 that.

5 So in that end of it a vast majority of all
6 of the wagons, everything in that type of, hay racks,
7 everything's going to be on a bias ply tire, which is
8 still a huge part of the market.

9 You have to look at that in comparison to
10 the radial.

11 MR. TAYLOR: In the mining tire business, in
12 the underground mining tire, they'll stay bias because
13 they actually foam-fill those tires. You can't have
14 them go flat. And they don't want the air
15 underground, an explosion. They've got enough
16 problems. So they foam fill them.

17 MR. MATEER: Commissioner Pearson, if I
18 might, this is Don Mateer from Specialty Tires.

19 I'd just add to the gentleman that
20 commented, I'd reinforce or echo the sentiment that
21 again, we are almost predominantly a bias tire
22 manufacturing company. So by definition if the world
23 was a radial world we should be going the way of the
24 dinosaur. We did build a new plant, as I've commented
25 on, in 1997. It was dedicated to bias, off the road

1 tires. We continue to see markets. The experience I
2 think from purchasers that have testified and some of
3 the other individual representing other companies have
4 commented that there is an interest and a growing
5 requirement for radial tires, but there are certain
6 segments, certain sizes, certain applications, that
7 will in our opinion always be bias. Again, it's
8 because of the stiffer side wall support, as opposed
9 to an attribute that might, with a radial tire,
10 address lower rolling resistance and somewhat greater
11 fuel efficiency.

12 VICE CHAIRMAN PEARSON: Thank you for those
13 answers.

14 Let me shift now to the question of whether
15 I should see a clear dividing line at 39 inches. And
16 let me give just a bit of background, and counsel will
17 appreciate this. The first time I dealt with line
18 pipe it wasn't at all obvious to me why the Commission
19 years before had found a clear dividing line at 16
20 inches, large diameter was 16 and over and small
21 diameter was under. As I spent time with that first
22 case I realized oh, this really makes sense. You've
23 got issues in terms of how wide the hot-rolled sheet
24 is that you're making the pipe out of; you've got
25 issues relating to the end uses; you've got issues

1 relating to production equipment. You've got all
2 these reasons.

3 So I understand that in line pipe. I'm not
4 sure I understand it yet with off the road tires.
5 Maybe this is something that needs to be explored more
6 in the post-hearing, but it's just not apparent to me
7 that the 39 inches in off-road tires is nearly as
8 clear as 16 inches in line pipe.

9 MR. TAYLOR: Well, odds are that you would
10 see, everyone in this room would see if you were
11 traveling around the country, tires within the scope.
12 It's very odd any of you would ever see a 39 inch tire
13 and above. You would have to go to one of the large
14 open mine pits or into one super quarry to be able to
15 see a piece of equipment that was assembled down there
16 with this stuff. You can go right here in the
17 capital, they're digging a hole for some other
18 building over here, or go to the airport. If you go
19 fly out you'll see a truck running down the runway
20 that's got 35 inch tires on it. They're hauling out
21 all the concrete because they're busing up a runway,
22 to put in another runway or wider or whatever. That's
23 what you'll see.

24 The factories, as I said earlier, the
25 factory in Des Moines, Titan factory, the Firestone

1 factory in Des Moines, Iowa, the Freeport facility,
2 Specialty or Denman Tire, those factories only produce
3 the scope-type tires and wheels.

4 In Bryan we have a little bit of the upper
5 scope until we finish building this new factory. I
6 can say I believe the same is true of our friends at
7 Firestone in Bloomington. From earlier testimony I
8 think he mentioned there's only a couple of sizes they
9 make.

10 So that is why it's broken there.

11 Caterpillar, that photo they showed of their
12 loaders, that first one, they can ship that whole
13 loader down the road. The second one I don't believe
14 they can. I know they've got to take the wheels and
15 tires off it. And the other one, that's a foregone
16 conclusion.

17 When you show them their trucks in their
18 brief and you look at those nice trucks, those are
19 shipped all apart and actually assembled in cranes and
20 welded together at mine sites. It's a sight to
21 behold.

22 That's why, and they don't build those big
23 radials in China either.

24 VICE CHAIRMAN PEARSON: I would note that in
25 line pipe there are no differences between the

1 domestic industry's view and the Respondents' view,
2 and perhaps by tomorrow there will be no differences
3 with the Respondents' view on this issue but I guess
4 we'll have to wait and hear more about it from them.

5 MR. DORN: Commissioner, there will be a
6 huge difference in views because the way they can mask
7 the injury that's being suffered here is trying to
8 expand the product scope to include products that
9 aren't being imported from China. It's that clear.

10 As Mr. Narkin indicated earlier, that's what
11 the legislative history tells the Commission not to
12 use.

13 MR. RASEY: I would like to add to that,
14 Commissioner Pearson.

15 The other real key issue here, I think Mr.
16 Taylor touched on it, is that there is zero
17 substitutability, if you will, between the tires that
18 are in scope and the tires that are out of scope, and
19 that's a key issue.

20 The other piece of this is, and this is
21 perhaps my own biased opinion but allow me to share it
22 with you, is part of the reason the opposition is so
23 vehemently pursuing this issue is because they do want
24 to mask that injury. When you consider the benefit
25 and the advantage that they've had over our idle

1 capacity, it's a logical step.

2 But from a substitutability standpoint,
3 those tires aren't substitutable between in scope and
4 out of scope at all.

5 VICE CHAIRMAN PEARSON: Okay, my light has
6 gone red, but thank you for that, Mr. Rasey, and I'll
7 note that that was a biased opinion and not a radial
8 opinion.

9 (Laughter).

10 CHAIRMAN ARANOFF: A question that I'll
11 initially start with the lawyers or perhaps the
12 economists on the panel.

13 In this case the serious pricing injury that
14 Petitioners are advocating is based on price
15 suppression which is always a little tricky. And in
16 general, when starting to look at price suppression
17 the Commission will look at the ratio of the cost of
18 goods sold to net sales in order to assess whether
19 there's a cost price squeeze. That's usually our
20 starting point.

21 In this case the Petitioners have listed
22 numerous facts which you argue support a finding of
23 price suppression, but you have not addressed the cost
24 to net sales ratio, which if you take a look at Table
25 VI-1, is either flat or slightly declining, depending

1 on how you want to calculate it.

2 Instead you tend to direct us to the ratio
3 of raw material costs to sales. Of course raw
4 material costs did go up, but our data shows that
5 other factory costs declined and that's why the cogs
6 to sales ratio is pretty flat.

7 With that long introduction, can you explain
8 why we ought not to give weight to the information
9 that we have on the cost to net sales ratio as
10 evidence of no price suppression?

11 MR. BUTTON: Ken Button, Economic Consulting
12 Services.

13 I think that you should follow the economic
14 substance here and that you should form the tools of
15 your analysis to meet the economic substance of the
16 industry.

17 The industry is facing, everyone agrees,
18 dramatically increasing raw material costs. At the
19 same time the industry sees that and they're trying to
20 reduce labor and overhead costs.

21 One of the things that's occurring that
22 you're aware of is that there is an increase in the
23 average size of the tire. They're being pushed
24 upstream to make larger tires.

25 Some of the effect in the reduction in these

1 other costs has to do with the change of product mix.

2 There is no doubt that the raw material cost
3 is an increasing burden on the industry as a whole and
4 it certainly is impacting their ability to earn a
5 profit. So I don't think that the industry should be
6 penalized either for efficiencies gained with respect
7 to other aspects of the operations or for a product
8 mix change that might be inflicted on them because of
9 the subject imports.

10 I'd like the producers to comment on that as
11 well.

12 CHAIRMAN ARANOFF: Mr. Narkin, did you want
13 to say something?

14 MR. NARKIN: Yes, just very briefly.

15 The one thing that's different about this
16 industry than some others that the Commission sees is
17 that you do have this strong demand.

18 In my mind when you ask yourself are prices
19 being suppressed by imports, you at least have to
20 think about well what would prices be were these
21 unfairly traded imports not in the market given that
22 demand is strong and rising?

23 So the mere fact that prices, the recovery
24 that we're getting on the price side is sort of barely
25 enough to cover increase in cogs or raw material costs

1 or whatever, does not mean that prices aren't being
2 suppressed.

3 MR. RASEY: Chairman Aranoff, can I just add
4 to that one piece? I think this would be on behalf of
5 all of the manufacturers here. In support of what Mr.
6 Button had shared and to your question about tradeoffs
7 at those raw material costs.

8 It has been well established that the raw
9 materials have been a really tough issue for us all to
10 overcome. But as a manufacturer, our first obligation
11 when we look at how to deal with that is through
12 manufacturing efficiencies. So from a plant level we
13 will start to look at each and every process and find
14 ways within the plant to try to help offset those
15 costs.

16 We've not been able to do that entirely.
17 When we look in our own family between Des Moines and
18 Bloomington, we've made significant strides that have
19 helped us. I think that's part of the data that you
20 would see is related in your question.

21 MR. DORN: Commissioner, I think it's also
22 telling to compare what's happening with net selling
23 prices per pound and raw material costs per pound with
24 respect to the subject products with what was
25 happening with the non-subject large mining tires

1 which is set forth in Table VI-5. The comparison is
2 pretty telling.

3 For the large out of scope tires, the spread
4 between that selling price per pound and raw material
5 costs per pound increased 70 cents to the better from
6 2005 to 2007. So on the product for which there is no
7 import competition from China, during a period of
8 strong demand industry is able to increase the spread
9 between price and raw material costs by 70 cents. But
10 then for the subject products, they lose seven cents
11 of that spread from 2005 to 2007.

12 So we think that comparison is very telling.

13 CHAIRMAN ARANOFF: Mr. Stewart?

14 MR. STEWART: Thank you, Madame Chairman.

15 In our testimony Jeff Vasichek reviewed
16 what's also in our pre-hearing brief the experience
17 that Titan had had, and as you have heard throughout
18 the afternoon, there are degrees of intensity of
19 competition with greater competition in certain size
20 ranges, et cetera. And the data that was presented by
21 Mr. Vasichek shows there's a clear price depression
22 and suppression with regard to large volumes of part
23 numbers for their company as a practical example. And
24 the reason that information was supplied was to try to
25 help the Commission understand how price competition

1 occurs. You may have less competition where there are
2 less Chinese imports within the scope.

3 It's also the case that the Commission has
4 seldom looked at or given meaning to the term actual
5 and potential declines and I think the comment that
6 was provided by Mr. Dorn helps amplify what, and
7 potential declines in terms of profitability et cetera
8 are.

9 The fact that in a strong demand marketplace
10 the industry hasn't been able to get up to adequate
11 profitability is reflected in an inability to raise
12 prices enough to more than cover the cost, even if on
13 the aggregate it is stagnant, if you will, in terms of
14 a changing mix.

15 CHAIRMAN ARANOFF: I know I'm aware of
16 cases, some recent cases, in which I and perhaps some
17 of my colleagues have made a threat finding on
18 somewhat similar facts where we've said okay, so far
19 domestic producers have been able to cover their
20 increased raw material costs by cutting other costs as
21 appears to be the case here, but that this is
22 unsustainable because all of the other cost-cutting
23 that maybe can happen has already happened and
24 therefore there's going to be imminent price
25 suppression. I know I've made affirmative

1 determinations on that.

2 I can't think of any off the top of my mind
3 where the Commission has looked at something other
4 than the cogs to net sales ratio and made a price
5 suppression finding where there wasn't an increase
6 there. But if you can find any for post-hearing, I
7 would definitely like to take a look at them.

8 In the mean time let me move on to some
9 questions that actually do go to the issue of threat
10 should we need to get there.

11 In particular I'm interested in what folks
12 in the industry know about the extent of the ability
13 of Chinese producers to produce radial tires. I
14 understand folks have testified that there are some in
15 the market, but I'm trying to get a sense of how
16 widespread the ability to produce those products is in
17 China.

18 MR. RASEY: Chairman Aranoff, I can tell you
19 that we've seen a rapid expansion in radialization
20 from manufacturers in China. I think the data would
21 show that sa well.

22 However, on top of the information that's
23 been provided what we've seen is this, and it's a
24 little bit unsettling for us. Many of the
25 manufacturers in China who have traditionally built

1 off the road tires in the bias area, while they are
2 trying to move to radial, what we're seeing is truck
3 tire manufacturers in China are increasing the size of
4 their equipment and they're now entering into this
5 arena as competitors and are sending those products
6 in. The data that you saw in my testimony would
7 indicate that in many cases those products on even
8 radials were 40 percent, 30 percent less than our
9 pricing in the market, when other comparable products
10 whether they were imported or domestically produced,
11 were very similar in a fairly tight band.

12 So it is quite extensive and it is moving
13 very quickly.

14 MR. ALLEN: This is Ken Allen. I'd like to
15 also comment that as we look at their quality on the
16 bias we know that they certainly have the capability.
17 We also know they have in their employment engineers
18 and staff from the first tier of manufacturers,
19 whether they be retirees or cross-overs.

20 We also know with respect to equipment
21 that's used to build radial tires that they are indeed
22 a manufacturer in China and a large global supplier of
23 that equipment to produce radials.

24 CHAIRMAN ARANOFF: Thanks. My time is up.
25 I have a few follow-ups on this, and I'll come back in

1 the next round.

2 I turn now to Commissioner Okun.

3 COMMISSIONER OKUN: Thank you, Madame
4 Chairman.

5 I would just note, I guess I would second
6 the Chairman's request for you to take a look at
7 whether there are any other cases where the Commission
8 has taken the approach advocated here with respect to
9 price suppression to do something outside what the
10 Commission normally considers in looking at that. I'd
11 appreciate seeing those cases as well.

12 I don't think I've heard you respond to
13 this, but we've been here a few hours so sometimes we
14 all start repeating ourselves, so if I have you can
15 tell me that.

16 With respect to the supply of rubber,
17 natural rubber or synthetic rubber. During the period
18 of investigation and looking forward, have there been
19 any problems in getting the rubber you need in order
20 to run? Or do you have to make decisions on what you
21 want to produce?

22 I'll start with you, Mr. Taylor.

23 MR. TAYLOR: There's no question that the
24 rubber prices have gone up and there's no question
25 that it's short. You buy out in the future. So what

1 happens is you, let's say you had contracted for a
2 buck 20, and the open market now is a buck 45 like our
3 friends at Cooper, and they want it at a buck 20.
4 Well, they have a problem getting it. It's a little
5 bit on the short side.

6 If the quoted price is a buck 40 and you're
7 going to pay a buck 45, you can get all the rubber you
8 want. That's our attitude to the shortage of what is
9 perceived out there, that I don't know if it's true or
10 not.

11 But you see in the industry too, you can
12 switch to synthetic rubber. Switch-over, it's the
13 mixing and everything else, but with oil the way it
14 is, everything's at an all-time high, but you can get
15 the material.

16 COMMISSIONER OKUN: So it's not affected
17 your ability to produce the subject product, to
18 produce the tires?

19 MR. TAYLOR: It hasn't at this stage.

20 MR. IVY: Commissioner Okun?

21 COMMISSIONER OKUN: Yes.

22 MR. IVY: During the period of this
23 investigation it hasn't impacted us, but currently
24 within 2008, due to the worldwide shortage of
25 butadiene, we have had major issues switching from

1 synthetic back to natural, just because of that
2 worldwide shortage. That's caused a higher material
3 price for us. We're having an inability currently to
4 pass that on fully in the marketplace. We're
5 attempting to. But right now we have shifted more of
6 our products to natural rubber than synthetic based on
7 the worldwide shortage of butadiene. That looks like
8 it's going to last through the end of this year from a
9 minimum standpoint.

10 COMMISSIONER OKUN: So affecting the raw
11 material price, but not the availability.

12 MR. IVY: Definitely not the availability,
13 it's just a matter of price at this point.

14 COMMISSIONER OKUN: Okay.

15 MR. RASEY: Commissioner Okun, I'd like to
16 add one last thing that I shared in my testimony. I
17 would ask that the Commission listen carefully to this
18 issue because it's not an area that we have explored
19 fully in the preliminary, but I do believe it's a
20 significant issue. That's this issue on pricing of
21 raw materials.

22 China, as I mentioned, in this period in
23 question has become the undisputed global demand
24 center for natural rubber. They are the largest
25 consumer of natural rubber in the world. As I

1 mentioned in my testimony, I find it highly ironic
2 that they're producing and sending in record numbers
3 tires to the United States, and putting in jeopardy
4 American jobs, and at the same time having subsidies
5 on their rubber while we have to try to find a way to
6 take those price increases to be able to cover our
7 cost of goods, I find that to be highly objectionable
8 and I think it's something the Commission should look
9 at quite carefully as we go forward.

10 COMMISSIONER OKUN: Okay.

11 Mr. Narkin, I wanted to just follow up
12 briefly with you. I think it was you who was
13 responding on this issue of whether we should be
14 looking at the number of tires, the value or weight.
15 I understand from the producers' perspective that
16 someone calls you and says they want a tire, not a
17 weight.

18 But I think it is the case, I was trying to
19 look at the different cases that have been cited. I
20 think it has been Commission practice that when we've
21 had cases where you had such a wide range in the unit
22 value that the Commission has often looked at, we
23 might look at the number of tires and weight. We may
24 look at all three. But it's not just whether
25 something is sold by weight. It's is it a good

1 measure where something else has gone on in the
2 market.

3 I didn't know if you'd responded to that
4 specifically, or Mr. Stewart or Mr. Dorn as well. To
5 me the cases don't suggest that it has to be a product
6 sold by weight where we should look at weight.

7 MR. NARKIN: I'm not certain I understand
8 the question, Commissioner.

9 My point was that to my knowledge anyway,
10 when the Commission has used weight as a measure, it's
11 when the unit is equal to the weight. Like in steel.
12 It's sold by the ton. That's the unit.

13 I'm not aware of any Commission case where
14 the Commission has said let's not pay attention to
15 units, let's not pay attention to value which is at
16 best a secondary choice, value is. That is in a
17 minority of cases. Let's instead look at weight. I
18 don't think that's the Commission's practice.

19 MR. DORN: I'll just add to that, I think
20 the Commission should use common sense in looking at
21 what metrics make sense for this particular case.
22 Using pounds again masks the injury that's being
23 suffered because you have equipment that's geared to
24 make certain sizes of tires. And the way to measure
25 the injury here is the loss in the number of units

1 manufactured on that's equipment that's sized for
2 those units. If you just go to a pound or weight
3 metric you lose all that and you're unable to see
4 what's happening in terms of the interaction between
5 the subject imports and the domestic production and
6 capacity utilization.

7 So I would ask you to use common sense in
8 terms of what metric beset demonstrates the
9 competition between the imports in the domestic
10 industry and the effects of unfair competition. I
11 don't see how you can do that with pounds. Units you
12 can.

13 MR. NARKIN: Commissioner Okun, if I could
14 sort of amplify my last response briefly.

15 COMMISSIONER OKUN: Yes.

16 MR. NARKIN: One thing that to me is
17 striking is while they have cited three cases for the
18 proposition when you have a wide variety of products,
19 the Commission has looked at value in those cases. I
20 don't believe they've cited any cases where you've
21 relied on weight. I assume that wasn't because they
22 didn't try to find them.

23 COMMISSIONER OKUN: I guess I'm looking at
24 alternatives to units. So in those cases where the
25 Commission has looked at something else, either value

1 or weight, in other words something different than a
2 producer would say I sell a unit, and the Commission
3 has sometimes found that that actually isn't the best
4 way to look at the data, or the most accurate way to
5 measure import competition. That's what I'm trying to
6 explore here and it's obviously an argument being made
7 by Respondents. So to the extent you can continue to
8 address that post-hearing with specifics, that would
9 be helpful.

10 I think I may have covered my questions
11 unless I've lost one in this stack and then I'll come
12 back. But Madame Chairman, that's all for now, thank
13 you.

14 CHAIRMAN ARANOFF: Commissioner Lane?

15 COMMISSIONER LANE: Mr. Stewart, in your
16 opening statement you pointed out that the domestic
17 industry has a relatively low operating income margin
18 over the period of investigation. You also mentioned
19 that this is a high fixed cost industry.

20 What level of operating income margins would
21 be reasonable for this industry to assure the
22 continued viability and protect the jobs of those
23 employees making in scope tires?

24 MR. STEWART: Thank you very much for the
25 question, Commissioner Lane.

1 Within the staff report, the confidential
2 staff report, there is information on the --

3 COMMISSIONER LANE: Could you speak into
4 your microphone?

5 MR. STEWART: Yes, excuse me.

6 In the confidential staff report there is
7 information on what the return on investment from the
8 public data is because some of the information is not
9 in the public domain.

10 We had provided in our pre-hearing brief, as
11 I recall, the cost of capital as we understood it for
12 this industry, and that would give you a pretty good
13 idea of the relationship that would be --

14 COMMISSIONER LANE: Is that business
15 proprietary?

16 MR. STEWART: The information as to what the
17 cost of capital was was public information, but the
18 staff report that showed what the actual return on
19 investment was in the industry was proprietary.

20 We will give the correlation in our post-
21 hearing brief, but the information is there. It's a
22 long way to go.

23 If you looked at the out of scope
24 performance, one would say that for a cyclical
25 industry one would expect returns comparable to what

1 one has seen in the out of scope product for this
2 industry if it is to be able to withstand the
3 downturns.

4 Not mentioned directly earlier, but
5 certainly discussed by us before the hearing is the
6 fact that when this industry goes in a cyclical
7 trough, a lot of the capacity that they have is
8 reduced in the sense that you lay off personnel and
9 you have machinery in your factory that's not being
10 worked and it takes time to come back.

11 The cyclical downturns can be very hard as
12 they were in 2003, 2004, I believe in agriculture.
13 And as they may be in the next year or two in terms of
14 residential construction, et cetera.

15 So the ability to make above average returns
16 is a well known concept in Commission decision cases
17 such as the cement case. And this industry in looking
18 at price suppression and those sorts of things, this
19 is an industry that during the period of review has
20 made a grand total of 1.1 percent of sales. That is a
21 serious problem in the up-cycle. And when you can't
22 make the returns, you can't make the investments to
23 meet the needs of other customers.

24 COMMISSIONER LANE: Mr. Stewart, I want to
25 make sure that I understand what you're saying. I'm

1 giving you the opportunity to tell me how much money
2 the industry should be making to be viable. Can you
3 tell me that on the record, or does it just need to be
4 in post-hearing brief?

5 MR. STEWART: The number from our pre-
6 hearing brief which is public which comes from a
7 public source I believe had a cost of capital of
8 somewhere between 10 and 11 percent; and you have in
9 the confidential record what the return on investment
10 is during this period. And we will in the post-
11 hearing brief identify the shortfall and what that
12 would translate into in terms of income that would be
13 needed.

14 COMMISSIONER LANE: Okay, thank you.

15 Dr. Button?

16 MR. BUTTON: Thank you, Commissioner. There
17 is some public information that can address the issue
18 in two different manners.

19 You've asked for a specific point estimate
20 of what's required. We have provided a public
21 indicator of approximately 12 percent for cost of
22 capital for an industry in this kind of situation, but
23 the numbers that you're dealing with in terms of
24 operating margin, that's not cost of capital.

25 If you're looking for a metric on operating

1 margin in terms of what are other possible results,
2 you do know that the non-subject product in 2007 had
3 an operating margin of 35 percent compared to the
4 certain OTR tires operating margin of 2.4 percent.

5 There's also information out there that the
6 machinery and equipment industry which guys these
7 tires and uses them on equipment which it sells to the
8 same sectors had an operating margin of more than ten
9 percent.

10 So although it's difficult to come up with a
11 specific point estimate of what is adequate, there is
12 great clarity that the U.S. industry is not there now.

13 COMMISSIONER LANE: Thank you.

14 Tomorrow I'm sure we're going to hear once
15 again that there are shortages in certain sectors. So
16 since this is late in the day, so that I can remember
17 this and think about this all night so I'll be fresh
18 in my memory tomorrow, could you tell me about the
19 capacity of the domestic industry and how you
20 determine your capacity. And do you operate on three
21 shifts a day, seven days a week? Exactly what you do
22 do. And how do you respond, once again, to the fact
23 that we are going to hear that the Chinese are coming
24 in and filling a void that you all can't produce.

25 MR. TAYLOR: Hey, everybody has to have an

1 answer for something. I can tell you this, and I have
2 Mr. Hoover over here who has testified how many people
3 are laid off.

4 When we acquired the Freeport plant, which I
5 appreciate Commissioner you haven't been there but
6 there are other Commissioners that have. That plant
7 was running with 728 people. They were not running
8 full out. So there's plenty of capacity there.

9 The facility in Des Moines, when we acquired
10 that facility there was almost 700 there. That
11 facility is running, what did you say, -- He keeps
12 better count than I do, Mr. Hoover does. But we have
13 400 million, that's in dollars, of unused capacity for
14 the product that is under investigation, the scope of
15 the product. That's us. I have no idea what my
16 friends at Firestone or at Specialty have.

17 But I can tell you, Commissioner, that this
18 is our first quarter report. That's public. That's
19 been sent to all my shareholders. And right down
20 there on inventories is 140 mil, which probably means
21 there's about 80-some million of inventories of tires.
22 I would love to get rid of all of them.

23 We do make almost 3,000 SKUs. And you could
24 call up any day and there might not be one there.

25 COMMISSIONER LANE: Mr. Taylor, if you got

1 the orders tomorrow for 25 percent more than you're
2 producing right now, how long would it take you to get
3 into production and produce that many tires?

4 MR. TAYLOR: If you got 25 percent more, the
5 first thing is you're going to have to get more
6 rubber. You're going to have to get some more of your
7 materials coming in. So let's just say depending on
8 one, it's 60 to 90, I would say 120 to 150 days. I
9 could ramp up that type of quantity. And I have done
10 it. In fact I'd be willing to bet my friends at John
11 Deere would tell you that we stepped up and did that.

12 COMMISSIONER LANE: So you wouldn't have any
13 problem in the next 120 days getting the amount of
14 rubber that you need to increase your production by 25
15 percent?

16 MR. TAYLOR: I don't see that as a problem.

17 COMMISSIONER LANE: What about any other raw
18 materials you would need?

19 MR. TAYLOR: You have carbon black, you have
20 the bead wire. You've got all the materials that are
21 in there. I'm assuming, I do not know of any
22 shortages. I do know that in the synthetics there's
23 shortage but you just pay a little bit more money. As
24 long as I'm going to get the price for it, I'll get
25 you the tires.

1 COMMISSIONER LANE: Would you have to then
2 re-hire some of the employees that have been laid off?

3 MR. TAYLOR: Yes.

4 COMMISSIONER LANE: Would you then go to
5 another shift, perhaps? How many shifts are you
6 running now?

7 MR. TAYLOR: You have to run your plants at
8 three shifts but they're not full shifts. The day
9 shift is the biggest shift. You've got some on the
10 second. Generally the third shift is lighter than
11 that. So you'd start filling those shifts first.
12 Then you would, I don't believe in running seven days
13 a week, 24 hours a day. There are certain places you
14 can, but you can't ask a tire builder to do that, I
15 don't believe. That's my personal belief. I've got
16 managers that disagree with me, and people behind me
17 with Firestone probably disagree. But I've built
18 tires so I understand what you go through.

19 But there's no problem getting people.

20 COMMISSIONER LANE: Okay, thank you.

21 MR. IVY: Commissioner Lane, just to follow
22 up on Mr. Taylor's comments regarding Firestone
23 agricultural tire plant in Des Moines. We are a 24x7
24 day operation. We have four shifts. We have two day
25 shifts and two night shifts. We do work in 12 hour

1 blocks. We have numerous shifts currently that are
2 not staffed, therefore that equipment's not being run.

3 Had we had the opportunity pressed upon us
4 to increase by 25 percent, it's probably a four to six
5 month window to get those people, to get the raw
6 materials in the pipeline, get some of the training
7 back in place to be able to ramp up. So I think Mr.
8 Taylor's comment is pretty much similar to ours with
9 respect to timing with that bias technology.

10 COMMISSIONER LANE: Thank you.

11 Thank you, Madame Chairman.

12 CHAIRMAN ARANOFF: Commissioner Williamson?

13 COMMISSIONER WILLIAMSON: Thank you, Madame
14 Chairman. I have a few additional questions.

15 Continuing on this line, would you have to
16 add additional curing presses, or is it a matter of
17 bringing back on line presses you already have?

18 MR. IVY: From a Firestone standpoint we
19 would just bring back on the equipment that we had.
20 Capacity has been sitting idle now for over two plus
21 years, so we'd just be bringing that equipment back
22 on-line, both tire machines, curing presses, as well
23 as tubing, stock cutting and bead areas.

24 MR. RASEY: Commissioner Williamson, the
25 same thing pretty much in our Bloomington, Illinois

1 plant. We're running on 5.5 days on the subject tires
2 so we have that open capacity. It would be pretty
3 much the same scenario as Mr. Ivy just shared.

4 COMMISSIONER WILLIAMSON: Mr. Taylor?

5 MR. TAYLOR: We are --

6 MR. DORN: Excuse me, could I interrupt? I
7 apologize, but I just want to let the Commission know
8 that Dr. Button needs to leave at 5:30 to catch a
9 plane. I apologize for not giving more notice of
10 that, but if there are any remaining questions for Dr.
11 Button, I just want you to know he has to leave at
12 5:30 to catch a plane for a prior commitment.

13 I apologize for the interruption.

14 COMMISSIONER WILLIAMSON: Does anyone want
15 to cut in with questions for Dr. Button?

16 VICE CHAIRMAN PEARSON: Does any
17 Commissioner have a question for Dr. Button?

18 (No audible response).

19 VICE CHAIRMAN PEARSON: Thank you very much
20 for being here. Have a good flight.

21 MR. BUTTON: Thank you very much. I
22 appreciate your indulgence.

23 MR. TAYLOR: There's a case of where the
24 demand, we believe, in certain large tires is going to
25 increase in the next year or year and a half so we've

1 already announced we're adding big curing presses.
2 But we've got all the other presses just sitting there
3 that we can turn them on, just do a little work and
4 away we go.

5 COMMISSIONER WILLIAMSON: Does anybody
6 happen to remember the last time your production
7 facilities were running at close to maximum capacity?

8 MR. TAYLOR: Well I can't speak for our
9 friends at Firestone, but we've made a lot of
10 acquisitions. So when you look at the three plants
11 that we own in the tire business today they have a
12 mixing capacity of a minimum of 2.5 million pounds a
13 day. So you do six days and that gives you 15 million
14 pounds. If you multiply it out that will give us just
15 under 1.5 billion. We're doing today about 600
16 million. So we're a long ways before we get running
17 full.

18 MR. IVY: Commissioner Williamson, I want to
19 say '97, '98 timeframe the plant was at full capacity.

20 MR. RASEY: That would be 1998 for our
21 Bloomington plant as well.

22 MR. MATEER: Commissioner, Specialty Tires
23 of America, 1995 we ran flat out. Went to 20 churn
24 operations in mixing, had fully staffed three shift
25 operations essentially six days a week in building and

1 curing. Since then we have operated in a range of
2 certainly no higher than 70 percent utilization, and
3 typically in the 50 to 60 percent range.

4 COMMISSIONER WILLIAMSON: Okay, thank you.

5 What was, I guess the farm economy, the
6 construction economy, everything was going well in
7 that period?

8 MR. TAYLOR: No, Mr. Hoover had them all on
9 strike.

10 (Laughter).

11 COMMISSIONER WILLIAMSON: Thank you.

12 One last question. The minimum price of 20,
13 or you said it would be roughly \$25. I was just
14 curious why either one of those numbers, is there
15 anything that cheap nowadays?

16 MR. STEWART: The answer is you could raise
17 the number above that. In looking at some of the
18 statistics that the staff report generated, the lowest
19 reported average price for any of the categories, any
20 of the size ranges, you had one that was under I think
21 \$45 which was 27. So a conservative increase. I
22 don't believe our clients believe there are many tires
23 that are subject to this case that would be in the
24 \$20-\$25 range. So if there are tires that are coming
25 in at those prices they could be something else. That

1 could be true for \$25 to \$30 as well.

2 COMMISSIONER WILLIAMSON: I thought maybe it
3 was a one time use tire or something.

4 Madame Chairman, I have no further
5 questions. I want to thank everybody for their
6 testimony. Thank you.

7 CHAIRMAN ARANOFF: Commissioner Pinkert?

8 COMMISSIONER PINKERT: I just have a few
9 questions, Madame Chairman.

10 I noticed that some of the arguments that
11 you presented today, and in particular in the opening
12 statement by Mr. Stewart, referred to 2004 volume
13 data. Is there a particular reason why 2004 data is
14 relevant in this case despite the fact that it's
15 outside of the period of investigation?

16 MR. STEWART: Well the Commission as you
17 know, Commissioner Pinkert, has the ability to expand
18 the time period that it looks at, and this would
19 certainly be an appropriate case to do so.

20 As the evolution of the industry described
21 by Mr. Taylor would indicate, this industry went
22 through a lot of turbulence in 2005, 2006 with a
23 number of the major players selling off major assets.
24 They were selling off major assets because they were
25 already at an injured state at that point in time and

1 the industry had just come through a cyclical trough.

2 If you look at the overall import trend what
3 you see is there is a dramatic increase in imports
4 between 2004 and 2005, '06 and '07. So to understand
5 the effects of imports on the industry and understand
6 why you have such low profitability in 2005, it's
7 useful we believe to expand the period that you look
8 at on the trade front to include 2004.

9 So you have the ability to do it. We
10 believe it's appropriate to do. And it helps you
11 understand the extent and severity of the increase
12 even in a period of economic expansion.

13 COMMISSIONER PINKERT: Mr. Dorn?

14 MR. DORN: Commissioner Pinkert, as we
15 indicated in our pre-hearing brief we think at the
16 very least the Commission ought to look at the data
17 for 2004 in terms of a condition of competition. In
18 assessing the significance of the imports during 2005,
19 2006 and 2007, one very salient benchmark to look at
20 is what were the level of imports in 2004. What
21 you'll find is that the average level of imports
22 during the POI was twice the level of imports during
23 2004 which just emphasizes the significance of the
24 imports during the POI. We don't think it makes any
25 logical sense to put on blinders and ignore the fact

1 that there was this tremendous increase in imports
2 from 2004 to 2005.

3 COMMISSIONER PINKERT: Thank you.

4 Also for the post-hearing, I would
5 appreciate it if you could provide me some comments
6 and some context on the Chinese capacity utilization
7 figures and on the figures that we have on projected
8 exports from China in the next year or so.

9 MR. STEWART: We'd be pleased to do that.

10 COMMISSIONER PINKERT: Thank you.

11 Thank you, Madame Chairman.

12 CHAIRMAN ARANOFF: Vice Chairman Pearson?

13 VICE CHAIRMAN PEARSON: Thank you, Madame
14 Chairman.

15 For purposes of the post-hearing could you
16 please take a look at the Commission opinion on live
17 swine from Canada in which the Commission did evaluate
18 both units of live swine and weight of live swine in
19 looking at volume? See whether that might provide any
20 guidance for us in this case.

21 MR. DORN: We'll be happy to do that.

22 VICE CHAIRMAN PEARSON: Second, this also of
23 course would be for post-hearing, Mr. Taylor, earlier
24 Commissioner Okun asked about business plans, and I
25 would follow up on that just by noting that you did

1 make a couple of meaningful acquisitions during the
2 POI and there obviously was thinking going into that,
3 and if you could provide us any memos or spreadsheets
4 that would touch on issues like synergies that would
5 be realized by the acquisition, or expansion of
6 product offerings that would position the firm better
7 in the marketplace, or expected rates of return that
8 might be achieved, or hurdles that might have to be
9 overcome. This is helpful to us in understanding what
10 was going on in the market during that time. So if
11 you're able, that would be much appreciated.

12 MR. STEWART: We'll certainly see what is
13 available and provide it.

14 VICE CHAIRMAN PEARSON: My last issue is
15 causation. I assume tomorrow, not knowing definitely,
16 but I assume we'll probably hear an argument that's
17 kind of along the following lines, and I throw it out
18 there now for you to respond to. Either in public or
19 for purposes of the post-hearing.

20 Respondents might say something like subject
21 imports are up somewhat but subject import market
22 share is also up just a little bit but that came
23 entirely at the expense of non-subject market share.
24 Domestic producers' market share also has gone up.
25 The value of sales of the domestic industry is up.

1 Earning are up. And the cogs to sales ratio is not up
2 so that there's no apparent price suppression.

3 So as you look at these things, how do we
4 find material injury to the domestic industry by
5 reason of subject imports? Because the Respondents
6 will argue it's not apparent here in the numbers.

7 Mr. Stewart? I thought you might have views
8 on this.

9 MR. STEWART: Thank you, Vice Chairman
10 Pearson.

11 While we will address it of course in the
12 post-hearing brief, let me say this is an unusual case
13 in that you have the proof of the harm in the interim
14 period which corresponds exactly with the period when
15 there has been relief. The whole issue in the case,
16 of course, is whether dumped and subsidized imports
17 are causing injury to an industry. You rarely have an
18 experiment in which you can hold everything constant
19 except the price component, but that is what has
20 happened here in the first quarter.

21 Those two slides that we had at the
22 beginning of the presentation, they are virtually
23 mirrors of the declines in unit production shipments,
24 et cetera, versus the increase in unit production
25 shipments, capacity utilization, et cetera, as well as

1 the employment numbers.

2 So we think you have a particularly
3 compelling causation argument in terms of what has
4 happened since the preliminary. The only thing that
5 changed, the only thing that changed was that a
6 significant ability to under-price was taken away.
7 When that happened, you see what the domestic industry
8 would have done. It answers the Bratsk question
9 because none of it went to non-subject imports. It
10 all came to the domestic. It came in exactly the
11 products where there has been the greatest damage to
12 the domestic industry, the smaller products in
13 particular. You can see that in things like the
14 average unit weight which goes down exactly because
15 we're picking up the products that we could always
16 produce that we never got the orders for.

17 So we think that while you have a statutory
18 standard which says actual and potential declines, and
19 the Commission historically does not give any meaning
20 to the terms "and potential", and if not in a rapidly
21 growing market when will those language ever have
22 meaning?

23 But at the very least in the interim period
24 the dramatic change-about of the effectiveness of the
25 domestic industry in the marketplace is exhibited and

1 we think that is the clearest sign of the causation
2 which ties exactly the unfair trade practices to the
3 harm that the industry experienced.

4 VICE CHAIRMAN PEARSON: Just to follow up,
5 has there been any change in China's taxation of these
6 exports?

7 MR. STEWART: Yes. The answer is there was
8 a reduction in 2007 on the VAT rebate. It went from
9 13 to five percent, I believe.

10 VICE CHAIRMAN PEARSON: Was that last
11 summer?

12 MR. STEWART: Yes, we have identified the
13 exact date in our pre-hearing brief, I believe.

14 VICE CHAIRMAN PEARSON: I will go back and
15 look at that. Thank you.

16 MR. TAYLOR: You notice one thing. They
17 showed you the graph of stock price. It doesn't have
18 anything to do with your sales, your earnings and your
19 profit. It just says that I talk pretty good or
20 something or someone had some faith. Because if they
21 showed you '07 you'd have seen a loss. And you just
22 keep going back.

23 You don't do this unless you're an extreme
24 optimist. I'm an optimist, all right? You make the
25 playing field level and we'll make all the tires this

1 country ever needs.

2 VICE CHAIRMAN PEARSON: I would agree with
3 you, Mr. Taylor, there are lots of factors in the
4 marketplace that affect the stock price. I would not
5 consider stock value to be terribly probative in terms
6 of the type of analysis that we have to do here.

7 But it's interesting to note it, but I'm not
8 sure how much it helps us with our volume price impact
9 analysis.

10 Mr. Dorn?

11 MR. DORN: Thank you. Let me just add to
12 what Mr. Stewart said about causation.

13 In terms of trends, of course the Commission
14 is going to look at the trends in the context of
15 conditions of competition in the business cycle that
16 are distinctive to this industry. Both sides agree
17 that the trends are up in terms of demand from 2005 to
18 2007, so you have a very strong market situation. And
19 you have increasing raw material prices, so it's no
20 surprise that values of shipments are going up, or
21 that net sales are going up. You would expect that.
22 To say that's an indication of lack of injury or lack
23 of causation would be contrary to the legislative
24 intent to look at the business cycle and demand
25 conditions in looking at the trend.

1 Notwithstanding those strong demand factors,
2 notwithstanding the fact that the U.S. industry was
3 gaining comparative advantage versus imports due to a
4 weakening dollar with increasing ocean freight rates,
5 production went down 14.3 percent from 2005 to 2007
6 with subject tires in units.

7 According to Table E2 which is based on
8 actual data from U.S. importers and U.S. producers,
9 the industry lost 6.5 percentage points of market
10 share from 2005 to 2007. That was solely due to the
11 Chinese gaining market share from 14.7 percent to 21.1
12 percent. So that's clear evidence of causation in
13 terms of lost volume, lost output. That resulted in a
14 5.3 percent reduction in production workers and a 5.4
15 percent decrease in hours worked. That's all garden
16 variety causation evidence that you see every day.
17 And all point towards an affirmative determination.

18 And with respect to profits, yes. Profits
19 went up a little bit from virtually zero profit in
20 2005, 214 percent in 2007. But profit should have
21 gone up during a period of growing demand and
22 increasing comparative advantage, and profits didn't
23 do anything near what they did with respect to the
24 excluded tires which were not facing unfair
25 competition from China. It's night and day in terms

1 of the pricing trends, in relation to the profit
2 trends, and in relation to the spread between prices
3 and raw materials.

4 You've got this great benchmark here in this
5 record. You're fortunate to have this information on
6 the excluded products because it gives you a great
7 benchmark to look at the performance of the domestic
8 like product, that industry that was affected by the
9 increasing imports, unfair prices.

10 We think this is a very strong case in terms
11 of causation.

12 VICE CHAIRMAN PEARSON: Thank you very much.

13 My light is changing, so let me express my
14 appreciation to all of you for your testimony today
15 and also for your flexibility in being with us this
16 afternoon instead of this morning. It was very much
17 appreciated.

18 CHAIRMAN ARANOFF: A few more questions.

19 I want to go back to the threat questions
20 that I had started to ask in the last round about the
21 capability of Chinese producers to produce some of the
22 higher end products where the domestic industry has
23 been doing relatively better.

24 You're welcome to comment on it now, but
25 particularly for post-hearing, if you could give me

1 any information you have on which of the Chinese
2 producers are known to have the ability to produce not
3 just radial tires which I mentioned before, but the
4 larger size tires and particularly larger size mining
5 or construction tires. That would be very helpful.

6 And if I forget to ask the question
7 tomorrow, I would also ask the Chinese producers who
8 are represented to please answer that question as
9 well.

10 Mr. Salonen?

11 MR. SALONEN: Thank you, Chairman Aranoff.
12 While I'm sure you already saw it, just to put it on
13 the record, in Exhibit 7 of our pre-hearing brief you
14 saw the statement from China Manufacturers Alliance
15 which I believe will be here tomorrow, and they
16 specifically said in their statement, "Double Coin is
17 a producer of radial TBR and radial OTR tires, and
18 Double Coin radial produces products that compete on
19 the same level as major tire manufacturers around the
20 world." They also mention they have introduced a
21 356SR33 loader tire which is also one of the larger
22 size radial tires. Just as a starting point.

23 CHAIRMAN ARANOFF: I appreciate that.

24 There have been a lot of references to the
25 fact that this is starting to happen, starting to

1 happen, and I'm trying to get a grip on how much and
2 how fast, so anything that anyone can add to help me
3 with that would be appreciated.

4 Just a couple of follow-up questions.

5 Vice Chairman Pearson was asking about the
6 changes in the Chinese export tax rebate policy. I
7 know that Petitioners have argued that we should
8 discount the significance of post-petition data in
9 terms of our injury and causation, but if there's any
10 way you can help us parse out the extent to which what
11 we see happening post-petition is the result of a
12 petition versus the result of the export tax policy,
13 that's kind of a chicken and an egg thing, but that
14 might be helpful.

15 I see Mr. Stewart nodding.

16 MR. STEWART: We'll be happy to do that.

17 CHAIRMAN ARANOFF: Thanks.

18 Just for the record, maybe I missed it. I
19 didn't see anything in either of the domestic briefs
20 on critical circumstances. Are you still making that
21 argument?

22 MR. STEWART: We haven't seen the final
23 determination. As you know in the preliminary a
24 number of the companies were excluded, so if we're
25 making it it will be in the post-hearing brief.

1 MR. DORN: Chairman Aranoff, excuse me, but
2 could I respond to the earlier question about the
3 reduction in the rebate tax?

4 CHAIRMAN ARANOFF: Thank you.

5 MR. DORN: From talking to Mr. Rasey and Mr.
6 Allen, it's my understanding that while their dealers
7 council, the people they deal with out in the field so
8 to speak, have certainly mentioned the petition and
9 the duties as factors of making them weary about
10 continuing to buy Chinese imports, they have not
11 mentioned the reduction in the rebate as being a
12 factor at all.

13 CHAIRMAN ARANOFF: Okay.

14 I think for now I have run out of questions.
15 Commissioner Lane, do you have any more
16 questions?

17 COMMISSIONER LANE: No.

18 CHAIRMAN ARANOFF: Commissioner Okun?

19 COMMISSIONER OKUN: A couple of quick
20 things.

21 Just to make it clear that the request for
22 business plans was for all producers, not for Mr.
23 Taylor specifically, as in our questionnaires.

24 Again, the point of asking for those is not
25 because we're going go out and buy stock in your

1 company because clearly we're not, but to help us know
2 what your business forecasts or demand forecasts and
3 what you were saying during that time period, because
4 it helps us evaluate the period of investigation.

5 MR. TAYLOR: We'll see what we have. But
6 you're giving us a lot more credit. We run a five to
7 seven SG&A. It's get around the table and let's go.
8 There's not always a department that sits there and
9 plans everything out and looks at all the risk and
10 everything else.

11 COMMISSIONER OKUN: If it's not available
12 it's fair to say that we make the request in our
13 questionnaires, and if it's not there, it's not there.
14 Sometimes companies aren't positioned to have minutes
15 produced from Board meetings in which they make these
16 approvals. If that's the case, we just need to know
17 that. Again, if the information is there, I in
18 particular find it very credible because it's not
19 prepared for this litigation so it helps. If you're
20 here, and you have told us a great deal about what you
21 were thinking about, if there's information that you
22 were discussing with those who are helping finance or
23 the Board of Directors, again, it's a credible source.
24 But if it's not prepared, it's not prepared. I don't
25 hold it against you. I just want to know if it's

1 available, and the same would apply for other
2 companies.

3 Firestone, if you make demand projections
4 when you're talking about your business, prepare those
5 demand projections as part of a business process,
6 having those available to us is again, helpful,
7 credible information in my view. That's the request.

8 MR. TAYLOR: We'll try to find it for you.
9 If it's there. I happen to know how it runs. I have
10 a very very strong independent Board of Directors.
11 It's not the normal Board. They're all, I'm like the
12 lowest ranked guy and they just have a lot of fun just
13 pounding everybody. But it's, they wouldn't take the
14 time to read it anyhow. They just shoot from the hip,
15 too.

16 (Laughter).

17 COMMISSIONER OKUN: That's why I appreciate
18 you being here and telling us that, Mr. Taylor.

19 One other thing, and I may have missed it in
20 the briefs, but I think it was Vice Chairman Pearson
21 was asking about the role of branding.

22 Does anyone know what the percentage of
23 branded tires in the OEM market is? Or if it's
24 proprietary you can put it in the post-hearing brief.

25 MR. STEWART: We'll proceed that way.

1 COMMISSIONER OKUN: That's helpful.

2 With that I don't have any further
3 questions, but I want to thank all of you for being
4 here and answering all of our many questions. It's
5 been a long afternoon. Thank you.

6 CHAIRMAN ARANOFF: Commissioner Williamson?
7 Commissioner Lane?

8 COMMISSIONER LANE: I just wanted to make
9 sure that you didn't overlook Commissioner Okun before
10 you got to me. You're sort of following in the
11 footsteps of the Vice Chairman, that's what he used to
12 always do.

13 CHAIRMAN ARANOFF: The secretary already
14 gave me a list that was out of order, so the whole
15 afternoon has been off.

16 VICE CHAIRMAN PEARSON: Commissioner Lane,
17 if I could, it's in good form to be very polite to the
18 new Chairman.

19 (Laughter).

20 COMMISSIONER LANE: Does she know what
21 advantage we took of her when she was gone? How we
22 took all her time?

23 CHAIRMAN ARANOFF: I heard, actually, but I
24 didn't mind.

25 COMMISSIONER LANE: I have a question. I

1 have read in the press that the mining industry is
2 having a hard time getting the out of scope tires.
3 That there is a shortage of these big gigantic tires
4 they need. I just wondered, is that still true? And
5 what I have read is that there's this huge shortage of
6 these huge tires and the mining industry is having to
7 go to China to get tires.

8 MR. TAYLOR: What you have stated is
9 correct. There is a large shortage of two sizes of
10 tires -- 63 inch tires, which the tire is about 13.5
11 feet tall, weighs approximately 13,000 pounds.

12 The other tire is the 57 inch which is
13 approximately 13 feet tall and weighs a little over
14 8,000 pounds.

15 I had mentioned earlier that we were never
16 going to go into this business until someone said
17 there would be a shortage. And the only two that
18 produce the 63 inch today is Bridgestone and Michelin
19 in reference to a radial tire, and that's what the
20 industry wants.

21 So our largest investment of cash ever is
22 what we did to build a brand new plant, new equipment.
23 It didn't take a long Board meeting. We hired Merrill
24 Lynch and Merrill Lynch did a little survey about my
25 tires. So I told my Board I believe that at this

1 price we should be able to make our investment back;
2 and that we'll do it and start it and be producing it
3 within a year. They basically said you're nuts. I
4 said well, that's been proven.

5 So we did it. I think my competitors behind
6 me would say they had to report to Japan that he is
7 nuts and there's no way that company can do it, and
8 there's a man sitting back there who built that first
9 tire and he'll tell you it was a wild time. But we
10 built the plant, got the equipment, built the first
11 tire in seven months. Came out February 15th, sitting
12 in the Bryan plant. Production is to start today and
13 we will keep building it until we can produce 6,000.
14 If we succeed, there will be no shortages of any of
15 these tires after the first quarter of next year.

16 COMMISSIONER LANE: I appreciate that.

17 Just for purposes of the record, why don't
18 we talk about how much those tires cost.

19 MR. TAYLOR: The Sweet Daddy costs \$50,000.
20 The little Sugar Plum goes for about \$35,000.

21 MR. NARKIN: Commissioner Lane, this is
22 Steve Narkin. May I just interrupt briefly?

23 The second part of your question was whether
24 people are going to China to get those tires that are
25 in short supply. The answer to that is simply no, I

1 believe.

2 MR. RASEY: Mr. Narkin, there are some
3 limited instances today where the Chinese producers
4 are trying to enter into that arena. It is quite
5 limited at this time. But as Mr. Taylor testified,
6 not only has Titan entered into this area and made
7 substantial investment to close the gap on any
8 shortages in the giant haul truck tire arena, but so
9 has Bridgestone, Firestone, my company, as well as has
10 Michelin made significant investments to support the
11 global mining industry.

12 I think that's the area that you
13 highlighted, is the area which was out of scope where
14 there was not sufficient supply.

15 COMMISSIONER LANE: Thank you.

16 MR. DORN: May I add to Mr. Rasey's
17 testimony.

18 COMMISSIONER LANE: Go right ahead.

19 MR. DORN: The other side in their pre-
20 hearing brief points out various investments being
21 made by Bridgestone. They are sort of elusive about
22 it in terms of talking about OTR tires. But all those
23 investments are with respect to these excluded tires,
24 the very large tires.

25 MR. RASEY: I believe just for your benefit,

1 Commissioner Lane, as the Commission looks at some of
2 that data from the opposition, there was a \$12 million
3 investment in our Bloomington, Illinois plant which
4 was for the giant tires out of scope. Then there was
5 a \$315 million investment in Japan for the giant
6 radial tires that are out of scope as well.

7 So those are all the 57 and the 63 inch
8 class products that Mr. Taylor testified to as well.

9 COMMISSIONER LANE: Thank you.

10 Thank you, Madame Chairman.

11 CHAIRMAN ARANOFF: Are there any more
12 questions from Commissioners?

13 (No audible response).

14 CHAIRMAN ARANOFF: Do the staff have any
15 questions from this panel?

16 MR. McCLURE: Jim McClure, Office of
17 Investigations.

18 Madame Chairman, staff having succumbed to
19 my threats has no questions.

20 CHAIRMAN ARANOFF: If I were to promise to
21 take care of Mr. McClure's threats, would the staff
22 have any questions?

23 (Laughter).

24 CHAIRMAN ARANOFF: Okay.

25 Do Respondents have any questions for this

1 panel?

2 MR. TAYLOR: On behalf of us I'd just like
3 to say I appreciate it. I think it's a learning
4 experience. I don't think except for all the learned
5 counsel in here, it's been really an interesting
6 process. I can say that I think for Mr. Hoover's
7 group that are in the back and our employees.

8 MR. DURLING: Commissioner Aranoff, this is
9 Jim Durling for Respondents. We actually did have one
10 question, one very quick question.

11 CHAIRMAN ARANOFF: Please proceed.

12 MR. DURLING: Mr. Taylor, in light of the
13 request from both Commissioner Pearson and
14 Commissioner Okun, for copies of any contemporaneous
15 business plans, will you tell us now whether you will
16 put the Merrill Lynch study on the record? Because
17 that clearly seems to be a contemporaneous business
18 plan that was done for your Board and I'm sure it
19 would have all the parties to have that document no
20 the record.

21 MR. TAYLOR: Well the first thing, I'll talk
22 with counsel because I don't know if it's appropriate
23 or not because that study is outside the scope of the
24 investigation. We'll give it to counsel and let him
25 make the decision.

1 Is that a fair enough answer?

2 CHAIRMAN ARANOFF: Mr. Durling, are you
3 satisfied with that answer?

4 MR. DURLING: We'll see what comes in with
5 the post-hearing.

6 CHAIRMAN ARANOFF: Okay.

7 First I want to thank this afternoon's
8 panel. You've been very very helpful and we
9 appreciate all of the time that you've spent with us.

10 Since some folks here won't be coming back
11 tomorrow, I will give the closing statement that I
12 will also give again tomorrow, just to be on the safe
13 side which is to tell you that post-hearing briefs,
14 statements, responsive to questions, and requests of
15 the Commission and corrections to the transcript must
16 be filed by July 16, 2008.

17 Closing of the record and final release of
18 data to the parties will be August 5, 2008.

19 Final comments are due on August 7, 2008.

20 A few other points. This room is not
21 secure, so please take everything home with you
22 tonight. Don't leave anything here in the hearing
23 room.

24 This hearing will resume tomorrow morning,
25 Wednesday, July 9, 2008, at 9:30 a.m., immediately

1 following a scheduled vote in another case. And until
2 that time, this hearing stands in recess.

3 (Whereupon, at 5:55 p.m., the hearing in the
4 above-entitled matter was recessed, to reconvene at
5 9:30 a.m. on Wednesday, July 9, 2008.)

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P R O C E E D I N G S

(9:35 a.m.)

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CHAIRMAN ARANOFF: Good morning yet again.

On behalf of the International Trade Commission, I welcome you to Day 2 of hearings on Investigation Nos. 701-TA-448 and 731-TA-1117 (Final) involving Certain Off-the-Road Tires from China.

The purpose of these investigations is to determine whether an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded by reason of subsidized imports and less-than-fair-value imports of certain off-the-road tires from China.

The schedule setting forth the presentation of this hearing, notice of investigation, and transcript order forms are available at the secretary's desk. All prepared testimony should be given to the secretary. Please do not place testimony directly on the public information table.

All witnesses must be sworn in by the secretary before presenting testimony.

I understand that the parties are aware of the time allocations. Any questions regarding the time allocations should be directed to the secretary.

1 Finally, if you will be submitting documents
2 that contain information you wish classified as business
3 confidential, your request should comply with
4 Commission Rule 201.6.

5 I want to welcome everyone back to the
6 second day of the hearing, and for those witnesses who
7 were not here yesterday, to thank you again for your
8 flexibility and understanding with respect to the
9 change in the timing of this hearing, and, with that,
10 Madam Secretary, are there any preliminary matters?

11 MS. ABBOTT: Madam Chairman, all witnesses
12 for today's session have been sworn. There are no
13 other preliminary matters.

14 CHAIRMAN ARANOFF: Thank you. Are we ready
15 for our first congressional witness?

16 MS. ABBOTT: Yes. Our first speaker will be
17 the Honorable Sherrod Brown, United States Senator,
18 State of Ohio.

19 CHAIRMAN ARANOFF: Good morning, Senator
20 Brown, and welcome back to the Commission.

21 MR. BROWN: Thank you, Madam Chairman. I
22 feel like I'm a fairly regular visitor, and thank you
23 always for your friendliness and hospitality,
24 especially your professionalism and good work as you
25 make decisions on very complicated trade issues.

1 I thank you for the opportunity to appear
2 today on behalf of the U.S. tire industry and its
3 workers to advocate an affirmative decision by the
4 United States ITC to provide relief from unfairly
5 dumped and subsidized imports of certain off-the-road
6 tires from China.

7 In both the subsidy and dumping cases in
8 question today, I believe that the facts are
9 completing. Both the subsidies by the Chinese
10 government and the dumping into our market of a range
11 of off-the-road tires by Chinese producers have
12 undermined the long-term viability of the United
13 States' industry. I believe the logical conclusion is
14 that material injury has occurred to the United
15 States' OTR tire industry.

16 One co-Petitioner in this case, Titan
17 International, has a major plant in northwest Ohio,
18 the far northwest part of the state, Bryan, Ohio,
19 where Titan produces construction and earth-moving
20 tires from 25 inches in diameter and larger. Most of
21 this product line is facing dumped and subsidized
22 products from China.

23 I'm proud to report that the Bryan plant is
24 a center of innovation for the U.S. tire industry.
25 Last week, Titan announced it will be producing a new

1 product at Bryan, producing the largest tire in the
2 world, a new, super-giant, 63-inch-diameter, steel-
3 belted radial for mining. Each 63-inch tire is 13 and
4 a half feet tall and weighs about 12,500 pounds. The
5 first 12 sets of tires should be shipped to Canada's
6 tar sand mines this month.

7 I have to be clear. This massive tire is
8 not part of the trade case, but I always want to
9 highlight American manufacturing, especially Ohio
10 manufacturing, ingenuity. Clearly, Titan is an
11 innovative company that will continue to be an OTR
12 tire industry leader as long as it can compete fairly
13 in the global marketplace.

14 The other co-Petitioner, the United
15 Steelworkers, is very important in my state. Since I
16 was elected to Congress in 1992, I've worked closely
17 with the Steelworkers to assure a level playing field
18 internationally for American workers and to develop
19 with them a progressive, pro-trade, pro-export policy
20 that is centered on enhancing opportunity and standard
21 of living for America's families.

22 I'm pleased to see so many members of the
23 United Steelworkers in the audience today supporting
24 this case, from Ohio and elsewhere, and salute USW
25 advocacy of our nation's trade remedy laws.

1 I note for the record that the Steelworkers
2 represent hundreds of Ohio OTR workers at both Titan's
3 Bryan plant and the Denman tire plant in Leavittsburg,
4 Ohio. It's great news that Denman is so strongly
5 supporting this case, along with Bridgestone,
6 Firestone, and other U.S. producers. I applaud the
7 companies in Ohio and elsewhere that are supporting
8 this case because they are committed to maintaining
9 and enhancing their manufacturing presence in our
10 country.

11 A principal reason that we're losing high-
12 wage, high-skilled manufacturing jobs, a principal
13 reason, is the illegal trade practices of our trading
14 partners. There should be no doubt that trade is
15 vital our nation's economic future. The debate is not
16 about whether we should trade or not trade; it's about
17 the rules we use to manage trade in a manner that
18 preserves the economic, environmental, and social
19 progress our nation has made and enables striving
20 commerce to the benefit of all trading partners, and
21 that's why the ITC and the decisions you make are so
22 important.

23 Trade remedy laws are meant to protect U.S.
24 business and American workers from the dumping and the
25 subsidies that create artificially low-priced imports.

1 Unfairly subsidized imports skew prices and unjustly
2 compete, as you know, with similar domestic products.

3 Ohio manufacturers have seen this in steel
4 and paper and bearings and everyday manufacturing. It
5 seems, almost literally, every week, my office
6 receives yet another notice of a claim for trade
7 adjustment assistance due to another manufacturing
8 facility going out of business and moving offshore.

9 On my desk, I have a stack of auction
10 notices from Ohio manufacturers and manufacturers
11 around the country going out of business, selling and
12 cannibalizing their equipment.

13 As it relates to this case, American OTR
14 tire producers have faced a double hit, as Chinese
15 exporters benefited from both government subsidies and
16 products dumped at significantly low, below-production
17 costs.

18 Yesterday, the Department of Commerce
19 announced its final affirmative decision that the
20 Chinese government's unfairly subsidizing Chinese OTR
21 tire producers with subsidies of up to 14 percent.
22 The Commerce Department also issued its final
23 determination that Chinese tire producers were also
24 dumping tires with dumping margins up to a massive 210
25 percent.

1 Chinese government subsidies and the dumping
2 practices of Chinese importers have left the U.S.
3 industry in dire straits. A surge of imports from
4 China occurred between 2004 and 2007. They increased
5 more than 80 percent, jumping from approximately 1.8
6 million tires to 3.2 million tires.

7 As subsidized and dumped imports increased,
8 U.S. OTR producers lost market share, which declined
9 from approximately 53 percent in 2004 to 46 percent in
10 2007. As a result, the domestic industry has
11 experienced steady declines in capacity and exports
12 and net sales and, of course, in jobs.

13 The Commerce Department's earlier
14 preliminary determinations made a difference. The
15 2007-2008 preliminary antidumping and countervailing
16 duty orders from the Commerce Department helped level
17 the playing field and immediately improved the
18 situation for U.S. tire producers. Once the Chinese
19 OTR tire prices were effectively increased to offset
20 the countervailable subsidies and dumping, the subject
21 imports declined significantly.

22 Tire imports almost immediately decreased by
23 18 percent and then declined 44 percent in the three
24 months following Commerce's affirmation of the
25 preliminary countervailing duty determination. In the

1 same three months, U.S. producers' production and work
2 related to the off-the-road tire industry began to
3 increase again. This has already started to create
4 new steelworker and other high-wage jobs in heartland
5 America.

6 We now have direct evidence that the
7 previous increases in imports of Chinese OTR tires
8 were due primarily to the artificially low dumped and
9 subsidized prices at which they were offered. This is
10 exactly how the fair administration of our trade laws
11 is supposed to work, and, again, the importance of
12 your role.

13 The orders you are considering today are
14 already restoring balance in the U.S. OTR tire market.
15 When Chinese tire producers ship tires to the U.S.,
16 they price them below what they charge in their home
17 market, and the Chinese government, in addition,
18 provides large subsidies to its domestic industry, the
19 U.S. Government should impose orders on those OTR
20 imports to redress that imbalance.

21 U.S. producers of OTR tires welcome free and
22 fair competition, as U.S. producers generally do.
23 American industry and its workers, when provided a
24 level playing field, can compete, and do compete,
25 effectively with anyone.

1 U.S. trade remedy laws are indispensable
2 tools which guarantee that level playing field and a
3 fair opportunity for American workers to compete
4 against unfair foreign trade practices. Proper
5 implementation of trade remedies is an essential step
6 to keeping the production facilities and high-wage
7 manufacturing jobs so essential to economies in states
8 like Ohio securely on American soil.

9 I thank you for your careful consideration
10 of these important off-the-road tire cases. I'm
11 confident that your careful analysis will determine
12 that material injury has, in fact, occurred to this
13 important segment of the U.S. tire industry.

14 Your invaluable work at the United States
15 International Trade Commission enforcing trade laws
16 ensures all workers in Ohio and the other 49 states
17 that we have the opportunity to compete on a level
18 playing field. If a level playing field is restored
19 in this industry, U.S. production of OTR tires can
20 continue many years into the future.

21 Absent relief, there is no question, in my
22 mind, that the domestic industry will be threatened
23 with increased harm by the import of dumped and
24 subsidized OTR tires from China.

25 I urge you to affirm these orders. Thank

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1 you, Madam Chairman.

2 CHAIRMAN ARANOFF: Does anyone have a
3 question for the senator?

4 (No response.)

5 CHAIRMAN ARANOFF: Thank you very much,
6 Senator Brown.

7 MR. BROWN: Thank you.

8 MS. ABBOTT: Our next speaker is the
9 Honorable Lincoln Davis, United States Congressman,
10 4th District, State of Tennessee.

11 CHAIRMAN ARANOFF: Good morning, Congressman
12 Davis, and welcome to the Commission.

13 MR. DAVIS: Good morning and thanks for the
14 invitation and allowing me to be here this morning.
15 Chairman Aranoff, Vice Chairman Pearson, and Members
16 of the Commission, I'm very pleased to be here today
17 and provide my input on the cases before you, off-the-
18 road tires from China.

19 I want you to know of my deep commitment to
20 preserving our nation's manufacturing jobs,
21 particularly those in my home State of Tennessee. I
22 have long been concerned about the impact of unfair
23 foreign trade practices on U.S. manufacturers. The
24 United States is one of the most open economies in the
25 world, and we welcome goods into this country from all

1 other countries, and Americans have benefited in many
2 ways from free trade.

3 However, I believe that we need to ensure
4 that the rules of the road are enforced and that U.S.
5 companies and workers are not injured as a result of
6 unfair trade practices that are condemned by the WTO.
7 These issues particularly concern me with respect to
8 companies in my own backyard. Bridgestone-Firestone
9 North America Tire is a very large employer in my
10 congressional district. Their facility in Morrison,
11 Tennessee, produces 8,100 radial truck and bus tires
12 every day.

13 Although these are different from the tires
14 you are currently investigating, I am concerned about
15 the overall impact on Bridgestone-Firestone's
16 operation if the immediate problem of OTR tires from
17 China is not addressed.

18 However, I understand that many of the same
19 unfair trade practices -- dumping and subsidies --
20 that we have seen the Chinese producers engage in with
21 respect to OTR are also an impact and an issue with
22 respect to other types of tires as well.

23 It is critical that the United States takes
24 all measures at its disposal in dealing with these
25 practices that cause injury to U.S. companies.

1 In its own investigations, the Department of
2 Commerce found sizable levels of both dumping and
3 subsidization, with preliminary dumping margins
4 ranging from 16 to 221 percent and preliminary
5 countervailing duty margins ranging between three and
6 20 percent.

7 I really worry about the impact of Chinese
8 subsidies on U.S. companies. The subsidies at issue
9 in this case involve preferential loans from Chinese
10 government-owned banks; subsidized, government-
11 provided, rubber inputs; and free land. They also
12 include a waiver of import duties and value-added
13 taxes on imported manufacturing equipment and income
14 tax breaks.

15 With subsidized financing material inputs,
16 land and capital equipment, Chinese tire producers
17 have an enormous and unfair advantage over their
18 competitors in the U.S.

19 I urge you to consider this as you make your
20 assessments regarding injury.

21 As I have noted, Bridgestone-Firestone is a
22 critical component to the health of our economy in
23 Tennessee. The company has invested more than \$660
24 million in the Morristown plant. Since it began
25 operations in 1990, it has won numerous health and

1 safety awards and has been accepted into the U.S.
2 EPA's prestigious National Environmental Performance
3 Track program.

4 The facility employs 1,027 workers at an
5 average payroll of more than \$80 million. These are
6 good-paying jobs, often union, with wages and benefits
7 averaging about \$40 an hour. Given our precarious job
8 market and recent economic downturn, these jobs are
9 now more vital than ever before.

10 The information you have gathered in this
11 investigation shows a clear pattern of Chinese
12 companies increasing their imports and, by charging
13 very low prices, gaining market share. Between 2004
14 and 2007, the data show that the volume of Chinese OTR
15 tires increased by 81 percent. U.S. producers' market
16 share dropped during this same period. The market
17 share of Chinese producers increasing from 19 to 39
18 percent. Imports from China in 2007 amounted to an
19 astounding 81 percent of all U.S. production.

20 The losses in market share and low prices
21 have hurt the U.S. producers in a number of ways. The
22 period you investigated should have been banner years
23 for this industry, given the high levels of demand for
24 agriculture, mining, and construction equipment over
25 this period, and yet the benefits of higher demand

1 levels have never materialized for American OTR tire
2 producers. Instead, profitability fell to an
3 extremely low level. U.S. producers had to cut
4 production, and shipments fell. There was a series of
5 layoffs, and many facilities have been forced to
6 reduce the number of shifts.

7 All of this has had a devastating impact on
8 the companies and workers in this industry, and at a
9 time when the U.S. economy needs a boost, not more
10 hits.

11 I represent the congressional district
12 formerly held by Cordell Hull, a man with a great
13 legacy of breaking down barriers in trade and working
14 well with China and other nations of the world. With
15 vision and perseverance, he pursued the idea of an
16 economic order as a basis for peace and prosperity in
17 the world. The recent actions by China have not been
18 peaceful; rather, they have been a malicious attack on
19 the U.S. tire industry and to the detriment of the
20 American economy and worker.

21 Cordell Hull worked on reciprocal trade
22 agreements, not free trade agreements, reciprocating -
23 - work collectively for the benefit of both, not just
24 one.

25 I ask that you carefully consider the ample

1 vision of injury before you, and I appreciate the
2 opportunity to share my views here today. Thank you.

3 CHAIRMAN ARANOFF: Thank you. Are there any
4 questions for the congressman?

5 (No response.)

6 CHAIRMAN ARANOFF: Thank you very much for
7 coming today.

8 MR. DAVIS: Thanks.

9 MS. ABBOTT: Will this morning's panel in
10 opposition to the imposition of antidumping and
11 countervailing duties please come forward?

12 CHAIRMAN ARANOFF: Welcome to this morning's
13 panel. I appreciate all of you being here this
14 morning. Is there one person among you who is going
15 to be organizing? Is that Mr. Porter?

16 MR. PORTER: That is. Thank you, Madam
17 Chairman.

18 CHAIRMAN ARANOFF: Please proceed.

19 MR. PORTER: Thank you. Madam Chairman,
20 Members of the Commission, for the record, I am Dan
21 Porter with the law firm of Heller Ehrman.

22 Originally, I was nominated to kick off
23 today's Respondents' presentation by providing a brief
24 summary of what you will hear today and explaining why
25 Petitioners' legal arguments are inconsistent with

1 established Commission precedent.

2 However, when our side caucused last night,
3 it quickly became apparent that our industry witnesses
4 were so angry and upset about the false and inaccurate
5 statements presented yesterday that they did not want
6 to waste time with the lawyer summation. Rather, each
7 and every one of our 18 industry witnesses is chomping
8 at the bit to explain to you what actually happens in
9 the OTR market and to show you that they have
10 contemporaneous documentation to support their
11 testimony.

12 So that is what we're going to do. We're
13 going to jump right to the industry witnesses. I ask
14 Domenic Mazzola to start.

15 MR. MAZZOLA: Good morning. My name is
16 Domenic Mazzola, and I am the executive vice president
17 of engineering for GPX International Tire. I've
18 worked in the OTR tire industry for 11 years.

19 With all due respect to the Petitioners,
20 their like-product argument is complete fiction. At
21 the outset, I want to emphasize that Petitioners'
22 arguments yesterday raised a misleading comparison.

23 It is true that a large mining and
24 construction tire is different, in many respects, from
25 a large agricultural tire. However, these differences

1 also exist between small mining and construction tires
2 and small agricultural tires, both of which are
3 included in this case.

4 Even more importantly, these differences do
5 not exist between small and large mining and
6 construction tires. You noticed yesterday that
7 despite repeatedly being asked to explain the alleged
8 difference, Petitioners failed to do so in any
9 meaningful manner. In the real world, no one
10 considers mining and construction tires, 39 inches and
11 above, to be a separate and distinct industry apart
12 from all other OTR tires.

13 This point can perhaps best be illustrated
14 by looking at how Titan itself classifies its tires.
15 As you know, all tire manufacturers organize their
16 models by product series. A series is essentially a
17 range of sizes of a particular tire design with one or
18 two specific tread options designed for a specific
19 application. In most cases, an OTR tire series will
20 span multiple rim diameters.

21 As is shown in the first slide, all of
22 Titan's 39-inch tires are in a series that cross the
23 39-inch threshold.

24 The second slide is a particular series of a
25 mining tire that crossed the 39-inch line, right out

1 of Titan's catalog.

2 These slides demonstrate Titan itself does
3 not believe that mining and construction tires, 39
4 inches and above, are a separate category of product.
5 A review of the product series data from other U.S.
6 manufacturers also shows a complete lack of a 39-inch
7 demarcation.

8 Exhibit 1 of the GPX brief provides this
9 data for Bridgestone and Michelin tire series.

10 The Petitioners have based their like-
11 product argument on rim diameter, when, in fact, even
12 Titan's own catalog is sorted by section width, as is
13 the Tire Rim Association Yearbook. Tires with the
14 same section width have the same construction, as is
15 evidence by the cross-section.

16 This next slide shows the cross-section view
17 of an 18-inch-wide, 32-ply, mining tire. This cross-
18 section is the same, no matter whether the tire is
19 1,825, 1,833, or 1,849, because the fundamental design
20 parameters of the tire depend on the section width,
21 not the rim diameter.

22 Of course, a product series is typically
23 designed to match the customer's equipment on which
24 the OTR tires will be mounted. If an OTR product
25 series spans rim diameters below and above 39 inches,

1 it is typically because the customer has the same
2 piece of equipment in different sizes.

3 This can be most dramatically seen in the
4 next slide that contains the now-quite-familiar, three
5 CAT loaders. While Mr. Taylor found the photo to be
6 charming, I, rather, find it as a compelling example
7 of machines that perform the exact same application on
8 tires that cross the 39-inch line.

9 Yesterday, the other side gave the
10 impression that the manufacturing processing equipment
11 for nonscope OTR tires are categorically different
12 from scope tires smaller than 39 inches. This is not
13 true. Tire manufacturing is a multistep process, and
14 only certain steps are size specific.

15 On the next slide, we have broken the
16 manufacturing process into 10 major steps. Out of
17 these 10 major steps, only two steps are size
18 dependent, the tire building and curing, which
19 represent only about 20 percent of total assets value
20 of the plant.

21 In regard to the tire-building process, the
22 basic steps in the building process are the same for
23 scope and nonscope tires. The only difference is the
24 size of the equipment. There is a progression in the
25 size of the building equipment that follows the tire

1 size.

2 In regard to the curing, the Petitioners
3 have given the impression that you must cure 39-inch-
4 and-larger, nonscope OTR tires and pot heaters. This
5 is not true. I note that there are curing presses
6 that can cure both scope and nonscope OTR tires.
7 Specifically, the GRM Company manufactures a 122-inch
8 press that is capable of curing a number of 39-inch-
9 to-49-inch, nonscope tires, as well as most scope
10 tires, 25 to 35 inches.

11 As indicated yesterday by Mr. Taylor, a pot
12 heater is a multi-use curing device. It may be used
13 to cure tires on either side of the 39-inch line. In
14 our Starbright factory, we cure scope tires in these
15 pot heaters, which are also capable of curing up to
16 51-inch, nonscope tires.

17 For both pot heaters and curing presses, the
18 rim diameter is not the determining factor; rather, it
19 is the overall diameter of the tire and the section
20 width that determines which equipment is used.

21 Petitioners have stated in their briefs that
22 nonscope OTR tires require dedicated production
23 facilities. This is clearly not the case. Indeed, I
24 note that the Bryan, Ohio, OTR factory purchased by
25 Titan makes OTR tires ranging from 24 inch all the way

1 to 57 inch and has the capability to make 63-inch
2 tires.

3 Mr. Joel De Glopper was a manager at the OTR
4 tire plant in Bryan, Ohio, now owned by Titan. Joel
5 has told me that much of the same equipment at the
6 plant was used to produce both heavy agricultural
7 tires, such as forestry tires, as well as nonfarm
8 tires, on either side of the Petitioners' 39-inch
9 dividing line. I note that Joel is here today and
10 would be happy to elaborate during the question-and-
11 answer session.

12 So, once again, Titan's actions tell a very
13 different story from the story that Titan is telling
14 here. Let's talk about price.

15 Yesterday, Mr. Stewart mentioned that 39-
16 inch tires were two times as expensive as the closest
17 in-scope tire. This is simply not true. In
18 Bridgestone's May 2008 price list, their price for a
19 37-and-a-quarter, R-35, DRLE-3 is \$14,600. In the
20 same exact series, they offer a 2,700 R-49 tire, 10
21 inches above the alleged 39-inch cutoff. The price of
22 this tire is \$14,000.

23 On the other hand, looking at the same
24 Bridgestone catalog, we take a single size, 235R-25,
25 and look at four different tread patterns: L-2, L-3,

1 L-4, and L-5. The price climbs from \$2,500 to \$5,800.
2 Here is Mr. Stewart's two-times price difference.

3 I conclude by asking you to base your
4 decision on what actually happens in the real-world
5 OTR market, not the fiction that you heard yesterday.
6 Thank you.

7 MR. KOCH: Good morning, Madam Chair,
8 Members of the Commission, and staff. My name is Jack
9 Koch. I am a global, strategic purchasing manager for
10 Caterpillar, Inc., and I'm responsible for purchasing
11 tires, rims, and other components.

12 I started my career 22 years ago with a
13 specialty truck manufacturer and have been with
14 Caterpillar for the last nine years.

15 Caterpillar is one of the world's largest
16 manufacturers of construction and mining, forestry,
17 and small agricultural machinery and equipment and is
18 a major purchaser in the United States of OTR tires
19 that are covered by this investigation.

20 We have approximately 50,000 hard-working
21 employees in the United States alone, and those
22 workers depend on a reliable supply of tires to move
23 the equipment that they produce. Unfortunately, over
24 the past three years, the supply of tires has been
25 inadequate and unreliable.

1 Today, I will address two topics. The first
2 is Petitioners' proposal that the like products
3 covered by this investigation should exclude some OTR
4 tires with rim diameters that are equal to or greater
5 than 39 inches.

6 The second topic concerns the serious
7 shortages in OTR tires that Caterpillar has confronted
8 over the past four years.

9 Regarding the first issue, Caterpillar
10 considers the 39-inch-rim-size boundary for in-scope
11 mining and construction OTR tires to be commercially
12 irrelevant. Tire size is a machine-driven requirement
13 based upon the anticipated load weight and speed at
14 which the machine will be operated. As a result, tire
15 size is an option defined not by Caterpillar's
16 preferences but, rather, by its customers' functional
17 requirements.

18 Caterpillar OTR equipment and its tires
19 cross the 39-inch boundary in both type and
20 application. For instance, Caterpillar's quarry and
21 construction trucks run on tires with diameters that
22 straddle the 39-inch boundary, specifically, from 33
23 to 49 inches. The same is true for Caterpillar's
24 wheel loaders. Caterpillar's medium wheel loaders use
25 25-inch tires, while its large wheel loaders use tires

1 ranging from 33 inches to 57 inches.

2 In addition, the same job site may
3 simultaneously require mining or construction
4 equipment that runs on various tire sizes on either
5 side of Petitioners' proposed 39-inch boundary.

6 For instance, Caterpillar's 992 large wheel
7 loader has 45-inch tires, is designed for use with
8 Caterpillar machines, including the 775 and 777 quarry
9 and construction trucks. These truck tires straddle
10 the 39-inch boundary. The 775 truck operates on 35-
11 inch tires, while the 777 truck runs on 49-inch tires.

12 Further examples and pictures are provided
13 in our prehearing brief.

14 These examples show that Petitioners'
15 proposed 39-inch boundary is meaningless to
16 Caterpillar's business. There is no reason why the
17 U.S. industry that produces mining and construction
18 OTR tires that are less than 39 inches in diameter and
19 farm tires of all sizes should be considered distinct
20 from the industry that produces large mining and
21 construction tires, nor is there any reason why large
22 mining and construction tires should be excluded from
23 the Commission's consideration.

24 From Caterpillar's perspective, there is a
25 single industry producing a single product over a

1 range of sizes used for several different but related
2 end uses.

3 You heard a lot of commentary yesterday
4 about the ways in which tires with 39-inch diameters
5 are supposedly different from smaller tires.
6 Caterpillar does not share that view because it's
7 based on several important factual errors.

8 First, for Caterpillar, at least, it is
9 incorrect to state that 39-inch tires are not shipped
10 together with the equipment on which those tires are
11 installed. In fact, most of Caterpillar's machines
12 are sold with OTR tires ranging in rim size from 15
13 inches to 57 inches.

14 Second, there is no significant leap in
15 weight at the 39-inch boundary, and Caterpillar
16 purchased some smaller tires that weigh more than the
17 39-inch tires.

18 Third, the insignificance of the 39-inch
19 boundary is reflected in the product materials of the
20 tire manufacturers themselves. At least two of them
21 have organized product groups that straddle the 39-
22 inch boundary.

23 Turning to the second topic, Caterpillar has
24 faced severe difficulties over the past four years in
25 obtaining an adequate supply of tires, and the

1 situation, despite what you heard yesterday, is not
2 predicted to improve in the foreseeable future.

3 Bridgestone's own chief engineer for OTR
4 tires recently stated that the shortage in OTR tires
5 will persist through 2012, at least, and Caterpillar
6 expects demand for its U.S.-based product produced
7 machines that use OTR tires to remain strong over the
8 next two years, both for its domestic and export
9 sales.

10 The OTR tire shortages began in 2004 and
11 continue even today as a result of the sharp increase
12 in global demand for original equipment. The domestic
13 industry has failed to keep pace with demand for
14 tires. It has placed Caterpillar and other OEMs on
15 strict allocation and, even then, it has failed to
16 ship tires in a timely manner. As a result,
17 Caterpillar has struggled to provide customers with
18 their preferred tires and has been forced to scramble
19 to fill supply gaps to meet its own production
20 requirements.

21 It is important to note that Caterpillar
22 offers tires as a customer-selected attachment or
23 option on its equipment. As such, Caterpillar's
24 customers choose their preferred tires when they order
25 equipment from Caterpillar's dealers. Caterpillar's

1 customers frequently rely upon brand reputation and
2 their experience with a brand when selecting tires.

3 OTR tires manufactured by Michelin,
4 Goodyear, and Bridgestone-Firestone are proven in
5 quality, performance, and reliability. As a result,
6 these companies' tires are the most frequently
7 requested by our customers. Unfortunately, due to
8 persistent and severe shortages across the entire OTR
9 size spectrum, Caterpillar has had great difficulty
10 supplying its customers with their requested tires.

11 Petitioners attempt to paint a picture of
12 plentiful and inexpensive OTR tires at sizes that are
13 smaller than 39 inches in diameter. This is simply
14 not consistent with Caterpillar's experience. The
15 domestic industry has been unable to meet
16 Caterpillar's demand for tires in this range. Because
17 of these shortages, Caterpillar has been forced to
18 accept considerable price increases, use substitute
19 tires, and seek alternative suppliers in order to meet
20 its production requirements.

21 It may be helpful to consider an example of
22 the impact that the tire shortages have had in the
23 market. Caterpillar has a defense products group that
24 fulfills U.S. military supply contracts. The
25 equipment that Caterpillar manufactures for the

1 military typically must incorporate domestically
2 manufactured OTR tires.

3 In mid-2007, Caterpillar requested two sizes
4 of OTR tires from a domestic manufacturer to satisfy a
5 2008 military contract. For the first tire size, the
6 manufacturer allocated zero percent of the necessary
7 tires. For the second tire size, the manufacturer
8 allocated only 13 percent of the requested tires.

9 Caterpillar then turned to the only other
10 major domestic manufacturer of these necessary tires.
11 That manufacturer agreed to provide the tires but at a
12 significantly higher price than Caterpillar had paid
13 that same manufacturer for prior purchases of
14 identical tires.

15 In light of Caterpillar's data and
16 experience in recent years, we have strong doubts
17 regarding Petitioners' ability to supply Caterpillar
18 with the OTR tires necessary to meet our customers'
19 requirements.

20 For Caterpillar, access to alternative
21 sources of supply has been critical to meet U.S.
22 production requirements and satisfy our customers'
23 needs.

24 Thank you for your time and attention, and
25 I'll be happy to answer any questions that you may

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1 have.

2 MR. EDWARDS: Good morning. My name is Ned
3 Edwards, and I'm with Star Tire Company. We've been
4 in business in Dallas for 38 years distributing OTR
5 tires and other products. You have just heard from
6 Caterpillar on how OTR tires are a very specialized
7 product. I could not agree more.

8 Our customers, both Star Tire and
9 Caterpillar, would rather purchase a more expensive
10 tire that they know will perform well rather than a
11 lower-cost, unproven product. It is not just about
12 the price; it is more about the value. How long will
13 the tire run, and how confident can you be that the
14 tire will not fail?

15 Customers large and small care about the
16 lowest cost per hour of operation, not just about the
17 lowest cost for the tire.

18 One of my customers recycles concrete.
19 Their loaders of choice are Caterpillar 988's, which
20 come with major-brand, rock-service tires. The severe
21 service of the concrete reclaiming wore the tires
22 rapidly, and tires failed prematurely from cuts and
23 injuries from broken concrete and rebar. All of the
24 major brands brought their very best tires, but most
25 of the tires failed before the tires wore out.

1 I asked David Ganz to come see the problem
2 firsthand. He and the engineering team saw a market
3 that needed an answer.

4 About a year later, they had developed a
5 tire that, today, still excels in reduced downtime and
6 lowest cost per hour. As an independent dealer, our
7 success has been built around helping our customers
8 make wise decisions about their tire purchases. We
9 like to think this philosophy has enhanced our repeat
10 sales.

11 With the economic climate being as it is,
12 and with the acceleration of raw material costs,
13 selling inexpensive products that won't perform will
14 lose your credibility and your customers. This is why
15 customers tend to be brand oriented. The brand tells
16 them they are getting a quality tire that they can
17 rely upon, and they will pay a premium for that
18 quality.

19 A top-tier brand, like Michelin or
20 Bridgestone, can command up to a 15-percent premium
21 over less-known brands and a premium as high as 30
22 percent over unknown brands from unknown overseas
23 suppliers. In fact, these very different prices for
24 different brands just show how specialized and
25 differentiated these products are.

1 One of my biggest concerns over the past
2 several years has been the shortage of OTR tires. We
3 started seeing shortages on bias and radial tires in
4 late 2004. By 2006, all of the major suppliers --
5 Titan, General, Goodyear, Firestone, and others -- had
6 many of their products on allocation. Even with our
7 established suppliers, we often found ourselves in a
8 back-order situation. It has been hard to find the
9 range and quantities of tires that our customers
10 needed.

11 These shortages have a real impact on our
12 customers. A piece of construction equipment does not
13 work without tires, and it does not do our customers
14 any good to have to wait for six weeks or six months
15 to get the specific tire that our customers need.
16 Being on back order for six months, or even a year,
17 which has happened, even from our regular suppliers,
18 is the same as being told nothing is available. When
19 a piece of equipment is down, the customer cannot wait
20 even six days.

21 Trying to obtain tires during this period
22 has been incredibly frustrating. Our business with
23 imported OTR tires has increased because it has been
24 impossible to expand our purchases with domestic
25 suppliers. I understand that shortages put the

1 suppliers in the driver's seat, deciding who to supply
2 and how much to supply. That's fine, but that does
3 not leave my company and other aftermarket
4 distributors much choice but to find alternatives
5 wherever we could.

6 I don't think my experience has been that
7 unusual. We have other distributors here today,
8 especially those at home, that would have spoken out
9 against Titan, but the fear of Titan's retaliating was
10 too great, and losing another supplier today would be
11 costly. Thank you.

12 MR. GANZ: Good morning. My name is Bryan
13 Ganz. I'm the chairman of GPX International Tire.

14 GPX is one of leading small manufacturers of
15 OTR tires for the agricultural, industrial,
16 construction, and mining markets. Our customers
17 include major OEMs, such as Caterpillar, John Deere,
18 and Case New Holland, as well as numerous aftermarket
19 dealers. Based in Boston, we have 300 U.S. employees
20 in 15 states and operations in 13 countries, including
21 tire-manufacturing operations here in the United
22 States, in Europe, and in China.

23 The company was started by my grand-dad in
24 1922, so our family has 86 years of experience in the
25 OTR tire business, yet, for all of my experience in

1 the industry, I cannot understand how the Petitioners
2 can be claiming material injury.

3 Yesterday, Morry Taylor mentioned several
4 times that his company had lost \$7 million in 2007.
5 To the Street, he sings quite a different tune. In
6 his December 18th press release, Morry Taylor stated
7 that "When all is said, and the year ends on 12/31/07,
8 Titan should have a record sales year, sales should be
9 north of \$800 million, and I believe, with all of the
10 Taylor add-backs, that my goal of EBIDA over \$100
11 million should be achievable. It was a great year,
12 and we set the foundation to march on to \$1 billion in
13 sales next year. Now, for all of the negative
14 thinkers out there, what could go wrong? One, we
15 don't produce the 63-inch tire, and I have a better
16 chance of being elected president; two, the sun
17 doesn't come up; or, three, I don't see any reason we
18 cannot have a record year in 2008."

19 He then went on to project profits of 120 to
20 \$150 million for 2008, capital expenditures of 55 to
21 \$65 million, all funded from internally generated cash
22 flow, and this press release was made before any of
23 the duties were announced.

24 How have they been able to achieve these
25 record sales and profits? During the POI, Titan and

1 Bridgestone imposed repeated and substantial price
2 increases and put their customers on allocation, as
3 you can see from that letter up there.

4 As a result of their unwillingness or
5 inability to meet market demand over the last several
6 years, the OTR and ag. tire markets have been plagued
7 with widespread and persistent shortages, and when
8 customers tried to find these tires offshore, simply
9 to keep machines running, Titan and Bridgestone have
10 sought to snuff out that source of supply by running
11 to the government and crying "injury."

12 The domestic industry has achieved
13 tremendous success during the POI despite imports from
14 China and other countries, as these imports have
15 simply filled the gaps in the market that the domestic
16 producers either cannot or will not fill.

17 Why are the domestic producers not filling
18 any of these gaps? Two reasons: One, despite their
19 claims of excess capacity, the domestic industry is
20 clearly capacity constrained, and this is true for
21 both agricultural and construction and mining tires.
22 One need only look at Titan's press releases this year
23 announcing significant investments in new building and
24 curing capacity for scope products.

25 In February, Titan announced the addition of

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1 28 new presses for agricultural tires. Just last
2 month, in June, they announced the addition of 10
3 more, 130-inch, agricultural tire presses. This
4 investment in curing alone runs into the tens of
5 millions of dollars. If there were truly excess
6 capacity, why would they be buying 38 more curing
7 presses to produce product that is clearly within the
8 scope of this case?

9 The second reason is the domestic industry,
10 despite their claims to the contrary, has made a
11 conscious decision to focus on larger tires with
12 longer runs and higher margins. Older tires for
13 smaller equipment are declining in popularity in the
14 U.S., as both the size of the farm equipment and
15 construction equipment continues to get larger as the
16 performance requirements of the tires go up with
17 heavier payloads, greater horsepower.

18 Just as the price of black-and-white TVs and
19 the volume of TV sets sold went down when color TVs
20 were introduced, older, bias-ply tires are
21 experiencing declining sales in the U.S. as customers
22 switch to better-performing radial tires.

23 The situation in China, however, is very
24 different. China is slowly becoming mechanized, in an
25 agricultural sense, and as they begin to mechanize,

1 they are starting off with the equipment that we used
2 in the U.S. 30 years ago. They are starting off with
3 low-horsepower tractors, and, as a result, they have a
4 much greater demand for the smaller sizes of bias
5 tires for rear tractor implement.

6 You can see evidence of both the industry's
7 inability to keep up with demand for the larger, more
8 popular tires and their decision not to produce the
9 smaller tires by looking at the Bridgestone-Firestone
10 back order report that was sent to their customers.
11 This report is dated April 18th. We have included
12 this as Appendix 15.

13 I want to draw your attention to a few
14 details. This report shows, and it's difficult to
15 read, but what I want to show you up there is,
16 everything in red is on back order. That means that
17 everything in stock, plus everything that is planned
18 for production, does not meet the orders currently on
19 the books.

20 What we show here is the document reports a
21 total demand of more than 100,000 tires, yet
22 Bridgestone, which controls 40 percent of the
23 agricultural market, is unable to fulfill even 40
24 percent of the orders already on the books, and the
25 shortages run the gamut, from large radials to small

1 biased tires.

2 Second, Bridgestone is only producing the
3 tires for specific products where the demand is in the
4 thousands. For the 26 items that they are producing,
5 the average quantity of demand exceeds 2,500 units.
6 For the 91 items that they are not producing, the
7 average quantity demanded is fewer than 400 units.

8 Since this represents only a few days'
9 production, at most, and it can take up to a half a
10 day to change out the building machine and curing
11 equipment, not producing these tires is a rational
12 decision. But it still leaves 91 sizes unavailable to
13 the market. These are the same small-biased sizes
14 that the Chinese are using every day. So, for the
15 Chinese, it's not making 400 tires; it's making 40,000
16 tires for their home market and shipping 400 tires to
17 the U.S. to fill the gaps the U.S. market does not
18 want to fill.

19 Third, Bridgestone is focusing its energies
20 on the larger radial tires. I don't know if you can
21 see on the right side. These are all of the small-
22 implement tires. What is says on the right side is,
23 "No production until further notice." There are
24 orders on the books. Bridgestone is simply telling
25 its customers they will not produce these tires.

1 Second, OTR tires are very, very
2 specialized, highly engineered products designed for
3 specific applications. It's precisely this level of
4 specialization that's resulted in so many skews.

5 This is a skid-steer tire. Titan makes six
6 different versions. GPX makes 11 different versions,
7 as you can see. The tire on the lower left is a \$68
8 tire. The tire on the lower right is a \$500 tire.
9 They are the same exact size. They go on the same
10 exact piece of equipment, the only difference being
11 the application.

12 Clearly, the \$68 tire does not compete with
13 the \$500 tire; otherwise, we wouldn't sell any \$500
14 tires. What I'm trying to show here is that tires are
15 not a commodity like frozen, concentrated orange juice
16 or wheat but are, rather, highly engineered technical
17 goods designed to meet a myriad of applications and
18 uses.

19 More importantly, our customers understand
20 that. This is a B-to-B business, not a consumer
21 business. People do not buy a particular brand
22 because they like the way it looks on them; they buy
23 it because they know that it works. These are
24 sophisticated customers, including OEs, end users,
25 such as mines, contractors, port operators, farmers,

1 and tires, for them, can be a very important part of
2 their operating budget, second usually only to fuel.

3 In many cases, they will spend more on tires
4 over the life of the vehicle than they will spend on
5 the initial purchase price of the vehicle. So they
6 understand the cost, whether it's cost per hour or
7 cost per ton or cost per mile.

8 As a result, the initial purchase price is
9 never the primary factor in their purchasing decision.
10 Rather, these purchasing managers, whose job it is to
11 know how each brand of tire will perform, they select
12 the tire that's most appropriate for the application,
13 that will provide the lowest total life cycle cost,
14 and will optimize the performance of the equipment
15 that it's on.

16 So a \$500 tire that will last a thousand
17 hours is not nearly as attractive as an \$800 tire that
18 will last 2,000 hours. In addition, customers care
19 about reliability. Downtime for these types of
20 products is critical. If a loader fails at a job
21 site, you could have six trucks and a dozen Teamsters
22 sitting around not doing anything. You could never
23 sell the tire for a low enough price to offset the
24 loss that you incur from the downtime.

25 As a result, low prices may get the first

1 sale, but the OTR business is a very, very demanding
2 and unforgiving business, and if a tire does not
3 perform, no price would be low enough to entice an
4 operator to use the tire a second time.

5 I realize the Petitioners have a right to
6 file this case, but that doesn't mean that they are
7 entitled to relief. They are changing record prices,
8 they are earning record profits, they cannot, or will
9 not, manufacture a myriad of products that our
10 customers are demanding, and an affirmative
11 determination in this case will only serve to
12 exacerbate the shortages that are already in the
13 market.

14 It will punish those customers who are
15 trying to obtain specific products, and it will punish
16 companies like GPX, whose only crime has been trying
17 to serve niche markets that are being ignored by the
18 major rubber companies. Thank you very much for your
19 consideration.

20 MR. CHRISTENBERRY: Good morning. My name
21 is Dexter Christenberry. I'm the CEO of Super Grip
22 Corporation in Piney Flats, Tennessee. Super Grip is
23 a manufacturer and an importer of China underground
24 mining tires. Super Grip is the only company in the
25 USA that sells a complete line of underground mining

1 tires, contrary to what you heard yesterday.

2 I became interested in developing
3 underground mining tires when I saw piles of mining
4 tires with perfectly good treads that had premature
5 failures because of the conditions in the mines that
6 they wouldn't perform to, as you can see on the slide.

7 Underground mining is the toughest
8 industrial application in the world. The conditions
9 are extremely difficult. The mines are wet, muddy;
10 the surfaces are rocky, rough, and chew up tires. The
11 machinery is very heavy, but due to the low seams of
12 coal, small tires are needed to do the job where giant
13 OTR tires should fill those needs but won't fit the
14 application.

15 Many seams of coal are so low that the miner
16 cannot even stand up. If a tire fails, the equipment
17 and miners stop working until a replacement tire is
18 brought from the surface. This can often be more than
19 a mile away. Changing a tire under these conditions
20 is difficult and dangerous.

21 There is little or no domestic production of
22 many sizes of underground mining tires. A good
23 example is a 451620 tire we developed for a Stamler
24 VH-10 battery hauler.

25 Appalachian Tire is the largest mining tire

1 dealer for the coal-mining industry in the USA.
2 Appalachian Tire is also Goodyear's largest
3 underground mining tire dealer.

4 Mr. Nick Sticklin, general manager of
5 Appalachian Tire, is here today and is available to
6 answer any questions the Commission may have about
7 underground mining.

8 Appalachian Tire asked Goodyear, time and
9 time again, over five years, to develop a 451620
10 quality tire for mining equipment. Goodyear was not
11 interested because the volume was low.

12 Appalachian Tire finally approached Super
13 Grip, and we developed a tire and delivered the first
14 shipment in 90 days.

15 The 451620 is also used on a Phillips
16 machine FSC-12 Freedom Car. Peabody Coal, the largest
17 coal producer in the world, has ordered eight of these
18 machines for use at their River Edge mining in Boone
19 County, West Virginia. Goodyear was working with
20 Phillips and sold them their tires. The tire would
21 not carry the load that the equipment was designed to
22 haul. Within 30 days after delivery of these
23 machines, in January of 2006, all of the tires failed
24 because they could not handle the load.

25 Appalachian Tire came to Super Grip. They

1 installed Super Grip 451620 tires on these machines,
2 and the problem was solved. The tires are currently
3 averaging 18 months in service. If Super Grip had not
4 been able to step up the supply of these tires,
5 Peabody would had to have idled eight machines valued
6 at \$350,000 each.

7 Another good example is the 421320 Super
8 Grip tire we developed for the Joy Shuttle Car.
9 Goodyear, STA, Denman conveniently developed this
10 421320 tire for this application, but it does not
11 work.

12 Another example is the 1825 40-ply tire we
13 developed for Phillips machine, FSC-16 Freedom Car
14 manufactured in Beckley, West Virginia, exported all
15 over the world. They needed an 1825 tire with a load
16 capacity of 45,000 pounds per tire. The closest
17 Goodyear could come was 37,580 pounds.

18 Super Grip developed a tire and gave
19 Phillips and their customer a guaranteed performance
20 letter. Some of these first machines now have been
21 exported to Canada and are working in the Diveck
22 diamond mines.

23 Joy, Stamler, Phillips machinery, and other
24 mining equipment manufacturers not only sell these
25 machines in the USA but sell these machines that are

1 exported all over the world. The USA is the best
2 there is in manufacturing mining equipment, and we
3 dominate mining production in the world.

4 However, we cannot supply these tires
5 because of the antidumping duties. All of the tires
6 Super Grip sells to the mining industry included in
7 these three examples are less than 39 inches in
8 diameter. Super Grip tires are also more expensive
9 than Titan, STA, and, in some cases, more expensive
10 than Goodyear.

11 There are just three examples of the tires
12 Super Grip developed that led us to supply 55 percent
13 of the underground mining tires used into this
14 country.

15 As the Commission has already heard, there
16 is a severe shortage of OTR and mining tires. This
17 shortage is especially serious to underground mining.
18 My phone rings off the hook from coal producers,
19 mining equipment manufacturers, and also from the
20 chairman of the TVA (Tennessee Valley Authority), who
21 depends on this coal, who is concerned about the coal
22 production to produce the electricity in 11 southern
23 states.

24 The last thing that Mr. Bill Sampson asked
25 me is, "Don't let us run out of coal. With the water

1 in the reservoirs low, we cannot depend on
2 hydroelectricity."

3 We cannot supply the tires to the mining
4 industry because we're stuck with this 210-percent
5 duty.

6 Our plants were never notified of the case
7 and did not have the opportunity to get the separate
8 rates. We have some inventory, but we stopped
9 importing once the 210 percent was applied.

10 If the Commission finds injury in this case,
11 despite the severe shortage and high profits of the
12 domestic manufacturers, Super Grip will cut out and
13 stop business.

14 There are 620 underground coal mines in the
15 USA. They employ 45,000 miners: Pennsylvania, Ohio,
16 Virginia, West Virginia, Kentucky, Tennessee, Indiana,
17 Illinois, Utah, Colorado, Montana, Alabama. Please
18 don't forget: Coal provides 52 percent of the
19 electricity in this country, and that's right, 52
20 percent. Super Grip manufactures 55 percent of the
21 underground mining tires.

22 The seriousness of this issue is highlighted
23 by a letter from Mr. William Raney, the chairman of
24 the West Virginia Coal Association. I quote: "It is
25 not acceptable or good enough for another company,

1 American or otherwise, to use the antidumping laws to
2 attain a 210-percent duty on tires that it doesn't
3 make with results that our equipment sits idle, and
4 the miners are sent home."

5 I'm open to any questions that you may have.
6 Thank you.

7 MR. STICKLIN: My name is Nick Sticklin. I
8 am the General Manager of Appalachian Tire Products in
9 Charleston, West Virginia. I have worked for
10 Appalachian Tire for 23 years. Before that I spent
11 ten years underground mining coal.

12 Appalachian Tire Products is the sole
13 distributor of Super Grip underground mine tires in
14 North America. We also are a full line Goodyear
15 dealer. We also sell Titan General OTR tires. There
16 have been ongoing shortages since 2005 of OTR and
17 underground mining tires across the board. There is
18 apparently some dispute about whether the domestic
19 industry can make underground mining tires in all
20 sizes Super Grip supplies. They don't.

21 For example, Goodyear produces the five most
22 popular sizes, 1200 by 20, 1400 by 20, 1450 by 15,
23 3214-50 by 15, and 1000 by 15. Super grip makes at
24 least 11 sizes that are specifically designed for
25 underground mine use that no U.S. manufacturer

1 currently makes. I heard yesterday that there was
2 some question about the price of Super Grip tires
3 compared to the prices of the domestic industry's
4 tires. As the exclusive distributor of Super Grip's
5 underground mining tires I can say that Super Grips
6 are more expensive than the domestic tires. We can
7 provide proof for Super Grip to include in our post-
8 hearing brief.

9 Thank you.

10 MR. DOORNBOS: Good morning. My name is Ydo
11 Doornbos. I am the Managing Director or Trelleborg
12 Wheel Systems Americas, Inc. We are a manufacturer
13 and distributor of solid and pneumatic tires mainly
14 used in the forklift market.

15 I would like to bring to the Commission's
16 attention a handful of facts that will shed light on
17 the forklift tire market in the U.S. to explain why we
18 believe that these special tires were mistakenly
19 included in this case and why they cannot possibly be
20 a cause of the injury complained of by the
21 Petitioners.

22 First of all, pneumatic forklift tires are a
23 tiny niche within a niche segment of tires. Taken
24 together with solid forklift tires that we make in the
25 U.S., these products are specifically designed for use

1 in hard improved surfaces like concrete or asphalt
2 surfaces akin to paved roads. This contrasts with the
3 OTR tires that are targeted by the petition which we
4 heard about yesterday and which are designed for use
5 on unimproved surfaces such as farm, forestry,
6 construction terrains and aggregates.

7 It is also important for the Commission to
8 take note of the fact that to our knowledge Carlisle
9 is the only producer of pneumatic forklift tires and
10 that Carlisle opposes this petition. We heard
11 yesterday that specialty tires and Firestone's ag.
12 division said they were in forklift tires. Honestly
13 speaking, we never encountered them in our market
14 segment.

15 We understand that Bridgestone-Firestone
16 makes these tires in Japan, Singapore, and that
17 Specialty Tires makes only small runs for specific
18 customers' unique needs. But in any event, none of
19 the witnesses said they were injured, lost sales, were
20 undersold or being threatened with injury by reason of
21 the pneumatic forklift tire imports from China.

22 As we are domestic producers and
23 distributors into the U.S. forklift market we can tell
24 you that demand in the U.S. is healthy and that this
25 business is quite profitable. The Commission needs

1 look no further than the financial performance of the
2 domestic industry producing forklift tires, Carlisle
3 in particular, to see that there is no way that this
4 industry is suffering any harm from these imports.

5 Finally, forklift tire imports into the
6 United States are particularly minuscule in comparison
7 to the total OTR tires consumed in the U.S. We are
8 talking about an exceedingly small volume, so small
9 that the Petitioners never even made an argument
10 advocating an affirmative critical circumstances
11 determination in this case.

12 Myself and my colleague Dave Fleischhauer
13 are prepared to answer any questions the Commission
14 might have about these topics. Thank you.

15 MR. KREITZMAN: Good morning. My name is
16 Jeff Kreitzman. I am the owner and CEO of American
17 Pacific Industries. API manufactures, imports and
18 sells tires, including off-the-road tires made in
19 China as well as other countries such as India and
20 Indonesia.

21 A couple of points of record. The
22 Department of Commerce final decision came out
23 yesterday and our partner, a Chinese company Shugo
24 Shugon, received a zero dumping rate.

25 Before forming API I was a founder of

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1 another tire manufacturing distribution company called
2 CMA. I have been in the tire business for over 30
3 years. I am here today to explain a bit about the
4 tire business and the differences between Chinese
5 tires and U.S. produced tires. We manufacture and buy
6 tires from China for the simple reason that we are not
7 able to find U.S. supply to produce the tires for us.
8 In our view the U.S. tire producers have made a choice
9 to focus only on high value added volume product in
10 certain ranges and have cut back on supplying the rest
11 of the market. In addition, the U.S. producers prefer
12 to only deal with their own dealer networks and OEM
13 and will not deal with companies like API because we
14 are not part of their authorized dealer network.

15 As others have mentioned and as you can see
16 from the headlines before you, there has been and
17 continues to be a market-wide shortage of off-the-road
18 tires. These tires cover both farm and non-farm tires
19 and encompass a wide range of sizes and designs. To
20 give you an example, we used to sell Titan, one of the
21 Petitioners during the point of investigation period,
22 industrial tires. I recall that in 2006 Titan was
23 experiencing such shortages that they were asking us
24 to air freight industrial tires to them from China.
25 Even today our customers still have trouble getting a

1 variety of sizes from domestic companies like Titan
2 and Bridgestone.

3 API makes and sells OTR tires that are not
4 in the scope of investigation, 39-inch and above. Let
5 me reiterate, the sizes that are in short supply are
6 not only giant tires. U.S.-produced tires sell under
7 very well-known brands such as Bridgestone, Titan and
8 General. These are premium brands that are all well
9 known by your average customer. Chinese tires on the
10 other hand are usually sold under a brand most people
11 would not recognize. That's what we refer to as
12 private brands. The difference between a major brand
13 and a private brand is more than just a label as it
14 reflects a great difference in the level of service
15 which the customer equates to added value.

16 The service level of most Chinese tires is
17 far less than the service level of U.S.-produced tires
18 such as Bridgestone and Titan. Most customers do
19 understand this. For example, we tested a Chinese-
20 made 1825 40-ply crane tire. It had an average
21 service life of 2,000 hours. Whereas a similar
22 Bridgestone had an average service life of 3,000
23 hours.

24 In addition, Chinese tires typically do not
25 offer the same level of aftermarket warranties and

1 services offered by the U.S. producers. Most U.S.
2 tire companies have a large number of field engineers
3 who visit the customers and provide field support
4 services. Most Chinese tire companies do not have
5 similar types of services. If you should have a tire
6 failure most of the U.S. companies also provide
7 immediate replacement services. This means that if
8 your tire fails you can expect to get a replacement
9 tire quickly if they have the tire available. By
10 contrast, most Chinese tires would not offer
11 comparable service.

12 Another major inconvenience associated with
13 Chinese tires is a long delivery time. For example,
14 API sells to order. The lead time from order to
15 delivery is about 90 days but can take up to 180 days
16 in some cases. The U.S.-produced tires on the other
17 hand take one to seven days to deliver since they are
18 sold out of their domestic inventories, again if the
19 tires are available.

20 Naturally these inconveniences and
21 differences are reflected in the pricing of the U.S.
22 versus the Chinese tires. The Commission should keep
23 in mind, however, that these are not really apply to
24 apply comparisons. A tire is not a tire in the same
25 way that a Rolex watch is not a Timex. They are both

1 watches but distinctively different. Take light
2 bulbs, for example. If you walked into a hardware
3 store you will see an array of light bulbs, one offer
4 5,000 hours, another offering 3,000 hours, and another
5 offering 1,000 hours. Surely the light bulb that
6 promises 5,000 hours will cost more than the light
7 bulb promising 3,000 or 1,000 hours. Because of these
8 differences, Chinese tires and U.S.-produced tires
9 serve different parts of the market. The Chinese
10 tires sell predominantly to the replacement market
11 while the U.S. manufacturers sell to both the OEM and
12 the premium replacement market.

13 For example, most new equipment will
14 normally have U.S.-produced tires with all of the
15 associated services, quality and warranties. Now,
16 take the same piece of equipment a number of years
17 older when it has only a few years of useful life
18 left. A person looking for a replacement tire on this
19 piece of equipment might look to a less expensive
20 Chinese tire with less service hours because he does
21 not need the same level of quality of services offered
22 by the premium U.S. products.

23 The OTR tire market is highly fragmented.
24 It consists of products sold in many different sizes,
25 various levels of quality, numerous applications,

1 specific designs and, perhaps most importantly, in
2 many different volumes. In API's view the Chinese
3 imports largely service the niches in the markets that
4 currently are not serviced by the U.S. producers and
5 one of which they are unwilling to service now and in
6 the future. This is not about price, it is about
7 availability and servicing a part of the market that
8 needs Chinese tires.

9 Thank you very much.

10 MR. LAMMLEIN: Good morning. My name is
11 Mark Lammlein and I am the Vice President of Sales and
12 Marketing for Great Lakes Tire Company, formerly Tire
13 Engineering and Distribution, a wholly-owned
14 subsidiary of Waso Tire Company, Ltd., based in
15 Massillon, Ohio.

16 With me today is my colleague Paul Copen who
17 is the Director of Sales. We both back a long way in
18 the tire industry with more than 75 years of combined
19 experience at B.F. Goodrich, Michelin and Uniroyal.
20 You have heard a lot of testimony that there are
21 shortages of OTR tires in the U.S. market. I would
22 like to confirm that this has been my experience also.
23 The continuing boom in the agriculture sector in the
24 United States has outstripped available supply,
25 particularly with respect to farm tire arrears. We

1 are on allocation for many key OTR tire products and
2 we currently have back orders and our lead times are
3 growing.

4 We would like to emphasize, however, that
5 the OTR tire shortage is not confirmed to the U.S.
6 market. I just recently returned from a trip to
7 China. I can tell you firsthand that my parent
8 company is operating at full capacity to supply the
9 huge demand for OTR tires in China and in other world
10 markets such as those through out Asia, Africa and the
11 Middle East where agriculture, mining and construction
12 are expanding. In fact, the supply situation in China
13 is so tight that I have been reduced to literally
14 begging my parent company to supply the OTR tires to
15 me to service the needs of our American customers.

16 As a result, I currently face allocations
17 and back orders for OTR tires and farm tires from
18 China. The fact is that that Chinese supplies like my
19 parent company have too many competing orders for
20 their products from China and other non-U.S. export
21 market customers. I have been in the business for a
22 long time and I have watched the market develop and
23 change over the years. The OTR tire market in the
24 United States is very strong today, and from what I
25 see in the market I would say that the U.S. producers

1 have a healthy role in that market, particularly in
2 the supply of major brand OEM tires and radial tires
3 where their position remains dominant.

4 There are, however, other under-served
5 market segments, particularly the market segment for
6 private label bias ply tires where margins are
7 traditionally lower and less attractive to U.S.
8 producers. Chinese imports play a reasonable,
9 responsible and complementary role in this market by
10 serving this under-served segment of the market and
11 alleviating supply shortages that have been created by
12 the U.S. industry as they continue to focus on their
13 other more profitable market segments for larger
14 tires.

15 Thank you.

16 MR. DURLING: My name is James Durling with
17 the law firm of Heller Ehrman.

18 The domestic industry producing all OTR
19 tires has been doing extremely well. Shipments,
20 prices and profits are all up. As was noted
21 yesterday, industries with such trends are not
22 entitled to relief. Domestic shipments of all OTR
23 tires are up 19 percent when measured by pound. They
24 are up 30 percent when measured by value. With the
25 pounds and value both up significantly, declines in

1 the number of units does not indicate injury.

2 Domestic shipments of all OTR tires have
3 kept up with the growing market and have maintained a
4 stable market share at about 60 percent. This stable
5 market share can also be seen for certain OTR tires.
6 However measured, the domestic market share has been
7 stable.

8 The Petitioners have tried to hide these
9 positive trends by focusing on the number of tires and
10 ignoring the number of pounds. As we discussed
11 extensively in our brief, the Commission has
12 consistently looked to measures other than units when
13 evaluating products with such a wide range of sizes.
14 In this case, like Live Swine from Canada, pounds
15 provide a more appropriate metric to measure volume
16 effects.

17 Domestic prices are also up sharply. The
18 pricing products are up more than 20 percent.
19 Moreover, these pricing products do not include any of
20 the newer designs, radial tires or larger tires that
21 have been fueling industry growth. The domestic
22 industry has been able to raise its prices faster than
23 costs. This statement is true for certain OTR tires
24 and even more true for all OTR tires. Petitioners
25 completely ignored this ratio yesterday because it so

1 utterly refutes their alleged price suppression.
2 Indeed, as the slide shows, Titan has repeatedly
3 boasted to the investment community about its ability
4 to pass through all of its cost increases. But
5 shipping more pounds and selling tires at higher
6 prices, the domestic industry has seen sharply
7 increased profits. Gross profits on all OTR tires
8 have doubled over the period.

9 Operating income has also surged. The
10 operating margins on all OTR tires increased to a
11 record 11.2 percent. Even after excluding the most
12 profitable segment, certain OTR tires have also seen
13 improved profitability. Profits have increased as the
14 domestic industry shifted to making larger tires. The
15 domestic industry is focused more on the newer, larger
16 tires that earn more profit. This is a natural trend;
17 there is simply less profit to be earned on smaller,
18 older tire designs. It's absurd for Petitioners to
19 argue that their profit margins on older, small bias
20 ply tires should be as high as newer, larger radial
21 tires that have been in short supply.

22 The domestic industry tried to explain away
23 2007 as petition effects. But if you listened
24 carefully yesterday, most of their witnesses testified
25 to improvements after the preliminary determinations.

1 The preliminary determinations happened too late to
2 have had any effect on 2007. Moreover, operating
3 income on certain OTR tires, their self-selected
4 product, was flat over the interim period at about 4
5 percent. Reducing imports in the interim period did
6 not improve the domestic industry operating
7 performance.

8 Customers have struggled throughout the
9 period to obtain desperately needed product.
10 Purchaser responses have identified myriad problems
11 that have come up. I'm sure you will hear more about
12 that later. We do not think this domestic industry
13 has suffered any adverse effects from imports. I've
14 already noted the increasing shipments, prices and
15 profitability. I've also noted the stable domestic
16 market share.

17 Imports have a small presence in the
18 agricultural segment that is so heavily dominated by
19 the domestic producers. Imports are an even smaller
20 factor for OEM customers. As you just heard, imports
21 focus in the after-markets where they largely supply
22 products that are demanded in quantities too small to
23 interest domestic producers.

24 So in closing I'd like to focus again on the
25 sharply diverging trends between imports and domestic

1 industry performance. The domestic industry can and
2 did improve in the face of imports because imports
3 complement domestic production and do not take away
4 sales that the domestic producers would otherwise
5 make.

6 Thank you.

7 MR. REILLY: I'm John Reilly of Nathan
8 Associates.

9 The Commission staff has developed estimates
10 of subject import volumes based on census data that
11 are, despite their best efforts, flawed by estimating
12 errors that render the data unreliable. Staff has
13 estimated the unit volume of subject imports by
14 adjusting the aggregate census data downward by 75 to
15 77 percent of total reported census imports on a per
16 tire basis. These very large adjustments relative to
17 total imports and the small residual values for
18 estimated subject imports introduce the risk of very
19 substantial estimating errors.

20 For example, let's assume hypothetically
21 that the adjustments have excluded a relatively high
22 85 percent of actual non-subject imports. This level
23 of accuracy would still result in estimating errors
24 that exceed the actual volume of subject imports by
25 110 percent in 2005, 147 percent in 2006, and 130

1 percent in 2007. Such crude adjustments when applied
2 to large starting figures are simply too vulnerable to
3 distorting errors to be reliable.

4 Other analyses substantiate the presence of
5 large estimating errors. Comparing census imports for
6 companies reporting subject imports in their
7 questionnaires with their reported subject import
8 volume reveals that the census data exceeds the
9 reports subject imports by more than one million tires
10 in every year of the 2005 to 2007 period.

11 Data and analysis from several sources
12 indicate that importers' questionnaire data do provide
13 in contrast a reliable measurement basis. Data from
14 the importers' questionnaires correspond very closely
15 with exports to the USA reported in the foreign
16 producers' questionnaires. The reported exports are
17 within 17 percent or less of the reported imports in
18 each year and, importantly, show the same trend. To
19 supplement the foreign producers' questionnaires the
20 China Rubber Manufacturers' Association has been
21 conducting a special survey covering major non-member
22 exporters that had not filed questionnaires. These
23 exporters in combination with those who filed
24 questionnaires, 43 in all, accounted for an estimated
25 80 percent by volume of total exports during the

1 Petitioner in the applicable HTS categories.

2 CHAIRMAN ARANOFF: Mr. Reilly, the time has
3 expired. Could you wrap up, please?

4 MR. REILLY: Yes. A follow-up by the
5 association is expected to increase the total to more
6 than 50 exporters. The combination of the special
7 survey and foreign producers' questionnaire has
8 produced reliable results.

9 Thank you.

10 MR. PORTER: That concludes our
11 presentation, Madam Chairman.

12 CHAIRMAN ARANOFF: Thank you very much to
13 this very impressively-sized panel. We appreciate all
14 of you taking the time away from your businesses to
15 spend what I expect to be all of the morning and a
16 good part of the afternoon with us. And we will begin
17 the questioning today with Commissioner Lane.

18 COMMISSIONER LANE: Good morning. So I
19 guess you all did what we assumed you would do which
20 is you spent all last night revising your testimony
21 consistent with what you heard yesterday. So we can
22 ask questions also based upon what you have said and
23 what we heard yesterday.

24 Let's start with Mr. Christenberry and Mr.
25 Sticklin. In your prehearing brief you indicated that

1 Super Grip provides tires for 55 percent of the
2 underground mining industry and that those tires were
3 of better quality and higher load-bearing ability than
4 what might be available from other domestic producers?

5 MR. CHRISTENBERRY: Yes. Yes, ma'am, that's
6 correct.

7 COMMISSIONER LANE: And then further in your
8 brief you said that because of the 210 percent margin
9 that was placed after the filing of the petition or
10 our preliminary vote you are no longer providing those
11 tires to the mining industry?

12 MR. CHRISTENBERRY: I'm providing them from
13 what's left in inventory. I'm not importing them
14 anymore because of the 210 percent.

15 COMMISSIONER LANE: My question is, if you
16 are no longer going to be producing those tires that
17 represent 55 percent to the mining industry who will
18 be providing these tires? And we heard yesterday that
19 Titan said that it could provide it and I think maybe
20 Goodyear, Firestone or some of the domestic producers
21 said that they could step in and fill the void. Now,
22 would you respond to that, please?

23 MR. CHRISTENBERRY: Yes, ma'am. The
24 underground mining tire is a very, very special
25 constructed tire, special compounding. And it took

1 Super Grip ten years of development to get a tire to
2 the market that would work with engineers from five
3 different countries working on this project. And it
4 would be overwhelming for a domestic manufacturer to
5 step up to those low volumes that are used in
6 underground mining.

7 I spoke of the 4516. The volume on that
8 tire probably will be less than 80 tires a year. The
9 tooling for that tire is extremely expensive. I saw a
10 great need in the region of the country that I'm from
11 to develop a tire for the mining industry because of
12 the waste of the tires that were being poured into our
13 landfills because nobody stepped up to the quality.

14 COMMISSIONER LANE: Well, let's respond to
15 what Titan and the domestic industry said yesterday,
16 can the domestic industry produce tires equal to the
17 specifications and the qualifications or the
18 specifications and the quality that you are now
19 providing? And is the domestic industry actually
20 providing those tires?

21 MR. CHRISTENBERRY: They're providing some
22 of the tires. But when it gets to the hardcore and
23 the heavy loads they are not providing those tires.
24 They have had the opportunity for 30 years to provide
25 them. And they have plants in Tennessee. And our

1 pricing, we don't have one tire, not one tire in our
2 lineup is as cheap in price as the Titan product is.
3 Not one tire.

4 COMMISSIONER LANE: Okay. Now, Mr.
5 Sticklin, did I say that right?

6 MR. STICKLIN: Yes.

7 COMMISSIONER LANE: You are the general
8 manager for Appalachian Tire and as I recall in the
9 brief you have 26 different outlets and so you
10 distribute tires to the mining industry across several
11 states; is that correct?

12 MR. STICKLIN: That is correct.

13 COMMISSIONER LANE: And how do you respond
14 to what you heard yesterday about the domestic
15 industry's ability to provide the tires equal to what
16 Super Grip is doing?

17 MR. STICKLIN: We are Goodyear's largest
18 distributor of underground mine tires. And we
19 represent about 70 percent of their production. Over
20 the course of the 23 years that I have been with
21 Appalachian Tire you could see that the major
22 manufacturers were picking a niche market or exiting
23 it. We found that they would use core sizes, the five
24 I described which Michelin has, Bridgestone has. But
25 as far as wanting to make any enhancements it became

1 very difficult to get the manufacturers to produce
2 other items if they were looking on return on their
3 investment and were not interested in it.

4 Super Grip has been with us since 1996.
5 And, in fact, we sell Super Grip tires to Bridgestone,
6 Firestone, operations, company-owned operations across
7 North America. And we have distribution in all the
8 coal regions through other dealers.

9 COMMISSIONER LANE: Mr. Christenberry, you
10 say that you are now selling to the industry out of
11 inventory. How much inventory do you have?

12 MR. CHRISTENBERRY: I probably have about
13 six weeks of inventory left.

14 COMMISSIONER LANE: Okay. If 55 percent --
15 maybe this is the wrong calculation. Other than the
16 mining industry what else do you, what other parts,
17 what are the other parts to your business?

18 MR. CHRISTENBERRY: We manufacture a special
19 tire for John Deere in a factory where Titan has all
20 of that business except one tire that they refused
21 that we manufacture for the rotary cutters used to mow
22 our interstates and the farmlands of America.

23 COMMISSIONER LANE: Okay, thank you.

24 This can be answered by anybody. The
25 domestic industry filed its case against imports of

1 certain OTR tires as defined by the scope in this
2 case. It has testified that there are few, if any,
3 imports of out-of-scope 39-inch or larger construction
4 and mining tires. The industry describes this as a
5 clear dividing line and candidly admits that it does
6 not want to include the out-of-scope tires in the
7 domestic like product because there are no subject
8 imports of these tires. Wouldn't that decision on
9 like product and domestic industry give us a domestic
10 industry that is in direct competition with the
11 subject imports across the full line of domestic like
12 products tires? And what's wrong with that?

13 MR. PORTER: Commissioner Lane, I will start
14 and I think my colleagues may have some additional
15 comments.

16 CHAIRMAN ARANOFF: That's Mr. Porter; right?

17 MR. PORTER: I'm sorry, I apologize. Dan
18 Porter for the record, Commissioner Lane.

19 Let's start with what the law requires. The
20 law requires that the Commission look at an industry
21 and whether the industry is suffering material injury.
22 Sure, Petitioners can choose which imports they want
23 to attack. But then the Commission is tasked to say
24 what industry in the United States is producing a
25 product that is like those imports?

1 And what, a couple of things, a couple of
2 factual points I want to just sort of clarify based on
3 yesterday's statements. First, the so-called non-
4 subject, the beyond-the-scope tires are not limited to
5 the giant tires.

6 I found it very interesting, Commissioner
7 Lane, you asked the very first question about like
8 product yesterday and the very first response from Mr.
9 Taylor talked about, open quote, I wrote this down,
10 "giant mining tires." And he spent all his time
11 talking about the 63-inch. But the beyond-the-scope
12 here is they've tried to move it all the way down to
13 39-inch. And so in between 39 and 57, and roughly, as
14 the industry guys will tell you, about 57 is where you
15 have giant, there are imports of in between 39 and 57.
16 There may not be any imports from China of the 63 but
17 there are of the 39, 45 and so forth.

18 COMMISSIONER LANE: Okay, let me ask you
19 this: do we have in the record the amount of off-the-
20 road tires 39 inches and above that are coming in from
21 China?

22 MR. PORTER: I believe the answer is yes.
23 Let me check with.

24 (Confers.)

25 MR. PORTER: Yes. The answer is yes.

1 COMMISSIONER LANE: Okay, thank you. Madam
2 Chairman, I will wait till my next round.

3 CHAIRMAN ARANOFF: Commissioner Williamson.

4 COMMISSIONER WILLIAMSON: Thank you, Madam
5 Chairman. And I also want to thank the witnesses for
6 their testimony today.

7 I want to continue on the line that
8 Commissioner Lane was pursuing. Are you saying that
9 we should include in the scope the 39 and larger? And
10 why would that help you other than maybe the question
11 of profitability, but are you saying that -- I don't
12 understand what about the point about the
13 availability, do you want to have duties applied on
14 the 39 and larger too?

15 MR. PORTER: I'm sorry, Commissioner, I'm a
16 little bit -- I think everyone understands that the
17 scope of the imports is established and will not be
18 changed except by Commerce. I was just responding to
19 an inaccurate factual statement that was made
20 yesterday.

21 So we have a situation where they say they
22 are not interested in putting duties on above 39 inch.
23 The question though is what industry in the United
24 States makes the tires that are like the tires that
25 they have targeted? And let's remember they have

1 targeted all size of agricultural tires from 7 to 63
2 inch and the mining and construction from the lowest
3 up to 39 inch. And what actually, I may ask Brian to
4 pull up the legal like products slide that we -- and
5 as you see here, even in cases in which the Commission
6 has expanded like product to include products that are
7 beyond the scope they have looked for a bright, clear
8 dividing line.

9 And so the issue is not as Mr. Stewart
10 maintained yesterday, what is the average compared to?
11 The average is whether that line at 39 inches is clear
12 and separates two distinct industries. And I think
13 that the factual information that you have heard this
14 morning shows that there is no clear dividing line at
15 39 inches. And so therefore the industry is all OTR
16 tires, and that's the industry that the Commission
17 needs to look at in suffering material injury.

18 COMMISSIONER WILLIAMSON: Okay. Mr. Ellis?

19 MR. ELLIS: Thank you. For the record, Neil
20 Ellis from Sidley Austin, counsel for Caterpillar Inc.

21 I just wanted to reiterate or emphasize one
22 or two points that Dan Porter just made. The first
23 thing is what the duties will apply to is defined by
24 the Department of Commerce and that is set by
25 Petitioners. It is set. That's the scope. And that

1 is under 39-inch only for mining and construction
2 tires.

3 But the question is now for the purpose of
4 the Commission whether or not there is a clear
5 dividing line there for definition of the like product
6 for the injury determination. And as my client has
7 testified and others in this room as well have
8 testified, there is no clear dividing line at 39
9 inches, that is a non-existent line in the real world.
10 If there is any line it is much further up, as someone
11 just said, 57 or 63 inches, that's where tires get
12 different.

13 But 39 inches below -- I'm sorry, below 39
14 inches like at 35, at 39 inches, at 41 or 43 inches,
15 those tires are all pretty much the same in terms of
16 the criteria you look at to define like product.

17 Thank you.

18 MR. STOEL: Commissioners, Jonathan Stoel
19 from Hogan and Hartson. I just wanted to add to that.
20 I think what you heard from Mr. Stewart yesterday was
21 an attempt basically to take away your discretion to
22 define the domestic like product. That's clearly
23 different than scope where we all agree that Commerce
24 defines what the scope of the investigation concerns.

25 But the CIT and you all have said repeatedly

1 that you have the discretion to determine the domestic
2 like product based on the unique facts of the case.
3 And I think you have heard very clear and convincing
4 testimony this morning that there is no bright line,
5 as Mr. Ellis very well put it. And so you cannot find
6 that those products that the Petitioners seek to
7 exclude from the domestic like product should be
8 excluded. Thank you.

9 MR. KREITZMAN: Jeff Kreitzman. One of the
10 trends is that there is bigger equipment being sold.
11 So the bigger equipment makes the smaller equipment
12 obsolete so the smaller tires become more abundant and
13 there is not as much demand for the smaller tires.
14 They have kind of decided to hit the 39-inch level
15 because there is a ton of growth in that 39 and above
16 up to what we deem as the giant tires which are 57 and
17 63 tires. So they want to cut that out and now show
18 you that because that's a huge growth segment for our
19 company and their companies as well.

20 COMMISSIONER WILLIAMSON: Okay. Anyone else
21 on this point?

22 (No response.)

23 COMMISSIONER WILLIAMSON: Okay, thank you.
24 I may come back to this question but I'll think about
25 it some more.

1 Going back to the mining tires. And given
2 what's been said about the importance of having the
3 right tire, the cost of not having the right tire I am
4 just curious whether or not even with the duties why
5 wouldn't you keep on importing the tires if that's
6 what people need to keep the mines operating?

7 MR. CHRISTENBERRY: Well, I think fair is
8 fair and right is right and wrong is wrong. And I
9 don't have the heart to go to the coal industry in
10 this country and say, okay, you are going to be
11 impaired now with a 210 percent duty. And before I
12 could do that in my heart of hearts, I'll exit the
13 business.

14 COMMISSIONER WILLIAMSON: Okay. I just
15 wanted to say wouldn't they rather have the tires than
16 not have them? Given that all the prices of
17 everything else are going sky high and their prices
18 are going up.

19 MR. CHRISTENBERRY: Well, I just don't think
20 it's fair. I'm not dumping. I'm absolutely not
21 dumping. I'm higher priced than the domestic-made
22 tires. There is a need for our tires. The one thing
23 that we do good in this country is we manufacture
24 coal, we produce coal. There's a 300-year supply of
25 it in over half of our states. And I just don't want

1 to handicap the coal mining industry in this country
2 that we export a lot of coal. West Virginia produces
3 some of the best coal that there is. It's blended
4 with the steel that's made all over the world. And I
5 just in my heart and the way I see things it's just
6 not fair and I just would rather exit the business.

7 MR. DURLING: Commissioner Williamson, if I
8 could just elaborate on that point. Jim Durling from
9 Heller Ehrman.

10 If the law worked so that you had a duty and
11 you knew with certainty that was the duty, maybe a
12 business could make a rational calculation, well, even
13 at 20 percent or 200 percent maybe we could go ahead
14 and weather that cost. But the way the U.S. law works
15 when you import you have no idea what the duties are
16 going to be. The 200 percent is an estimate; could go
17 up, could go down, you have no idea.

18 So if you are an importer and you are facing
19 a 200 percent duty, and especially if you're an
20 importer from China with the approach to Chinese
21 imports that the Commerce Department often takes and
22 the unpredictability, you are basically importing with
23 absolutely no assurance what your liability is going
24 to be. And it's that uncertainty that makes it
25 virtually impossible for an importer facing high

1 duties to import with any degree of confidence.

2 So as a lawyer advising an importer you
3 just, you have to make huge disclaimers that you have
4 no idea what the duties are really going to be. And
5 that's the real problem. And that's what serves as
6 the chilling on bringing in the imports if duties were
7 to be imposed on the mining tires in this case.

8 COMMISSIONER WILLIAMSON: Okay. Thank you
9 for that clarification.

10 Mr. Koch, I think you had, your statements
11 about shortages were fairly general. And what we
12 heard yesterday that where there were shortages they
13 were, you know, in certain niches and certain lines.
14 And so I was wondering to what extent did you agree
15 with those statements or do you just sort of say all
16 OTR tires are in short supply?

17 MR. KOCH: Well, in our case pretty much
18 starting at 25 inches and up we've experienced
19 shortages over the last four years for those sizes.
20 And recently we have seen it even creep into the lower
21 ranges, 24 inches. So, yes.

22 COMMISSIONER WILLIAMSON: Okay.

23 MR. DURLING: Commissioner Williams, I mean
24 I think that's an important question. We actually
25 have three other customers here who weren't, didn't

1 have time to do direct testimony. But given your
2 interest in shortages it might be helpful if they each
3 just gave you a short summary of their experience with
4 shortages in the market because we do have some
5 additional perspectives.

6 Dan, do you want to kick off with a few
7 comments?

8 MR. DENIS: Good morning. My name is Dan
9 Denis. I am with VIP?Quick Tires. My company
10 experienced critical shortages during the Petitioner
11 on mining, construction and quarry tires. Fill rates
12 during that period often were as low as 10 to 15
13 percent when we placed orders. It was that bad. Back
14 orders extended six to 12 months. We did have one
15 supplier that placed us on allocation beginning in
16 2005, and we remain on allocation today which has
17 helped, but that still hasn't helped our overall
18 demand for the tires.

19 There was periods when our company did not
20 have any of its core products in inventory, so it was
21 that drastic. And it had a trickle-down effect on
22 other segments of the market, particularly OTR
23 retreading which is a very important component.

24 COMMISSIONER WILLIAMSON: My time is running
25 out so I will have to, I will come back to that if

1 someone else doesn't pick up on it. Thank you.

2 CHAIRMAN ARANOFF: Commissioner Pinkert?

3 COMMISSIONER PINKERT: Thank you, Madam
4 Chairman. And I'd like to join my colleagues in
5 thanking this panel for taking the time to be with us
6 today and to help us to understand this industry
7 better.

8 I want to begin with an issue that's
9 prompted by some of my colleagues' questions. I
10 understand that the testimony today is that there are
11 some above 39-inch mining and construction tires
12 coming into the United States but I gather that there
13 is some product within that category above 39 inches
14 that are not coming into the United States, coming
15 into the U.S. market from China. And I am wondering
16 whether perhaps Mr. Mazzola, Mr. Koch, Mr. Kreitzman
17 could help us to understand why those products are not
18 coming into the U.S. market?

19 Mr. Kreitzman?

20 MR. KREITZMAN: Yeah. We do import those
21 tires into the market. So I don't understand the
22 question.

23 COMMISSIONER PINKERT: You import all
24 categories above 39 inches?

25 MR. KREITZMAN: All the way up to 63 inch.

1 COMMISSIONER PINKERT: Okay. And from
2 China?

3 MR. KREITZMAN: From China, yes. Correct.

4 COMMISSIONER PINKERT: Okay.

5 MR. KREITZMAN: We sell quite a few 57-inch
6 tires.

7 MS. KOESTER: Hello. I'm Maggie Koester
8 from Donald B. Rice Tire. We import 2700 49s and 45-
9 65-45s from China.

10 COMMISSIONER PINKERT: I thought I heard
11 earlier that there was some testimony from this panel
12 that there were some categories in that above 39-inch
13 range of mining and construction tires that are not
14 coming to the U.S. market. That's not accurate?
15 That's not correct?

16 MR. KREITZMAN: You heard that yesterday in
17 their testimony. They didn't even know that we build
18 57- and 63-inch tires, and we've been selling them for
19 two years.

20 COMMISSIONER PINKERT: Thank you. Mr. Ganz?

21 MR. GANZ: Thank you. Yes, my name is Bryan
22 Ganz with GPX. We also bring in tires up to 57 inch.
23 And these tires are used in applications that are not
24 limited to mining. We brought them in recently for
25 straddle carriers and for company shuttle lifts that

1 build large cranes. So there are applications for
2 these larger tires even beyond just the traditional
3 mining use.

4 MR. DENIS: Dan Denis again VIP?Quick Tires.

5 COMMISSIONER PINKERT: Mr. Denis.

6 MR. DENIS: We also have had to purchase
7 tires overseas, 39 inch, 45 inch and 49 inch. The
8 preference of our customers would be to purchase
9 domestic products but those products just were not
10 available.

11 COMMISSIONER PINKERT: Now, when you say
12 overseas are you talking about from China?

13 MR. DENIS: From China.

14 COMMISSIONER PINKERT: And, Mr. Kreitzman,
15 you were talking about from China as well?

16 MR. KREITZMAN: Correct.

17 COMMISSIONER PINKERT: Okay. And Mr. Ganz?

18 MR. GANZ: Yes, we also bring them in from
19 China.

20 COMMISSIONER PINKERT: Go ahead.

21 MR. MURPHY: Good morning, Commissioner, my
22 name is Aaron Murphy. I am the Vice President of CMA,
23 China Manufacturers' Alliance. As a note, as an
24 addition to the testimony you just heard, CMA imports
25 out-of-scope product, including 39-inch and above bias

1 products and actually have sold the products to
2 Bridgestone-Firestone affiliates and Michelin-owned
3 operations because of the shortage of the product they
4 can't get from either of their parent companies or
5 from other domestic suppliers. So it is true that
6 what you are hearing today is that items up to 57 inch
7 are coming into the country from China and being sold
8 for the domestic industry.

9 MR. PORTER: Commissioner Pinkert, if I
10 could, I think what you've just -- again this is Dan
11 Porter with Heller Ehrman -- I think what you've just
12 heard is that there are imports from China of these
13 larger tires and so the case could have been brought
14 against these tires. So it's not a matter of there
15 was nothing to attack, there was something to attack
16 but a conscious decision was made in order to try to
17 gerrymander the case in order to effect this
18 proceeding. And that's why, you know, we're urging
19 you to reject that sort of gainsmanship in this case.

20 COMMISSIONER PINKERT: Well, let me stay
21 with you, Mr. Porter. Now, you also heard yesterday
22 some legal argument about the way that the Commission
23 does the domestic like product analysis. And in
24 particular I think what you heard is that, at least in
25 argument, is that we handle the issue of continuum --

1 I think that's the right way to say it -- continua
2 differently in the case of out-of-scope merchandise
3 that is claimed to be part of the domestic like
4 product than we do with respect to in-scope
5 merchandise that is claimed to be either a separate
6 like product or something of that sort. Can you
7 respond to that argument?

8 MR. PORTER: I can. Let me ask my colleague
9 Bryan to pull up the legal like product slide.

10 Commissioner Pinkert, if you see here, every
11 one of these cases is a case in which the Commission
12 decided to define the like product broader, more
13 expansive than the scope of the import, every one of
14 those cases. And as you can see, the Commission in
15 those cases simply provided a traditional like product
16 analysis. It says right there, traditional 6-factor
17 test. It also says what are they looking for, they
18 are looking for a clear dividing line between the
19 alleged two like products.

20 And so I would submit that the suggestion
21 you heard yesterday that there is somehow a different
22 test when the Commission has to define like product
23 just because we have an issue of perhaps expanding it
24 beyond the scope, that is incorrect as a matter of
25 law.

1 COMMISSIONER PINKERT: Well, let me rephrase
2 the question. Again I think what I heard yesterday
3 was an argument about the Commission's use of the
4 concept of a continuum. And what I am wondering is
5 did the Commission use that concept in these other
6 cases that you are talking about?

7 MR. PORTER: Yes. The Lined Paper School
8 Supplies that was about sizes. And so they
9 essentially had dimensions of the paper. And the
10 Petitioners came in with a particular dimension and a
11 range of dimensions and the Commission said we don't
12 see any clear dividing line between those dimensions.
13 So it's quite similar to what we have here. And the
14 Commission said essentially we're going to expand the
15 dimensions to include all the lined paper.

16 COMMISSIONER PINKERT: Thank you.

17 Now, turning to the issue of price premiums
18 for branded merchandise I heard some testimony from
19 this panel about the size of the price premium for
20 certain types of branded merchandise. And I'm
21 wondering, and maybe this is a legal question, maybe
22 it's a question for the company witnesses, I'm not
23 sure, but what should I compare the price premiums
24 with? In other words, is that something I should be
25 comparing with dumping margins? Should I be comparing

1 it with some other measurement to see whether it's
2 significant enough to take into account?

3 MR. DURLING: Commissioner Pinkert, this is
4 Jim Durling.

5 I think the most appropriate way to think
6 about the price premium is to use it to put the record
7 evidence on underselling in some proper context. If
8 we were talking about very small price premiums and
9 very large margins of underselling then you would
10 interpret the underselling in one way.

11 But in a case like this one where you have a
12 mixed pattern of underselling and the margin of
13 underselling at least relative to other cases that
14 you've seen is actually not that extreme, the premium
15 that you see in this case, the premium between sort of
16 the high-end product like a Michelin and an unbranded
17 or a less known brand from China goes a long way to
18 explaining what is kind of natural underselling in the
19 market, you know, much the same way that for any
20 branded product you pay more for a brand. You go into
21 any store and go into a drugstore and you're going to
22 buy a branded product, a branded pharmaceutical, or
23 are you going to buy a generic, and there's a
24 significant difference. And that phenomena is at play
25 here. I think you can look at it in the margins of

1 underselling.

2 MR. KLETT: Commissioner Pinkert, this is
3 Dan Klett.

4 Just I heard yesterday that the brand
5 premium was in the range of I think they said 3, 5
6 percent to 10 percent, in that range. And I think
7 when you look at the purchaser questionnaires in terms
8 of what the size of the premium is you have to be very
9 careful because some customers they were comparing
10 Michelin to Firestone and saying Michelin has a 3
11 percent brand premium over Firestone. But when you
12 compared the U.S. name brands such as Michelin,
13 Firestone, Goodyear again the non-named brand products
14 from China the brand premium was actually in the range
15 of 20 percent, 25 percent.

16 So in terms of interpreting the answers I
17 think you need to keep that in mind.

18 COMMISSIONER PINKERT: Mr. Porter?

19 MR. PORTER: Yes.

20 COMMISSIONER PINKERT: I thought I detected
21 that you wanted to add something to that?

22 MR. PORTER: My colleagues did a very
23 admirable job.

24 COMMISSIONER PINKERT: Okay.

25 MR. PORTER: So thank you.

1 COMMISSIONER PINKERT: Mr. Kreitzman?

2 MR. KREITZMAN: Yeah. We just last week we
3 were launching a new product line so our vice
4 president of sales decided to do a little market
5 survey to see where that product line belongs in the
6 market. So we looked at Michelin, we looked at
7 Bridgestone and we looked at Titan, because the
8 product that we're looking to introduce is in that
9 range of competition in North America. And it was
10 interesting that we found that Michelin was the
11 highest, Bridgestone was very close to Michelin and is
12 perceived the same quality, same level of service.
13 However, Titan was 15 to 25 percent below the other
14 two. And their perceived to be a little bit lower
15 type quality.

16 And the same thing happens with the private
17 brand product that you introduce into the marketplace
18 that nobody is aware of and the service levels are
19 lower, the tires need to sell for a lower price
20 because they are not going to give you the same level
21 of service that a Michelin will, so.

22 COMMISSIONER PINKERT: Thank you. I am out
23 of time for this round. So we may come back to this.

24 Thank you.

25 CHAIRMAN ARANOFF: We have such a wealth of

1 purchasers here today that I almost don't know where
2 to start with my questions.

3 But let me start with this which I think
4 will be for Mr. Christenberry. We heard testimony
5 that it's a natural fit for some of the smaller farm
6 tires to come in from China because there's a big
7 demand for those in China and then they can send a few
8 here. But when it comes to these low volume but
9 highly engineered mining tires that you were talking
10 about is the same story true, are those being sold
11 like crazy in China or are they being made in China
12 principally to come to the U.S.?

13 MR. KREITZMAN: Now they're being sold in
14 China because so much coal equipment produced in this
15 country is now operating in China. So there is a need
16 for those tires in China and the rest of the world.

17 CHAIRMAN ARANOFF: Do you have a sense with
18 respect to the tires of that description that are
19 produced in China how much are coming here versus sold
20 in the domestic market there or exported somewhere
21 else?

22 MR. KREITZMAN: I would have to get back
23 with you. I don't have that with me.

24 CHAIRMAN ARANOFF: Okay. If there is
25 anything that you can provide post-hearing that would

1 be helpful.

2 MR. ANDERSON: Commissioner Aranoff, this is
3 Chuck Anderson with Capital Trade. I think it is a
4 little bit of a different situation there. In once
5 instance you have a commodity tire, a commodity tire
6 in China, that is produced in high volumes some of
7 which residuals are sold in the United States.

8 The other instance you have a highly
9 engineered product but is demanded in very low volumes
10 globally, worldwide. There aren't that many mining
11 pieces of equipment made. That requires just a lot of
12 engineering and the rest for very low volume sales.
13 That's a different type of niche that the Chinese
14 supply the U.S. with. But they're two niches but
15 they're different types.

16 CHAIRMAN ARANOFF: Right. But with respect
17 to that second niche you are dealing with a product
18 which is highly engineered, it's very difficult to
19 develop, it's produced in low volume, it's sold we're
20 told at a high price, why can't anyone make money
21 producing that in the United States?

22 MR. ANDERSON: Well, you know --

23 CHAIRMAN ARANOFF: Especially if you have
24 customers that think that U.S. brand names or brand
25 names they recognize are a better product, why

1 wouldn't they pay to have it made here?

2 MR. GANZ: This is Bryan Ganz from GPX. As
3 a manufacturer, as a small manufacturer we focus on
4 shorter runs. That's where we make our money. When
5 we first got into business when people would ask us,
6 What is the tire you're going to develop? we'd say
7 it's the next tire Goodyear stops making.

8 So these companies have a mindset where
9 economic order quantity is 10,000 units, 20,000 units.
10 You're not going to get approval to go through the
11 development process. It's not simply making these
12 tires, you need development resources that are
13 allocated to these or volumes that are very low. We
14 also have a very specialized niche in tires for golf
15 course maintenance tractors. We are the only
16 manufacturer of a tire that can be used to take the
17 tractor onto the putting green.

18 John Deere came to us years ago to say that
19 we need a very, very low impact tire because otherwise
20 it's going to create little divots in the green. They
21 first went to Goodyear, they went to Bridgestone-
22 Firestone, they went to Titan. Because they could not
23 promise a volume of more than 500 pieces over ten
24 different sizes nobody wanted to make it, irrespective
25 of the price.

1 CHAIRMAN ARANOFF: Right. I understand that
2 it's a different business model to be producing these
3 niche products. What I don't understand is why it's a
4 business model that works in China and doesn't work in
5 the United States?

6 MR. GANZ: No, I don't think it's a function
7 of it works in the China and it doesn't work in the
8 United States, it's a function that these very, very
9 large multinationals, I mean Bridgestone is a \$30
10 billion company, the largest tire company on the
11 planet, their model is not to attack these very, very
12 small niches. So it's just it's not a U.S. versus
13 China business model, it's sort of a large company
14 versus small company business model.

15 CHAIRMAN ARANOFF: Okay.

16 MR. DURLING: Commissioner Aranoff, Jim
17 Durling. I think we have a unique opportunity in this
18 case because sometimes you have kind of a he said/she
19 said. But in this case we have that Bridgestone
20 availability report, okay. The answer to your
21 question is why with orders on the book for these
22 small volume tires why aren't they producing? They've
23 already chased all the Chinese out. That was their
24 testimony; right? That's the effect of the
25 preliminary determination. So they have orders on the

1 books.

2 The problem is when you look at this
3 document, and I urge you to ask your staff to look at
4 this, it's Exhibit 15 of our brief, and it's really
5 fascinating because I've never seen a contemporaneous
6 document that so thoroughly nails the point. They
7 only are committing production to the large volume
8 tires.

9 And their testimony is they have lots and
10 lots and lots of excess capacity, lots of excess
11 capacity of the small bias ply tires, the smaller
12 tires that they say they weren't given the chance to
13 produce. If they were willing as a business matter,
14 if they were willing to make these tires you wouldn't
15 see so much red ink up there.

16 CHAIRMAN ARANOFF: Okay. I'm interested
17 that you want me to get my staff to look at it, you
18 didn't want me to look at it myself. I think maybe I
19 should be insulted. But in any event.

20 MR. DURLING: My apologies.

21 CHAIRMAN ARANOFF: That's okay.

22 Let me ask for the dealers and distributors
23 that we have present here there's been testimony that,
24 you know, Chinese products are private labelled or
25 they're brands that people don't recognize and that

1 your customers who are operating machinery that needs
2 the tires prefer brands that they recognize because
3 they associated those brands with the beset quality.
4 Well, the Chinese product has now been in the market
5 for quite a few years, certainly longer than our
6 period of investigation and some of you have been
7 selling Chinese product for that long.

8 Now that your customers have four, five, six
9 years operating with the Chinese product what has been
10 the experience? Are they coming back to you and
11 complaining that it's not as good? Or are they now
12 saying, hmm, maybe those global brand names aren't as
13 important as I thought they were? Do any of the
14 dealers or distributors want to comment on that?

15 MS. KOESTER: I will. I'd like to introduce
16 myself. I'm Maggie Koester. I work for Donald B.
17 Rice Tire in Frederick, Maryland. I've been in the
18 tire business for 30 years. Rice Tire Company is an
19 independent Goodyear dealer with nine locations and a
20 retread plant in Maryland, D.C. and Virginia areas.

21 As vice president of purchasing for the
22 company I am responsible for a \$7 million inventory
23 and I source all of the products and suppliers to meet
24 our customers' needs. The practice in the tire
25 company and with our customers it's always been brand

1 recognition. The events all changed starting in 2005.
2 Even though we've always imported some tires, the
3 scope and size of the imports grew during the
4 shortages and when we were put on allocation.

5 The branded product will always bring a
6 premium price but the more the Chinese work on their
7 product and the better it gets the more satisfied the
8 consumer is with that product.

9 CHAIRMAN ARANOFF: Now, in the market that
10 you're serving out in central western Maryland you are
11 dealing mostly with agricultural customers?

12 MS. KOESTER: No, ma'am, we don't have a
13 large ag. business. We do have some but mostly it's
14 gentlemen farmers and people who have -- they're not
15 large farmers that have lots of equipment and
16 expensive equipment, they have smaller tractors and
17 some equipment that sits for a period of time without
18 even being used. And those are the consumers that
19 don't mind putting a non-branded tire on their
20 equipment.

21 CHAIRMAN ARANOFF: So is that the main part
22 of your customers or are you in construction? Where
23 are most of your customers?

24 MS. KOESTER: We sell construction
25 companies, landscapers, dumptrucks. We're a

1 commercial company. We do mount probably 90 percent
2 of the tires that we sell.

3 CHAIRMAN ARANOFF: Okay. So I take it from
4 what you're telling me that in fact customers can
5 become and do become more comfortable over time with
6 products whose brand names they don't recognize?

7 MS. KOESTER: Yes.

8 CHAIRMAN ARANOFF: Okay, let me see. There
9 is a hand up way in the back and I will just take that
10 one and then I'm going to be out of time.

11 MR. KREITZMAN: Jeff Kreitzman. Yes,
12 there's no doubt the tires work or we wouldn't
13 continue to bring them into the country. But what the
14 clear distinction is is that if I buy a new Michelin
15 tire and put it on a loader and I put an unknown
16 Chinese tire or one of the brands that we put in and
17 put it on a loader the Michelin tire is going to
18 outperform that tire significantly. And that's true.
19 So the customer understands that. And a lot of time
20 he can't get that tire so he's forced to by an
21 alternative tire other than leave the equipment sit.
22 And but the tires do work. They're not terrible. And
23 people recognize some of the brands over the years for
24 sure.

25 CHAIRMAN ARANOFF: Okay. I'm going to come

1 back to this in the next ground. I'm really trying to
2 understand. I can understand why confronted for the
3 first time with a brand you've never heard of you
4 would pay more for a brand that you recognize and
5 associate with quality. But what I don't understand
6 is once you've bought the other one, paid less for it,
7 used it and it's turned out okay why that wouldn't
8 diminish considerably.

9 So I'll come back to that in the next round
10 and turn to Vice Chairman Pearson.

11 VICE CHAIRMAN PEARSON: Thank you, Madam
12 Chairman. There's been a lot of discussion about the
13 like product. And my question is, you are encouraging
14 us to expand the like product but to what boundary
15 should we expand it? Do you see a clear dividing line
16 somewhere other than where the Petitioners have drawn
17 it?

18 VICE CHAIRMAN PEARSON: Commissioner, this
19 is Dan Porter. Let me take a quick legal spin on this
20 and then we can turn it over to the industry guys.

21 Our position is whether or not there may be
22 a clear dividing line somewhere else is really sort of
23 irrelevant for your purpose. And the reason is
24 because of the data. You have sort of two views of
25 like product, two views of the OTR market. One, all

1 OTR and one with excluding the 39-inch and above
2 mining and construction.

3 I submit, you know, even if you were to find
4 -- we don't believe that there is a clear dividing
5 line but even if you were to find it you don't have
6 the data necessary to do it. And so, you know,
7 Petitioners have come forward and it's sort of an up
8 or down thing with their 39-inch. And that's my legal
9 standing but you can go on to ask about the industry
10 witnesses as a factual matter.

11 VICE CHAIRMAN PEARSON: Yes, let me just
12 follow up. Are you supportive of a like product that
13 would be, that would consist of all OTR tires?

14 MR. PORTER: Yes. We support the way the
15 staff has collected data on all OTR tires; that's
16 correct. I mean the staff with respect to
17 profitability and market shares, this is where like
18 product sort of comes into play the most, they've
19 developed, you know, alternative scenarios. One is
20 just certain and one is all OTR. And so the charts
21 that we've put up are about all OTR and you can see
22 profitability based on that. You will see market
23 share based on all OTR. And that's the staff has
24 prepared that and that's what we support.

25 VICE CHAIRMAN PEARSON: Okay. So we don't

1 need to expand the like product further to make it
2 happen by including on-road tires for cars and trucks
3 then?

4 MR. PORTER: No. No.

5 VICE CHAIRMAN PEARSON: Once again do you
6 have a comment?

7 MR. GANZ: Yes, Vice Chairman. If you look
8 at, I've got Bridgestone-Firestone's price list here.
9 I'm sure you also have a copy of that. This is their
10 base prices for mining and construction, earth moving
11 and industrial tires. So this is what they consider
12 to be the industry. And if you flip through it on
13 every page they include both products that they
14 consider to be in scope and out of scope.

15 If you look at the General, Titan OTR tire
16 price list it's the same. Throughout the industry
17 whether it's the tire dealers or tire manufacturers,
18 the end users, everybody looks at this as a single
19 industry. There are no separate catalogues, there are
20 no separate distribution systems for OTR tires at any
21 dividing line. So we don't see any dividing line.

22 And certainly if you were to look at
23 dividing lines the dividing line would probably be
24 between OTR tires and agriculture tires, or OTR tires,
25 agricultural tires and industrial tires. But within

1 that OTR group there is no dividing line based on rim
2 size. And, frankly, the section width of the tire is
3 significantly more important in terms of the
4 construction of the tire. And as Mr. Mazzola said,
5 even in Titan's own catalogue they list the tires by
6 section width not by rim diameter.

7 CHAIRMAN ARANOFF: In the back?

8 MR. LEWIS: Yes. Chairman, Commissioner
9 Pearson, Craig Lewis of Hogan and Hartson. I just
10 want to on behalf of the Chinese respond as producers
11 represented here. The second view that Mr. Ganz just
12 expressed that the relevant like product extends
13 across the entire spectrum of OTR tires, I would
14 submit that where you have a continuum of product,
15 which is clearly the case here, the burden should be
16 on parties who are arguing that there is some kind of
17 dividing line to establish that factually. And the
18 presumption should be, and I think the Commission's
19 past practice bears this out, that in the absence of a
20 clear and compelling demonstration that such a line
21 exists that you should accept the existence of the
22 full continuum.

23 And as Mr. Porter said, the Commission has
24 that data before them relevant to that like product.

25 VICE CHAIRMAN PEARSON: Okay. Well, let me

1 just follow up in this way. Ms. Koester, you
2 mentioned that you firm also handled tires for
3 dumptrucks, probably quite a few others. But explain
4 to me why is there a clear dividing line between the
5 OTR tires and tires for dumptrucks? You're out there
6 purchasing and selling these, explain to me why you
7 see a clear line there, if indeed you do? I don't
8 want to put words in your mouth.

9 MS. KOESTER: Well, the industry really is
10 in segments. It's got the consumer tires that
11 includes cars and light trucks. And then it has a
12 commercial side that has tires for tractor-trailers,
13 dumptrucks and trucks that go on the road. And then
14 there's off-the-road. So there, which, you know, in
15 my eyes includes ATV tires; those are off-the-road.
16 And all of the data books are grouped and separated in
17 that fashion.

18 VICE CHAIRMAN PEARSON: Okay.

19 MR. KLINE: I'm John Kline, owner of the
20 Dominion Tire Services. Tires that are run on the
21 road have got to be approved by the Department of
22 Transportation. Tires that are run off the road do
23 not have to be approved by the Department of
24 Transportation to be produced. So there's a big
25 difference between those two; one is for high speed,

1 the other is for low speed and heavy carrying
2 capacity.

3 VICE CHAIRMAN PEARSON: Okay. So is there
4 anyone who has a different view? I mean are we quite
5 comfortable in redefining the like product to include
6 just this OTR segment? Because I just want to make
7 sure that we, you know, since you are encouraging us
8 to redefine like product I just want to make sure we
9 redefine it correctly because there are a lot of tires
10 out there that we're not talking about and I just want
11 to make sure that we've got the right group?

12 MR. PORTER: Again, Commissioner, we fully
13 support the staff has done it on their definition of
14 all OTRs.

15 VICE CHAIRMAN PEARSON: Okay. Thank you
16 very much. I spent a little more time on that than I
17 probably should have but I just wanted to make sure
18 that we were -- that you were of one mind on that.

19 Okay, so now you're arguing that both that
20 we should expand the like product. And I think you're
21 also arguing that we should find in the negative on
22 this case. Is it necessary for us to expand the like
23 product in order to find in the negative? Mr.
24 Durling?

25 MR. DURLING: I will start and then some of

1 my colleagues may join me. In our brief and on our
2 presentation we tried to go through the traditional
3 indicia the Commission looks at on both bases, both
4 certain OTRs, which is their definition, and all OTR,
5 which is our definition. And our view would be that
6 even if you were to look at certain OTR you have all
7 of the facts here necessary for a negative
8 determination because you still have shipments going
9 up, you still have prices going up, you still have the
10 cost/price gap getting wider. In other words, prices
11 on average are going up faster than the cost so
12 there's no price depression.

13 That once you look at market shares based on
14 either pounds or value, either of those alternative
15 measures, so as long as you recognize the broad range
16 of products in this case and look at either pounds or
17 value you will see that the domestic market share has
18 been stable. So they've been increasing shipments,
19 increasing prices, maintaining a stable market share,
20 and having improving profitability. So that suggests
21 pretty strongly that imports are not in themselves
22 having a adverse impact.

23 Honestly the only possibly negative indicia
24 if you were to look just at certain OTRs is the trend
25 in profitability is still very positive. In other

1 words, as more imports have come into the market
2 profits have still gotten better and better, which
3 does suggest the absence of any causal connection
4 between the imports and the condition of the industry,
5 but the level of the profitability is a bit on the low
6 side. I will grant you that. But I think that
7 explains precisely why the Petitioners have tried to
8 exclude the most profitable segments of the industry
9 because they want you to be focusing on an operating
10 margin in 2007 of 2.5 percent, 3 percent depending on
11 how you look at it.

12 VICE CHAIRMAN PEARSON: Mr. Porter.

13 MR. PORTER: And I know you only have 20
14 seconds left. Mr. Durling talked about what we call
15 the injury indicia. But what I want to say is all the
16 testimony and fact that you heard this morning about
17 the causation, about the attenuated competition from
18 the imports from China and the shortages apply no
19 matter which like product you adopt. All the
20 shortages or many, many of the shortages are in the
21 certain OTR. The attenuated competition where you saw
22 the, you know, the agricultural versus non-
23 agricultural and the OEM, that's also with respect to
24 certain OTR as well.

25 VICE CHAIRMAN PEARSON: Thank you very much.

1 Thank you, Madam Chairman.

2 CHAIRMAN ARANOFF: Commissioner Okun.

3 COMMISSIONER OKUN: Thank you, Madam
4 Chairman. And I join my colleagues in welcoming this
5 panel here today. Very much appreciate how many of
6 you have taken the time to be with us and help us
7 understand your business. So I would say I wish we
8 had more participation from the Chinese because then
9 we wouldn't have as many data questions that Mr.
10 Reilly raised about which data we should be looking
11 at. But again I do very much appreciate everyone who
12 is here and the participation that you have given and
13 the information you've provided.

14 I want to start I think or follow up on this
15 issue about shortages in the market and what that
16 means in terms of causation. Because I think the view
17 or the arguments I've heard from your panel, you know,
18 if one were to believe that the domestic industry
19 chose to go with the bigger products, that that's
20 where they'll make money and it makes sense for them
21 that this other data that you just went through, the
22 indicia of injury, doesn't show much change and,
23 therefore, you could find that there was not
24 causation. And I think that's where there's been I
25 think a good deal of he said/she said. I think one of

1 the lawyers said there wasn't. But I still see there
2 is because, you know, I'm looking at this data and
3 trying to figure out do I think the domestic industry
4 was pushed out of the smaller sizes or they chose to
5 leave? And I'm not sure what you can look at for
6 evidence of which one it was, and for me I think it
7 matters.

8 So I'm not sure how to put a question but,
9 Mr. Ganz, I think I'm going to start with you because
10 I think you started about that and you've been in this
11 industry a long time. And so I will put it this way,
12 when I look at the tables in the staff report that
13 break down the sizes of tires so we, in Chapter 3 of
14 the staff report it breaks down the Chinese size tires
15 in agriculture, mining. And then in Table 4.4 we have
16 the U.S. industry shipments, the Chinese shipments
17 versus U.S. industry shipments in the different sizes.
18 And if I just look at that data I can see that the
19 domestic industry used to produce more small tires,
20 used to ship more small tires than it does not but the
21 Chinese increased the tires. And again I think that
22 chart doesn't matter if I'm looking at a number of
23 units value or volume. I think that at least is the
24 trends of this thing.

25 And, you know, as you noted yesterday, and I

1 traveled to Titan's plant and, you know, they've got
2 lines that are down that don't produce these small --
3 that could produce these small tires and they don't do
4 it anymore. So I'm trying go I guess hear your
5 argument, and again I invite anyone to testify about
6 this, how do, what do we look at to say, well, we know
7 that they chose to move out as opposed to being pushed
8 out by the Chinese coming into that market and taking
9 a, as they described it, kind of a bread and butter
10 product?

11 MR. GANZ: You know, just to give you some
12 perspective on this industry, long before the Chinese
13 were involved --

14 COMMISSIONER OKUN: Mr. Ganz, maybe if you
15 could pull that closer so we can hear better.

16 MR. GANZ: I'm sorry.

17 COMMISSIONER OKUN: Thank you.

18 MR. GANZ: Just to get a little perspective
19 on the historical aspect of this segment of the
20 industry, these smaller tires fall into really two
21 categories. A lot of them are agriculture front
22 tractor tires and implement tires. You know, years
23 ago most of the tractors were 2-wheel drive tractors,
24 they were smaller tractors, they had free-rolling
25 tires on the front. Today most of the tractors are 4-

1 wheel drive tractors and have a traction tire on the
2 front. It looks like the same tire that's on the rear
3 of the vehicle.

4 When I came into the business and years and
5 years before that when my dad was running the business
6 nobody ever made money on the small fronts and ends.
7 That was always a loss leader product decades before
8 the Chinese came into that market. Part of the reason
9 was that you would look at the entire package that
10 you're selling, as every business does. The larger
11 rear tractor tires were where you would make money,
12 the smaller implement tires were loss leaders. And
13 within that the particular loss leaders, there were
14 particular tires that you would advertise your price
15 on in order to try to attract business.

16 One of those was the most popular implement
17 size, 11L15. Part of the reason was that because of
18 the very low performance demand of these tires,
19 they're free-rolling tires, there's no traction
20 required, a lot of these tires are made with what we
21 call work-away. So if you have slightly out of spec
22 material, if you have rubber that needs to be put
23 through the mixer a second time, a third time because
24 you had a tread that was too long, out of spec, you
25 would use it for these particular tires because they

1 would perform fine even with this work-away. And
2 people were willing to lose money on these tires
3 because they wanted to push this work-away through the
4 factory.

5 About ten years ago some of the companies
6 decided that they no longer liked this business model,
7 that they no longer wanted to lose money on small
8 tires. And I think General Tire was the first one
9 that decided they were simply going to get out of the
10 small tire front-end business. And Joel, I don't know
11 when that was.

12 MR. DE GLOPPER: I'm Joel De Glopper. I'm
13 V.P. of radial technology with GPX. I was present in
14 the Bryant plant which now is the Titan plant from
15 1998 on. When I arrived in 1998 the tooling to make
16 the small tires existed. The tire builders in the
17 back of the room from the Bryant plant had in fact in
18 their careers made the small tires. But it had been a
19 conscious decision of General Tire to not produce,
20 really to optimize is the better way to say it, to
21 optimize the dollars per pound.

22 So given the capacity of the factory, the
23 amount of labor required to make a small tire versus a
24 large tire, the business model moved even starting in
25 1998 to larger, more profitable tires. So in my

1 personal opinion, although I'm not associated with
2 General Tire at this time, that that's what I, you
3 know, that's how I read that. That's what I think
4 happened.

5 COMMISSIONER OKUN: Okay. I've got a hand
6 up in the back and then I'll come back up to you.

7 MR. LAMMLEIN: Commissioner, I'm Mark
8 Lammlein with Great Lakes Tire. And as I said in my
9 introduction, my background goes back to B.F.
10 Goodrich, Uniroyal and Michelin.

11 In 1995 I handled the Del-Nat Tire account
12 for Michelin located in Memphis, Tennessee. Del-Nat
13 is one of the largest cooperative private label
14 distributors in the country. And I was told to go to
15 Del-Nat by Michelin to tell them that we were exiting
16 the private label business. And those tires were made
17 domestically. My colleague Paul Copen was actually in
18 charge of the private label business at that time.
19 And it was always that we had to be positioned 20, 25
20 percent less than the Uniroyal brand, the Goodrich
21 brand, or the Michelin brand in order for these tires
22 to be accepted.

23 And that reiterates what Jeff Kreitzman said
24 earlier, that he couldn't get the major brand
25 factories, domestic, to manufacture private labor

1 tires for him because the margins were too low. At
2 that time it was really getting into the radialization
3 and it was more profitable for the domestic
4 manufacturers to manufacture brand name radial tires
5 like the B.F. Goodrich TA and some of the Michelin
6 tires and the well-known Uniroyal tires and not
7 manufacture the private label brands where the margins
8 are much less.

9 So it's always been my contention that the
10 domestic manufacturers pushed the private label
11 manufacturers in the United States to seek production
12 elsewhere other than the United States.

13 COMMISSIONER OKUN: Okay. And then let me
14 come up here first, Mr. Koch?

15 MR. KOCH: Yes. My name is Jeff Koch from
16 Caterpillar.

17 Actually, you know, we would love it if the
18 domestic industry could supply the tires to us. We're
19 not trying to push them out at all. We buy a lot of
20 different tires that are within scope, 24, 25, 29, 33
21 and 35-inch tires. In all cases we've had example of
22 shortages. Even recently, as I mentioned earlier,
23 recently we've gone to Titan and asked for tires for
24 our Clayton, North Carolina facility, and they have
25 not been able to supply those tires to us since early

1 June. We're about 400 tires behind right now. And we
2 were told that they will do the best they can but they
3 can't supply the tires right now and we should work on
4 starting to find another supplier.

5 COMMISSIONER OKUN: Mr. Ganz, you wanted to
6 add something else?

7 MR. GANZ: Yeah. One of the things I wanted
8 to add is when we got into the business as a
9 manufacturer we bought all of the agriculture tire
10 molds for the bias ply agricultural and implement
11 tires from B.F. Goodrich. That was back in 1985.
12 B.F. Goodrich decided, as was just mentioned, that
13 they were very enthralled with radial TA, raised white
14 letter business, that this was much more exciting than
15 the farm business. And so as early as 1985 the
16 domestic manufacturers saw that this was no longer
17 fitting their economic model. These were shorter
18 runs, required frequent changeovers, particularly the
19 smaller sizes were commanding lower and lower premiums
20 in the market.

21 And I think that this trend that we're
22 seeing now started decades ago.

23 COMMISSIONER OKUN: Okay. My light is going
24 to change. I don't know if any of the lawyers wanted
25 to go. Yes, that's a lawyer back there, Mr. Lewis I

1 think.

2 MR. LEWIS: Yes, I am a lawyer.

3 Commissioner Okun --

4 COMMISSIONER OKUN: Not that there's
5 anything wrong with that.

6 MR. LEWIS: I'm glad to hear that.

7 Just I wanted to go back actually to a
8 comment you made at the outset of your questions about
9 the coverage of the Chinese producer data. And I do
10 want to take a little bit of issue with you on that.
11 I do think that as the data is examined closely there
12 is really no question that every major and significant
13 exporter from China has provided questionnaire data.
14 And I did want to also convey to you that the efforts
15 that were undertaken to collect this data were
16 significant. Certainly at my law firm a team of
17 lawyers and consulting working through the China
18 Manufacturers' Association obtained data from every
19 one of those members who export into the United
20 States, and even reached out beyond that membership to
21 other producers.

22 But that aside, I think the more important
23 point rather than the effort is I do think that the
24 data that is before the Commission actually is
25 unusually comprehensive.

1 COMMISSIONER OKUN: Okay. You know, and as
2 you said, Mr. Lewis, we will go back and look because,
3 as you probably know practicing here, we've had three
4 different cases, we have a hearing tomorrow, and I may
5 have been thinking about tomorrow's hearing. So I
6 will go back and look. And I apologize if I misstated
7 that.

8 Thank you for the clarification.

9 CHAIRMAN ARANOFF: Commissioner Lane?

10 COMMISSIONER LANE: Yes. You all had better
11 be careful. We might start asking you about magnets
12 or something like that.

13 Mr. Lewis, I will keep with you, and I, too,
14 think there is nothing wrong with lawyers.

15 MR. LEWIS: Thank you for that.

16 COMMISSIONER LANE: Let's talk about tires
17 from China. How are tires that are in scope, how are
18 they packaged to get here from China?

19 MR. LEWIS: I have to confess, I'm not an
20 expert -- I am a lawyer, as you pointed out -- but I
21 did work on the antidumping side of this case where I
22 did have a fair amount of firsthand experience on that
23 side, the exporting process, and, actually -- I'll
24 please invite others on our delegation here to correct
25 me if I'm wrong, but my understanding is that they are

1 not packed, that they are basically stacked in
2 containers, oftentimes with smaller tires within
3 larger tires, but there is really no packing involved
4 in it.

5 COMMISSIONER LANE: Yes, sir. Do you want
6 to identify yourself, please?

7 MR. MURPHY: Yes. My name is Aaron Murphy.
8 I'm with China Manufacturers Alliance, or CMA.

9 In-scope and out-of-scope tires many times
10 are packaged and shipped to the United States and
11 North America in the same manner. For instance, out-
12 of-scope tires, up to 49-inch, off-the-road tires, can
13 be put into 40-foot, high-cube containers, as well as
14 in-scope tires of, say, 1800 R-33 radial products into
15 containers.

16 Where the dividing line comes is, as you go
17 into the larger and the giant-sized tires, the 51- and
18 57-inch tires, where they will be required to be put
19 into specialized containers and usually loaded on tops
20 of container ships versus in the belly.

21 So the dividing line does not follow along
22 how the products are shipped with what is in scope and
23 what is out of scope.

24 COMMISSIONER LANE: Did I see another hand
25 back there?

1 MR. MAZZOLA: Yes, Commissioner Lane. I
2 just wanted to say that I think the answer that you
3 got was complete, that the vast majority of the OTR
4 tires that are shipped to the United States from any
5 country in the world are not wrapped, packaged,
6 palletized. They are pretty much loaded into the
7 containers loose in whatever the most efficient
8 configuration is to maximize the load.

9 COMMISSIONER LANE: Okay. Does the cost
10 effectiveness of shipping change as the size of tires
11 increases? Mr. Ganz?

12 MR. GANZ: Yes, Commissioner. It's not so
13 much the size of tire but the weight of the tire.
14 You're shipping a lot of air, particularly with farm
15 tires, and the tires tend to cube out. In other
16 words, the volume fills up the container long before
17 you max out in terms of the weight that the container
18 can carry.

19 All of us who bring tires in from China try
20 to bring in both large and small tires, oftentimes in-
21 scope and out-of-scope tires, because you can fit
22 smaller tires inside the holds of the larger tires,
23 and that's why they are shipped together. We also try
24 to ship heavier tires, such as OTR and industrial
25 tires, along with agricultural tires, again, to try to

1 balance, as much as possible, both the cube and the
2 weight of the container.

3 MR. PORTER: Commissioner Lane?

4 COMMISSIONER LANE: Mr. Porter.

5 MR. PORTER: Yes. I would like to ask
6 Maggie Koester to describe her experience and the
7 importance of weight in shipping and how, contrary to
8 the statements we heard yesterday, where no one thinks
9 about weight in the tire business; they only think
10 about units; I think Maggie can explain a different
11 scenario.

12 MS. KOESTER: I found it very odd yesterday.
13 I know when you order tires, we order them by the
14 units, but if you want to get your shipments, you have
15 to meet certain poundage. So even though you don't
16 call up and order a hundred pounds, you call up and
17 order five tires, you won't get those without meeting
18 the weight requirements in order to get your shipment.

19 COMMISSIONER LANE: And is that weight
20 requirement a requirement of the method of
21 transportation?

22 MS. KOESTER: That's the way the vendor
23 requires you to purchase. So that they don't have
24 small LTL shipments going everywhere, they require
25 large shipments for every customer. You have

1 different buying brackets once you reach a certain
2 poundage.

3 COMMISSIONER LANE: Is it economically
4 feasible to ship the very large, out-of-scope
5 construction and mining tires from China to the United
6 States?

7 MR. GANZ: Clearly -- this is Brian Ganz --
8 clearly, it is feasible to ship them. Again, what we
9 try to do is to ship them along with smaller, in-scope
10 products because, again, the out-of-scope products
11 have very large rim diameters, and there's holes that
12 smaller tires can fit inside.

13 But, again, the issue is that a larger tire
14 that weighs more sells for more. If we ship 20,000
15 pounds in a container, and that comprises eight tires
16 or 80 tires or 800 tires, it really is not
17 particularly relevant to us. We're getting the same
18 freight cost on a per-pound basis.

19 So there is no real disadvantage on the
20 larger, out-of-scope tires, except to the extent that
21 they get beyond the point where they can fit in a
22 normal, high-cube container.

23 COMMISSIONER LANE: Okay. I want to shift
24 to the issue of capacity.

25 Yesterday, the domestic industry talked

1 about unused capacity, and I believe that you all are
2 contesting that they don't have unused capacity, or,
3 for some reason or other, the domestic industry is not
4 able to supply the market.

5 Why don't you respond to what you heard
6 yesterday about the capacity of the domestic industry
7 and its ability to supply the market? Sir, I can't
8 quite see your name.

9 MR. KOCH: I'm Jack Koch from Caterpillar.

10 COMMISSIONER LANE: Okay.

11 MR. KOCH: In fact, if the statements that
12 the Petitioners made yesterday about the availability
13 of in-scope tires were true, Caterpillar wouldn't be
14 here in front of you today.

15 As I mentioned before, we have not been able
16 to get enough of our tires. This has persisted over
17 the past four years, and we expect it to persist for
18 the next couple of years.

19 On pages 17 and 18 of the prehearing brief,
20 we provided confidential data regarding the extent of
21 our in-scope tire shortages, and additional details
22 are provided on the questionnaire response. While the
23 same is true for large tires that the Petitioners
24 would like you to disregard, the fact is that these
25 shortages affect the smaller-sized tires in scope.

1 COMMISSIONER LANE: When you have asked the
2 domestic industry to supply you your tires, what has
3 been the response?

4 MR. KOCH: Well, generally, of course,
5 anybody would like to be able to supply tires, and, in
6 most cases, most of these companies do very much want
7 to supply Caterpillar. It's when they just plain
8 can't.

9 So, typically, they put us on allocation,
10 and we tell them how many tires we need for the next
11 year, which is not something normally done under free
12 supply, where we have to say how many tires we need.
13 We typically do that in September. So, this
14 September, roughly, timeframe, we'll be talking to
15 suppliers about -- it's actually a longer process,
16 over several months -- about what we need for the next
17 year.

18 Then the suppliers will come back and say,
19 "Okay. I know you need, for example, 5,000 of this
20 size. However, I can only supply you 3,000 or 4,000
21 or whatever." So then we have to go out and fill the
22 gap.

23 So we might get some of the tires from the
24 domestic producers, but we won't get our entire need.

25 MR. KLETT: Commissioner Lane, this is Dan

1 Klett. There is an element of capacity constraints
2 that I think is important, and it relates specifically
3 to Titan and its realignment after it acquired the
4 Goodyear plant and the Continental plant. I just want
5 to read something from the first quarter 10-Q from
6 '07.

7 It says: "Due to capacity constraints at
8 Titan's Bryan, Ohio, OTR tire facility, the company is
9 adding tire capacity at its Freeport, Illinois, and
10 Des Moines, Iowa, facilities. Titan is aligning
11 synergies which include retooling, retraining
12 personnel, and redistribution of equipment at the
13 Bryan, Freeport, and Des Moines facilities. These
14 realignment costs of approximately five to \$7 million,
15 and that was just in one quarter, lowered the
16 company's gross profit as labor costs that are
17 normally dedicated to making products were, instead,
18 used for retooling, retraining, and redistribution of
19 equipment.

20 Now, there is similar language in their
21 2006, 2007, and 2008 SEC filings, the point being that
22 there were realignment issues at Titan that resulted
23 in capacity constraints based on where the labor was
24 being used with respect to production versus
25 realignment and getting its giant OTR facility up and

1 running in Bryan, Ohio.

2 MR. KOCH: One more thing I would like to
3 add, if you don't mind, is, in that allocation
4 process, over the last period of time, Titan, in
5 particular, has shipped barely one-third of the in-
6 scope tires that we requested.

7 MR. KREITZMAN: This is Jeff Kreitzman.
8 I've got one thing I would like to add to that as
9 well.

10 COMMISSIONER LANE: Mr. De Glopper, you had
11 your hand up.

12 MR. DE GLOPPER: Gerald De Glopper. I have
13 a little experience with the utilization of the
14 tooling in the Bryan, Ohio, factory, as, again, I was
15 present there for many years.

16 I believe it's the capacity of the equipment
17 existent, as Bridgestone-Firestone mentioned, as well
18 as at the Bryan facility. The equipment is not
19 optimal for profitable tire building, and the
20 rearrangement, as we just discussed, does cost money
21 and time. The retraining costs money and time. I
22 think that this is what Mr. Taylor was referring to as
23 "capacity coming up online."

24 Fundamentally, the equipment is not easy to
25 work. Again, the tire builders are excellent at

1 manual operations, but it's going to take time to
2 bring the capacity up to satisfy the needs.

3 COMMISSIONER LANE: Okay. Thank you. My
4 time is up. Thank you, Madam Chairman.

5 CHAIRMAN ARANOFF: Commissioner Williamson?

6 COMMISSIONER WILLIAMSON: Thank you, Madam
7 Chairman.

8 I want to go back to this question of the
9 branding and the premium there, and, given the general
10 shortages that all of you have talked about, at what
11 point do these shortages decrease the premium on
12 branded tires?

13 MR. GANZ: Yes. This is Bryan Ganz. I
14 think one of the things that we need to understand is
15 that when you're comparing Chinese tires or U.S.
16 tires, that's very different than comparing branded
17 and nonbranded. The largest importer of Chinese tires
18 into the United States, in fact, is Bridgestone, but
19 Bridgestone doesn't bring in any of these scope
20 products; they bring in a significant number of
21 medium-radial truck and passenger car tire products.

22 Nobody who puts those products on their
23 vehicles knows that they are a Chinese tire. To them,
24 they are simply a Bridgestone tire. Michelin,
25 Goodyear, and all of the other major rubber companies

1 also bring in tires from China under their own brands,
2 and, again, they are viewed as a flagship brand.

3 So it is not a tire from China, per se, that
4 has a lower perception in the market; it is that
5 particular brand, and the question that Commissioner
6 Aranoff raised earlier about, "Well, once they get
7 comfortable with the brand, doesn't it have a
8 different level of the market?" that's certainly true,
9 but it will have a level consistent with that
10 performance.

11 As Mr. Kreitzman said, he took two different
12 tires exactly the same size for the same application,
13 one made by a company in China that got 2,000 hours
14 and one made by Bridgestone that got 3,000 hours.

15 So, clearly, to the extent that people
16 become comfortable with that second brand, they may
17 continue to buy it. For them, a tire that gets 2,000
18 hours may be perfectly adequate for the application
19 they are using and for the amount of time left in the
20 machine, but that brand that is going to command a
21 discount of maybe 40 percent in the market, if a tire
22 gets a third less hours, it will not sell for a third
23 less price because you have to take into account also
24 the lower casing value that the tire will have and the
25 additional time necessary, additional downtime, for

1 changing tires.

2 So as people become comfortable with the
3 brands, the brand premium or discount will really be
4 dependent on the actual performance of the tire, and,
5 as I said, these consumers are very, very
6 sophisticated. They know, down to the penny, what
7 their cost per hour is of the various brands that they
8 buy.

9 COMMISSIONER WILLIAMSON: Mr. Koch?

10 MR. KOCH: I reiterate what Mr. Ganz said.
11 Our customer really do strongly prefer to buy, as you
12 will, brand-name tires, such as Michelin or
13 Bridgestone-Firestone, Goodyear. When they can't get
14 those tires, then they have a choice of not getting a
15 machine or getting a machine that has a tire that will
16 allow it to do the work. They will get that, but then
17 what happens is that tire will not last as long.

18 Really, what the customers are looking at is
19 not an initial price of a tire so much as the total
20 cost of their ownership. So, in the end, if they can
21 put a Michelin on and pay a significant premium, that
22 they will get a higher value for it or a lower total
23 cost of ownership, they will do that. As Mr. Ganz
24 stated, the customers do know how to do that.

25 COMMISSIONER WILLIAMSON: I guess my

1 question, though, is, if they can't get the branded
2 tire, what happens?

3 MR. KOCH: If they can't get the branded
4 tire, then we have to find an alternative source
5 wherever we can, basically. In fact, in some cases,
6 we might lose a sale if we can't get tires for a
7 machine. But if we can find an alternative source
8 that fits and that we feel will work on the machine,
9 we will sell it to the customer, and there will be a
10 lower price involved with that tire.

11 Over time, if the tire proves out that it's
12 an acceptable tire, the real key thing is still will
13 it have the life that, for instance, a Michelin or a
14 Bridgestone might have? I think that's something that
15 would develop over years because the life of the tire
16 is really one of the key things. They may find that
17 the tire won't pop or something like that, but it will
18 have the life, or it will not have the life, if it's
19 Chinese or whatever.

20 COMMISSIONER WILLIAMSON: Mr. Ganz?

21 MR. GANZ: During periods of extreme
22 shortages, we have supplied tires to both Caterpillar
23 and John Deere from China on Chinese brands, a
24 triangle tire, and Caterpillar now has a lot of
25 experience with that. The tires were suitable for

1 getting the machines out the door. The failure rates
2 on these tires were much higher than the failure rates
3 on Michelin and Bridgestone, and I think, as a result,
4 consumers, when they have the opportunity to buy the
5 Michelin or Bridgestone, will definitely do that.

6 If it's a question of walking or driving,
7 people will always choose to drive, no matter what the
8 vehicle is, and I think, you know, if the question is
9 the machine sitting idle or being able to run, they
10 will take whatever tire is possible.

11 One of the people that worked for Jack; she
12 refers to these tires as "may pops," and I was sitting
13 with her, and I said, "Deborah, I don't understand
14 what you mean by 'may pops.'" I said, "I've been in
15 the business for 30 years." She goes, "Well, they may
16 pop, or they may not pop, but we get them out the
17 door." I think, during periods of extreme shortages,
18 that is the attitude that people take.

19 MR. REILLY: John Reilly, Nathan Associates.
20 Just one quick point, and that is that how shortages
21 affect brand premium is pretty much up to the
22 producers of the tires that own those premium brands.

23 If you have a situation where, with larger
24 tires, not only giant tires but larger tires in
25 general, where demand is growing rapidly, and

1 production is struggling to keep pace, and there is
2 substantial investment, then the fact that supply is
3 tight really has no significant adverse affect on the
4 brand premium.

5 If you have a different situation, like was
6 illustrated this morning with the 90-tire SKUs that
7 aren't going to be produced, you have the producer
8 electing not to make those tires because he can make
9 more money making other tires. Since those tires
10 aren't available from the premium brand producer, over
11 time, the premium-brand producer becomes irrelevant to
12 the market because folks who need those tires are
13 sitting there saying, "Well, he doesn't make those
14 anymore, so I've got to go over here."

15 COMMISSIONER WILLIAMSON: Okay. I was just
16 wondering, in the number of lines of tires, are we at
17 that point now? Some of you seem to be suggesting
18 that you're not going to be able to get a number of
19 lines.

20 MR. GANZ: I think that that is correct.
21 This is Bryan Ganz. I think that is correct that, for
22 many segments of the market, particularly for front
23 farm and implement tires, that there are tires coming
24 in from China and elsewhere that are becoming the
25 predominant tire simply because the major rubber

1 companies have decided that they don't want to fill
2 those orders.

3 Over a long enough period of time, we don't
4 know whether Bridgestone-Firestone is exiting these
5 markets, or if they are simply waiting for sufficient
6 orders to back up so that they can do a run of 2,000
7 or 3,000 tires at a time. But, certainly, consumers
8 can't wait. When you need a tire, it's not a luxury
9 good; it's a necessity, and they are going to buy
10 what's available.

11 COMMISSIONER WILLIAMSON: Is there a
12 difference between tires for OEM and the resale
13 market, in terms of the role of brands?

14 MR. GANZ: This is Bryan Ganz. We sell both
15 original-equipment customers and aftermarket
16 customers. About 25 percent of our business is to
17 original-equipment customers.

18 We sell tires under two different brand
19 names. We sell tires under the Galaxy brand name and
20 the Primex brand name. All of our OE business is
21 under the Galaxy brand name, and that is our premium
22 product, but we also sell those tires in the
23 aftermarket.

24 So there is a preference at OE to go with
25 established brand names, brand names that they are

1 comfortable with and that their customers will be
2 comfortable with because it becomes more difficult to
3 sell the machine if the customer is not familiar with
4 or comfortable with the brand of tire on the machine.

5 The tire is really sort of the only branded
6 product on the machine when a customer goes into the
7 dealership. Everything else on that John Deere
8 tractor is John Deere, except for the tire.

9 COMMISSIONER WILLIAMSON: The person in the
10 back there?

11 MR. KREITZMAN: Jeff Kreitzman. We do a
12 fair bit of OE business as well, and we build quite a
13 few tires for other manufacturers as well. It's about
14 a third of our business. What we do is we generally
15 build under their brand, so, like, we build tires for
16 Titan, we build it under their brand, or we build
17 tires for other large, commercial equipment makers
18 like Caterpillar. We don't supply Caterpillar, but we
19 supply other people like that under their own brand
20 names.

21 COMMISSIONER WILLIAMSON: Is that a growing
22 business?

23 MR. KREITZMAN: For us, we've been in the
24 business for a long time. We know all of the
25 manufacturers, and quite a few of the manufacturers

1 come to us on a regular basis and ask us to build
2 stuff for them because, like Bryan explained earlier,
3 Ganz, that there are short runs, it's not as
4 profitable a business for them.

5 In the POI period, we were working with
6 General with Joel and looking at building smaller
7 earth mover tires because they wanted to tool up to
8 build bigger earth mover tires because the factory
9 only had limited capacity of what it could build.

10 So we do that a lot for a lot of different
11 manufacturers. We come in where things aren't that
12 profitable for them, and they would rather build
13 something more profitable, they have a limited amount
14 of capacity in a particular plant, and come to us and
15 say, "Okay. Here is what we want. We want it to look
16 this way." In a lot of cases, we use their molds.
17 We've brought in their engineers into our plants to
18 work with our engineers to design stuff. So it's
19 pretty common for us, and it's a thriving business for
20 us.

21 COMMISSIONER WILLIAMSON: My time is up, but
22 thank you for that because I was wondering about that.
23 Thank you.

24 CHAIRMAN ARANOFF: Commissioner Pinkert?

25 COMMISSIONER PINKERT: Thank you, Madam

1 Chairman.

2 I want to come back to this issue of whether
3 there are categories in the above-39-inch construction
4 and mining tires that are not being exported from
5 China to the United States, and I note that, in Mr.
6 Lewis's brief, at page 59, there is a statement, and
7 I'm paraphrasing here, but I think it's accurate to
8 say that what you say here is that the Chinese do not
9 export to the United States the 39 inches and larger
10 construction/industrial tires.

11 Now, I want to give Mr. Lewis a chance to
12 comment on that, and I want to give the others who
13 have commented on this issue an opportunity to comment
14 on what he says. Thank you.

15 MR. LEWIS: I guess my initial response to
16 that is, based on the testimony I've heard over the
17 last few days, I would amend that statement. It
18 appears that there are, in fact, significant
19 quantities in those categories that are imported from
20 China.

21 COMMISSIONER PINKERT: Perhaps, in the post-
22 hearing, you could get into the question of how
23 significant those quantities are and give us some idea
24 of what we're dealing with there, in terms of the
25 amount.

1 MR. LEWIS: We would be happy to.

2 COMMISSIONER PINKERT: Mr. Kreitzman?

3 MR. KREITZMAN: One thing I would like to
4 add is that I find it amazing that the Petitioners
5 have no idea that we've been bringing these tires into
6 North America for years, so, obviously, they haven't
7 been injured by those sales.

8 COMMISSIONER PINKERT: Okay. But in terms
9 of the statement in Mr. Lewis's brief, it's your
10 testimony that the Chinese are exporting the 39 inches
11 and larger construction/industrial tires to the United
12 States.

13 MR. KREITZMAN: That's correct.

14 COMMISSIONER PINKERT: And can you give me
15 some idea, either here or in the post-hearing, as to
16 the amounts that we're talking about?

17 MR. KREITZMAN: Yes. We'll provide some
18 information for you in our post-hearing brief.

19 COMMISSIONER PINKERT: Okay. Is there
20 anybody else that wishes to comment on that issue, at
21 this point, or perhaps in the post-hearing?

22 MR. MURPHY: This is Aaron Murphy from CMA.
23 During the questionnaire of the final investigation,
24 we did submit some information on out-of-scope
25 products that we had imported into the U.S. from our

1 parent company, Double Coin Holdings, as well as some
2 other manufacturers. So there may be something there.
3 I'm not sure, but I know we did actually submit that
4 information.

5 COMMISSIONER PINKERT: I would ask one other
6 thing, and, again, I think this pertains to the post-
7 hearing more than it does to the responses here today.
8 If you do find that the amounts are not all that
9 significant within particular product categories, for
10 example, the larger construction/industrial tires,
11 then could you also give me some analysis of why they
12 are not all that significant, or, if the amounts are
13 significant, then, again, comment on why you consider
14 them to be significant. All right? Thank you.

15 Did you wish to add anything, Mr. Lewis?

16 MR. LEWIS: No, just that we would be happy
17 to address that in our post-hearing.

18 COMMISSIONER PINKERT: Thank you.

19 Now, turning to Mr. Koch, I think that you
20 testified today that you've had a substantial amount
21 of inability to get orders filled domestically for
22 certain kinds of tires, and I'm wondering -- again,
23 we're just talking about within the scope for purposes
24 of this question -- how much of that was in the
25 smaller sizes, and how much was in the larger sizes?

1 MR. KOCH: Okay. Well, as I said earlier,
2 the shortages were actually across all of the sizes
3 that are in scope, from 24 inches and up, and, I
4 guess, if you would like me to supply information on
5 exactly what shortages we've had, we can do that. In
6 fact, I think we probably put that confidentially into
7 the prehearing brief, but we can do it size by size.
8 Is that what you would like?

9 COMMISSIONER PINKERT: That would work very
10 well.

11 MR. KOCH: So we can put that in the post-
12 hearing brief, then.

13 COMMISSIONER PINKERT: Thank you.

14 MR. DENIS: Excuse me. Dan Denis.

15 COMMISSIONER PINKERT: Yes.

16 MR. DENIS: We've had similar problems with
17 the in-scope tires as well. I did give a detailed
18 list of sizes and types in the questionnaire, so that
19 information should be available.

20 COMMISSIONER PINKERT: Thank you.

21 Ms. Koester?

22 MS. KOESTER: Maggie Koester. Since
23 Goodyear is our primary supplier, we were very
24 disappointed when Goodyear advised us how many tires
25 they would allow us to buy, and that's what we were

1 allocated in years 2004, 2005, 2006, and 2007.

2 I got an e-mail, late in 2005, in a response
3 to, "Okay, I wanted X numbers, and you only gave me X
4 numbers, and I need the rest of my allocation," and
5 this is November, getting ready to plan to do the 2006
6 allocation, and the e-mail is: "Sorry. We came up a
7 little short. You won't be getting any more."

8 You go into the next year, and the same
9 pattern happens, and it happens that we have tires on
10 order with Michelin, the OTR tires, that we've had on
11 order since 2004, and it's on our 2008 back order.

12 What can you do? You can do nothing. All
13 you can do is leave them on order, in hopes that one
14 day you'll get tires from them.

15 I thought that the whole point was minimized
16 yesterday, and it kind of rubbed me the wrong way
17 because they make it sound like there is no problem.
18 What do you mean? You're just choosing to buy
19 something other than my product.

20 Well, the purchaser's questionnaire was full
21 of areas to fill in to show you what really has
22 happened. Thank you.

23 COMMISSIONER PINKERT: Thank you.

24 An additional comment?

25 MR. KLINE: Yes. On my questionnaire that I

1 did for you, in one instance, Bridgestone, I had an
2 order for 24 tires to put on new equipment. Of those
3 24 tires, I went to seven different warehouse sources
4 and found 10 tires. That was all we could find. We
5 lost the order because we couldn't get the supply.

6 When I did the questionnaire for you, I used
7 Bridgestone-Firestone, I used Titan, and I used
8 Goodyear because I thought those were relevant to what
9 was going on, and I filled a page for you, and the
10 product was not there.

11 COMMISSIONER PINKERT: Thank you.

12 Now, turning back to Mr. Lewis, I noted
13 that, earlier, you talked about the efforts that you
14 went to put together some of the data about the
15 Chinese producers, and I'm wondering whether you could
16 describe for me the other markets that the Chinese
17 producers have for within-scope OTR tires.

18 MR. LEWIS: Just to be clear, other non-U.S.
19 markets, including China.

20 COMMISSIONER PINKERT: Correct.

21 MR. LEWIS: And your question is in terms of
22 the size of those markets and conditions in those
23 other markets.

24 COMMISSIONER PINKERT: I would make it as
25 broad as possible: size, conditions, and also the

1 degree to which the Chinese production is committed to
2 those markets.

3 MR. LEWIS: Well, let me just respond very
4 briefly on that and turn that over to my colleague,
5 John Reilly, who has some comment on it.

6 As indicated in our briefs, the end user
7 industries that predominantly use OTR tires -- mining,
8 construction, agriculture very much, in particular --
9 are expanding enormously within China, and also, in
10 the mining area, there is particular growth in other
11 non-U.S. markets -- Africa, in particular, for
12 minerals; the Middle East, and elsewhere in Asia --
13 and that's where the demand has been for OTR tires in
14 the subject range, but I'll turn that over to John for
15 further comment.

16 MR. REILLY: Thank you. One of the issues I
17 had intended to address during my direct testimony was
18 the evolution of the Chinese industry, but,
19 unfortunately, I ran out of time before I ran out of
20 words, so let me get into that.

21 Bryan, could you go to my Slide 4? Let's go
22 to five.

23 Okay. This shows, generally, that the
24 production of Chinese tires has increased robustly
25 during the period of investigation, and, even through

1 2009, it's expected to go up fairly sharply.

2 The capacity utilization has remained quite
3 high and will remain high through the projected
4 period, and inventories are low relative to shipment
5 volumes.

6 Go to Slide 6 now.

7 This slide shows how the shipments of
8 Chinese products to their various markets have evolved
9 and what they are expected to do in the next two
10 years. I notice the shipments to the home market have
11 increased by 163 million pounds, exports to the USA
12 have increased by 29 million pounds, and exports to
13 all of their other markets have increased by 111
14 million pounds.

15 Now, the total shipments increased by 304
16 million pounds and shipments to the USA by 29 million
17 pounds. That means that 90 percent or so of their
18 increase has been to non-U.S. destinations.

19 If you look at the 2008-2009 projections,
20 you'll see a similar pattern. Basically, you see a
21 substantial increase in shipments to the home market,
22 from 568 million pounds to 781 million pounds in 2009.
23 All other exports to non-U.S. markets, from 245
24 million pounds to 364 million pounds.

25 In fact, what you have is a very large, non-

1 U.S. market dog wagging a very small, U.S. market
2 tail, and that's apparent by the fact that they are
3 projecting a decline in exports to the U.S. market
4 back to levels that were in the 2005 range, and that's
5 hardly surprising, given the fact that their non-U.S.
6 markets are growing very, very robustly and the fact
7 that they are more attractive.

8 If, for no other reason than the decline of
9 the dollar against the RMV, which has been significant
10 since 2005, and the fact that ocean freight rates have
11 been exploding, which makes it less attractive to
12 export to the U.S. market, which is distant, than to
13 other destinations, which are closer.

14 The real driver, though, the principal
15 driver, is booming home market demand, and that demand
16 occurs across the board: construction, mining, and
17 agriculture.

18 COMMISSIONER PINKERT: Can I get a quick
19 follow up on that?

20 CHAIRMAN ARANOFF: Go ahead.

21 COMMISSIONER PINKERT: Is it your testimony
22 that the decline in the projections for the U.S.
23 market has been explained by the Chinese producers, or
24 are you saying that that's your explanation for the
25 projections going forward?

1 MR. REILLY: That's my explanation for the
2 projections going forward. The questionnaire doesn't
3 ask them to explain in any detail what their projected
4 volumes mean. They simply put down the projected
5 volumes.

6 We have looked at historical growth rates,
7 which are accurate, and the fact that they are
8 projecting declines in shipments to the U.S. market
9 are consistent with their historical growth rates, the
10 unimportance of the U.S. market to them, and the very
11 robust expected growth over the next two years in
12 their non-U.S. markets, home market plus other export
13 markets.

14 COMMISSIONER PINKERT: Thank you. Thank
15 you, Madam Chairman.

16 CHAIRMAN ARANOFF: Following up on questions
17 that Commissioner Okun and some of my other colleagues
18 have asked, I feel compelled, at this point, to ask
19 myself whether the version of the facts that I'm
20 hearing this morning and the version that I heard
21 yesterday afternoon couldn't both be true.

22 In particular, a number of you testified
23 about specific models, and you referred to them as
24 "niche products" that you couldn't get from domestic
25 producers, that it didn't make sense for them to

1 produce, and you gave me numbers in the tens and
2 hundreds of these products that might be needed in the
3 U.S. market in a given year.

4 I've got data, and I know you think it's
5 overstated, but, in any event, it shows me there is
6 something like three million tires a year coming into
7 the U.S. market from China within scope.

8 So I have to ask, how can these niche
9 products that maybe the domestic industry really
10 doesn't want to make, and it's not economical for them
11 to make -- they can't account for all of those tires,
12 and it couldn't it also be true that a great number of
13 those are fairly run-of-the-mill, agricultural tires
14 that the domestic industries have capacity to produce
15 but aren't able to sell because there are cheaper
16 Chinese versions coming into the market? How do I
17 assess that? Mr. Ganz?

18 MR. GANZ: Yes, Madam Chairman. The slide
19 that we showed with the Bridgestone-Firestone back
20 order report does not show back orders in the tens or
21 twenties. There are orders for 100,000 tires, as of
22 April 18th, just for Bridgestone-Firestone. Again,
23 they represent about 40 percent of the market. With
24 all of their available stock and their production for
25 May, they project being 60,000 units behind, and

1 that's simply Bridgestone-Firestone.

2 So, although a lot of our customers here are
3 giving particular examples about 24 tires they may
4 have ordered here and 10 tires they may have ordered
5 there, these are only but specific examples, and the
6 reality is, and we're hearing from our customers
7 continuously, that this is not a sporadic problem,
8 this is not a problem limited to a few sizes; this is
9 a widespread problem that runs the gamut of sizes, and
10 it's hard to think of anything where the supply is
11 plentiful, frankly.

12 CHAIRMAN ARANOFF: Okay. That's a fair
13 enough answer.

14 Mr. Ellis, did you want to add something?

15 MR. ELLIS: Yes. Just to point out --
16 again, Neil Ellis, Sidley Austin, on behalf of
17 Caterpillar -- on pages 17 and 18 of the questionnaire
18 response, which I will recommend that you read and not
19 just your staff, there are shortages in the thousands
20 that Caterpillar has faced over the course of the POI,
21 not dozens, not hundreds, but thousands, and it's
22 persistent, as Mr. Koch has said several times, across
23 many different sizes. So we are not facing a problem
24 with just a niche product but across the board.

25 CHAIRMAN ARANOFF: Okay. If I'm to look at

1 these back orders that people have put into evidence
2 to show me how widespread the problem is relative to
3 the volume of Chinese imports, then I need to probe a
4 little bit about the nature of these back orders.

5 So let me start with you, Mr. Koch, and then
6 I'll ask some of the other purchasers as well.

7 When you go to the manufacturers, and you
8 tell them how many tires you want for a particular
9 year, do you have a number of in mind of what you
10 think you're going to need? You know the market is
11 tight. Do you ask every domestic producer for 100
12 percent of what you need?

13 MR. KOCH: No. We generally don't. It is a
14 process. We look at our entire need. With some of
15 the real key suppliers, we'll share our entire need.
16 They will often come back to us with their first run
17 of, "Here is how many we can supply." In other cases,
18 we'll go with what we want from that supplier. So
19 it's a little bit of a mix.

20 When I talked in terms of how many somebody
21 could supply from what we asked them for, I'm not
22 doing that in terms of asking for all of the tires
23 that we need. No supplier in the world could supply
24 all of the tires that we need.

25 CHAIRMAN ARANOFF: Okay. I asked because

1 there are a number of commodities and products that,
2 right now, are in short supply, given growth in
3 various commodity markets. In a number of cases that
4 we've seen lately, particularly steel cases, we've
5 seen that distributors, thinking that supply is tight
6 and that prices are going up, just order more than --
7 that's a typical market reaction, that you order more
8 than you need if you think the price is going to go
9 up, or the supply is going to be short.

10 So I'm trying to assess whether some of
11 these back orders I see are a cushion where people are
12 saying, "Look, put me on the list, and whenever you
13 have a tire, I'll take it, but it's not one you need
14 today."

15 MR. KOCH: That's the worst thing that we
16 could do because, if we're ordering extra tires
17 because we're afraid that we might not have enough --
18 in other words, hoarding -- if we're hoarding tires,
19 then we're using capacity for some other tire that we
20 really need, and if we do that, then we're sunk.

21 So we have to go in with a very honest
22 assessment of the tires we need, and I'm sure that
23 most of the tire suppliers would tell you that we do.

24 MR. REILLY: Chairman Aranoff, John Reilly
25 from Nathan Associates. Just a couple of points.

1 Number one: In terms of the volume of
2 imports coming into the U.S. market, actually, we
3 disagree significantly with what the Commission staff
4 has estimated. Our belief is that the volume of
5 subject imports this year is probably less than -- on
6 a per-tire basis, it's probably less than 1.5 million
7 units.

8 We also believe, however, that the use of
9 tires, or tires as units of measure, is the worst
10 possible way to go, that dollars or poundage would be
11 much, much better because you cannot equate a 13,000-
12 pound tire to a 50-pound tire. They are simply too
13 different, and, as in Live Swine from Canada, pounds
14 would be a better way to go than units because a big
15 pig is much bigger than a little pig.

16 CHAIRMAN ARANOFF: Right. I understand that
17 argument with respect to looking at the trends and the
18 import data --

19 MR. REILLY: Okay.

20 CHAIRMAN ARANOFF: -- but for my purposes,
21 where I'm looking at the shortages, Mr. Koch can't
22 say, "All right. You don't have three of this size.
23 Send me two of a different size because they weigh the
24 same."

25 MR. REILLY: No. I have a response for that

1 as well. Remember that the companies that we're
2 concerned with here are producing two to three to even
3 more thousand SKUs, and, basically, you have an
4 extremely heterogenous set of products, even within a
5 given size, multiple SKUs. You can't hoard an
6 inventory of that array of different tires because
7 there is just not the warehouse space or the capital
8 available to do it.

9 CHAIRMAN ARANOFF: Okay. Let me follow up
10 on that, and I'll go back to Mr. Koch for this answer.

11 If you've got a product that you placed an
12 order for, and it's back ordered, and it comes in six
13 months later, and you don't want it anymore, do you
14 have to take it?

15 MR. KOCH: Yes. Well, the answer is a
16 little more complicated.

17 In the early days of the crisis, starting
18 around 2004, the answer is yes because we were under
19 allocation, and pretty much the agreement we had is we
20 had lay out how many tires we want, and we had to take
21 them.

22 Today, the rule is modified a little bit,
23 where we're able to maybe make some swaps with the
24 companies, and, typically, that's through tonnage.
25 Maybe we don't need so many of one smaller type of

1 tire, but we need more of a bigger tire, for instance,
2 and, very often, the company will say, "As long as you
3 buy the same tonnage," because they have told many
4 times that that's how they measure, how they make
5 money, "then we can make that swap."

6 Of course, they have to look at what kind of
7 equipment is used for that. In fact, one of the
8 things is some of the big suppliers have given us
9 groups, manufacturing groups, where we can do tonnage
10 swaps within those, which, by the way, cross the 39-
11 inch barrier, which I think is an interesting point.

12 So that's often how we'll do it, and then,
13 in some cases now, we're also able to say, "Okay. For
14 this size tire, I don't need as many as maybe I
15 thought I needed," and we're able to ship them to some
16 other plant that we have, or perhaps the supplier will
17 buy them back.

18 CHAIRMAN ARANOFF: Okay. Unfortunately, I
19 have run out of time on this round because I do want
20 to come back and ask folks who are operating in the
21 aftermarket whether they would give me similar answers
22 to the same questions. But, for now, I'll turn to
23 Vice Chairman Pearson.

24 VICE CHAIRMAN PEARSON: Thank you, Madam
25 Chairman.

1 Mr. De Glopper, if I understood earlier, you
2 made reference to a tire manufacturer seeking to
3 maximize dollars per pound of rubber.

4 MR. DE GLOPPER: Yes, sir. That's correct.

5 VICE CHAIRMAN PEARSON: Could you elaborate
6 on that a bit? It would be helpful for me to
7 understand better the economics of operating a plant
8 in the United States to manufacture these tires. At
9 the limit, if you're going to maximize dollars per
10 pound, you might manufacture only one tire if it had
11 the highest value per pound because all of the rest
12 have lower, so perhaps you could fill me in a little
13 bit.

14 MR. DE GLOPPER: That's absolutely correct,
15 sir. Every plant manager in the universe would like
16 to make one good tire and take his entire year --
17 everybody would max out the bonus.

18 So, yesterday, you heard testimony from Mr.
19 Hawkins, whom I worked with in the Bryan factory, and
20 Mr. Hawkins is an expert at matrixing the cost per
21 pound. The company that we worked for; that was the
22 metric of success at that time, and we would, in the
23 matrix, put every item we could imagine, including
24 customer satisfaction. There is an obvious need to
25 have a range of tires, so you have to make a product

1 mix. Obviously, there is equipment, you know, sweet
2 spots.

3 So we, as a plant, and myself, as an R&D
4 guy, and Mr. Hawkins, as the boss, we always looked
5 for that optimal cost return, and we certainly worked
6 as hard as we could with Steelworkers and tried to get
7 the best possible mix for the plant because we were in
8 big competition.

9 My colleagues from the Bridgestone-Firestone
10 Company say they do exactly the same. This is the
11 basic business.

12 So I would say that GPX, if I put up a slide
13 of the tire-making processes, common would be you need
14 steam for the boilers, you've got to have a certain
15 amount of capacity of boilers or rubber mixers. All
16 of these parts are -- you put a matrix together, and
17 you look at your capacity.

18 Mr. Taylor said yesterday that he has 50-
19 percent excess rubber-mixing capability in his group.
20 The OTR plant I worked with did not have that
21 capacity. So we kind of built to the tonnage of
22 rubber we could make, as I remember.

23 And then, of course, there are special
24 orders, and there's a lot of complexities, but, if you
25 wanted to maximize -- for example, we talked to

1 Specialty Tire yesterday. If they wanted to go to
2 their particular factory in Unical, Tennessee, they
3 mentioned they had a pad to put another Banbury mixer
4 on. So they could bring in another Banbury mixer with
5 the whole pie.

6 If they invested another 20 percent of the
7 value of the plant, they could make 25-inch-diameter
8 tires, bias tires, and probably 33's. They could make
9 quite a range of tires that they are not making today,
10 if they choose to do it. They would have to invest in
11 tooling and building machines and the curing process.
12 But there is no technical reason they couldn't do
13 that.

14 VICE CHAIRMAN PEARSON: Okay. I'll get to
15 some of the rest of you, but just to lay it out a
16 little bit more here, I assume that when you're
17 looking at optimizing the output of a multiproduct
18 plant like this, which is a tricky thing to do, there
19 has got to be the issue of marginal revenue versus
20 marginal cost on each item and some calculation of a
21 contribution margin for each item.

22 What I'm uncertain about is how you would
23 explain the situation that I believe I saw at Titan
24 Freeport, when I was out there a few weeks ago, where
25 they have very much reduced production of the smaller

1 sizes. So I look at that, and I think, well, there's
2 probably marginal revenues not greater than marginal
3 costs, and they have got to shut down, but I'm not
4 completely sure about that.

5 So any comments that could be offered to
6 help me understand it. Mr. Ganz?

7 MR. GANZ: Yes. Bryan Ganz from GPX. We
8 face this with the factories that we run. We have
9 three factories that we operate. I would say that
10 scheduling at the factory is the single trickiest part
11 of this business.

12 The metric is not simply, are you getting a
13 return over your variable costs? That's a very
14 slippery slope to go down. All of us in the
15 manufacturing business have started down that slope at
16 one time or another, and we've all made the decision
17 that that is not how you measure success.

18 What happens is every time you're using
19 equipment you're depreciating it, you're using the
20 steam, and you're using the employees. The reality is
21 that there is a certain number of products that you're
22 going to make in the factory, and if you start to make
23 the factory more complicated than that, even though
24 each incremental product may appear on its own to
25 provide marginal return, the reality is, because of

1 the complexity of the mix, you start to have
2 diminishing returns.

3 So you have a very, very important balancing
4 act, which is, how do you have the fewest number of
5 products possible, the longest runs, the highest-
6 margin products, and yet have a broad enough basket of
7 goods to be able to satisfy your customer?

8 I think what's happened in the U.S., and I
9 think these are, frankly, very rational decisions, and
10 we are making exactly the same decisions, even with
11 our factories that are not inside the U.S., that there
12 are certain segments of the market where the runs are
13 too short, they require too many changeovers, they
14 require too many other costs that don't appear when
15 you're looking at simply, what is the marginal return?
16 And we're all sort of trying to move away from those
17 segments of the market.

18 Now, keep in mind, for a small company like
19 GPX, we may be happy to do a run for seven days or 14
20 days. There may be other companies that don't want to
21 put the mold in the press unless it's a 30-day run.

22 So I think that every company has its own
23 matrix, but you can't simply say, because we're
24 getting a price higher than the raw material and
25 variable inputs, that we should make that tire if we

1 have orders.

2 VICE CHAIRMAN PEARSON: There was a comment
3 in the back, yes.

4 MR. COPEN: Paul Copen with Great Lakes Tire
5 Company.

6 Earlier in my career of 46 years, I
7 scheduled three plants for B.F. Goodrich, and I can
8 absolutely tell you that the two testimonies that
9 you've just heard are absolutely spot on. I wish my
10 customers at that time would have understood that.

11 However, there's two things that plants
12 worry about: the tonnage going out and the complexity
13 of the tire business. We talk about complexity and
14 changing small runs. We would like to put them in and
15 run them forever, but the fact was, when you change a
16 mold, most likely you've got to change the building
17 machine, you've got to change the feeds, you've got to
18 change the fabric.

19 Complexity reduces efficiency and tonnage
20 going out the door, and major manufacturers are moving
21 away from that as rapidly as they can. Thank you.

22 VICE CHAIRMAN PEARSON: Okay. Thank you.

23 Then how should we understand what I think I
24 saw at Titan in Freeport? Is the down capacity an
25 indication of injury, or is it an indication of profit

1 maximization? In the back there, Mr. Kreitzman.

2 MR. KREITZMAN: Jeff Kreitzman. I don't
3 want this to come across the wrong way, but I'm
4 guessing that --

5 VICE CHAIRMAN PEARSON: My questions often
6 do, so don't feel --

7 MR. KREITZMAN: Okay. I'm just guessing
8 that most of you have never built a tire and have
9 probably never been in a tire factory.

10 VICE CHAIRMAN PEARSON: I have been in
11 situations where tires have been destroyed.

12 MR. KREITZMAN: Right.

13 VICE CHAIRMAN PEARSON: Expensively so, I
14 might add.

15 MR. KREITZMAN: We have 14 factories that we
16 either own, operate, or work with, and we can make
17 that factory look any way we want it to on a given
18 day.

19 I'm not saying that anything was done
20 improper or wrong, but the reality is, I really don't
21 know what you saw. I'm not sure that you knew what
22 you saw, other than what you were told you saw. Some
23 of the equipment can be outdated. We know that a lot
24 of the equipment is being replaced in some of those
25 factories by their expenditures and their public

1 reporting.

2 I can show you lines in my factory, in any
3 one of my given factories, that are not running on a
4 given day and point to them and say, "I'm getting
5 killed here today."

6 So I'm not really sure that you would --
7 unless you took a seasoned tire manufacturer with you
8 and looked at their actual mixing capacity and looked
9 at the plant with somebody that understood it, you
10 would really know what they are doing or not doing.

11 VICE CHAIRMAN PEARSON: Okay. Well, my
12 light is turning yellow. Did anyone have further
13 comment on this? Mr. Mazzola?

14 MR. MAZZOLA: Yes, Vice Chairman. It's
15 almost impossible to measure the plant output in a
16 meaningful way in units because all of the raw
17 materials that come into the plant are really measured
18 volumetrically in pounds, and energy input -- it's not
19 unit-based inputs. So the out-measurement of it in
20 unit-based outputs is very difficult and hard to make
21 any sense of. So the output in tonnage is an
22 extremely critical measurement to the manufacturer.

23 If you look at the small presses -- 42-inch
24 presses, 55-inch presses -- they are capable to
25 purchase a lot of units but not much tonnage. So if

1 you're measuring the plant in units, just counting
2 units, you're going to show this huge excess capacity,
3 but if you make the exact same comparison just based
4 on tonnage, you may get a very different result.

5 VICE CHAIRMAN PEARSON: Okay. Mr. Ganz?

6 MR. GANZ: This is Bryan Ganz of GPX. If I
7 can just add very quickly that we also -- if you would
8 come to our factory, you would see that all of our
9 smaller curing pots are shut down. We have also
10 replaced a lot of the curing capacity with larger
11 presses.

12 What's happened is we don't consider that
13 idle capacity -- we consider that obsolete capacity --
14 because as the tire sizes have moved larger and
15 larger, we've all, in the industry, added larger and
16 larger building machines, larger and larger curing
17 presses. There is idle capacity sitting on these
18 smaller sizes because there is simply, globally, not
19 the same demand for the smaller sizes as there was
20 years ago when the equipment was smaller.

21 VICE CHAIRMAN PEARSON: Okay. Thank you
22 very much, and thank you, Madam Chairman, for your
23 indulgence.

24 CHAIRMAN ARANOFF: Commissioner Okun.

25 COMMISSIONER OKUN: Thank you, Mr. Chairman.

1 First, going back to Mr. Lewis, you're
2 correct, and I apologize. I did have a memo sitting
3 up here amongst my stuff about this morning's vote,
4 and I happened to glance at that before I asked the
5 question, so you're correct about the producer
6 participation. I apologize. It was on the importer
7 side where it's lacking, and that raises the questions
8 that Mr. Reilly has raised. So thank you for pointing
9 that out.

10 Let me, I guess, continue down this issue of
11 how to make sense of what the shortages mean in terms
12 of how we evaluate the case. I know you've been asked
13 by my colleagues to put as much specificity in the
14 post-hearing briefs as you can, and I would reiterate
15 that in saying that, Mr. Koch, you, in particular, I
16 think, are talking about large numbers of tires.

17 But I would make this to all of those who
18 have talked about shortages, that it would be helpful
19 for us to see any other documentation that's available
20 indicating that there were requests for tires that
21 were not -- I know you have some letters, but if
22 there's other information that's available to document
23 what happened, that would be helpful.

24 MR. KOCH: That's not a problem. We can do
25 that in the post-hearing brief.

1 COMMISSIONER OKUN: Okay. I would make that
2 request for all of those who have talked about that,
3 not just for Caterpillar. I see shaking heads out
4 there.

5 Then, Mr. Ganz, on that, in particular, the
6 information from Firestone that was brought up today,
7 the April 2008 shortages; tell me, do you have this
8 type of document for other periods of the
9 investigation?

10 MR. GANZ: No, and, frankly, we were
11 surprised that we were able to get this document.
12 This document was sent to us by one of our customers,
13 who was also a Bridgestone-Firestone dealer, when we
14 were talking to them about the case, saying that we're
15 facing an antidumping case from the domestic industry.
16 Their claiming that we're -- the Chinese tire industry
17 is hurting their profits. And this guy got irate and
18 said, what, are they crazy. I can't get any tires
19 from them. Let me show you what they sent to me when
20 they told me I couldn't get any tires. And, of
21 course, it was the whole e-mail chain, so I was able
22 to determine that, in fact, this did come directly
23 from their Bridgestone-Firestone rep. So, this is not
24 something we get on a regular basis.

25 But, we've heard anecdotally from all of our

1 customers that there are obviously these significant
2 shortages. Frankly, we would have had more customers
3 with us today, although you probably don't want to see
4 anymore people in this room. But, because there are
5 such extreme shortages, customers were very, very
6 concerned about coming here. One of our large early
7 customers, who is not here, sent me a letter saying
8 that their allocation from both Bridgestone-Firestone
9 and Titan, these two companies account for more than
10 93 percent of their tire supply. They could not be
11 seen as taking a position adverse to them for fear of
12 losing allocation.

13 So, I think that from the stories we've
14 heard and from talking to our customers, what I see in
15 that spreadsheet is not surprising to me. And I
16 would say on the farm side, the shortages have gotten
17 significantly worse over the last 12 months. When
18 this case was brought 12 months ago, there were
19 shortages on the OTR side, on the construction and
20 mining side. And as Jack Koch said, they've been
21 facing shortages at Caterpillar from 2004, 2005.
22 Those shortages continued, but it was more recently
23 that the agricultural tire shortages became so severe.
24 Part of that is because of a very, very strong global
25 demand. In Brazil, agricultural shipments are up

1 dramatically. Shipments of combines are over 100
2 percent. Shipments of large horsepower tractors are
3 up almost 100 percent. So, you have just a global
4 demand for agricultural tires that I think is causing
5 this.

6 COMMISSIONER OKUN: Okay. Well, the one --
7 I mean, I understand what you are saying, that you may
8 not get further cooperation from those. But, to the
9 extent that, again, looking at the period of
10 investigation, one thing strikes, and I don't, because
11 I will consult with staff on this particular chart,
12 but it's after you have an order in place and I don't
13 know. I mean, it seems to refer to all radials, which
14 is not where the domestics --

15 MR. GANZ: No --

16 COMMISSIONER OKUN: -- but, I'm not sure.
17 Is that accurate? I mean --

18 MR. GANZ: -- there's a number of pages
19 there. It includes everything from radials, to bias,
20 to imps, to some light construction type tires. It's
21 the full product range.

22 MR. DURLING: Commissioner Okun, Jim
23 Durling.

24 COMMISSIONER OKUN: Yes, Mr. Durling?

25 MR. DURLING: Just a couple of points of

1 clarification. First, the report is a year-to-date
2 report, so when you look at it, it's telling you what
3 happened in the first quarter of this year and then a
4 little bit of -- it spilled over a little bit into the
5 second quarter. But, in principal, it's giving you
6 first-quarter information and projections through May,
7 or at least production projections through May.

8 The other thing I just wanted to call your
9 attention to is that a number of the purchasers, some
10 -- basically, you received a lot of purchaser
11 questionnaire responses. A number of those purchaser
12 questionnaire responses did provide contemporaneous
13 documentation. And just to alert you, there are Titan
14 back order reports in documentation on the record
15 before the Commission now. So, we'll certainly look
16 for other examples, but one of the --

17 COMMISSIONER OKUN: Well, examples have been
18 -- you know, making sure that you have laid out for us
19 what tires those are and whether the ones that we see
20 in the record -- because, again, a couple -- just
21 observations and why I continue to ask for more
22 information is, you know, 2006, not a particularly
23 good year in the ag market, but you still see imports
24 coming into the market in particular sizes. And so,
25 again, the explanation of Petitioners is that shows

1 that it's not -- you know, it's not demand or
2 shortages driven for the entire period of
3 investigation. And I'm trying to make sense of what
4 I'm hearing that evidence versus is there anything
5 else to indicate why those tires were there.

6 MR. GANZ: I think you're looking at two
7 different situations here. And I'm not sure I
8 mentioned it earlier, but I think it was Dan Klett,
9 you do have two different issues here. You have
10 commodity tires that are declining in popularity in
11 the U.S., that the majors really don't want to make
12 because it doesn't fit their optimal mix for the
13 factory. And then you have tires that they do want to
14 make, that they are making, that they are running at
15 full steam, they simply can't keep up with demand.
16 So, if you look at the large radial tires, they're all
17 in production. The production simply can't keep up
18 with the demand. If you look at the smaller tires,
19 the demand isn't that strong. I mean, you're looking
20 at demands of a few hundred tires, but they simply
21 have no production planned.

22 So, you have two very, very different
23 situations and I think that the situation with regard
24 to the radial tires is relatively new. The situation
25 with regard to the smaller tires, where they're just

1 unwilling to make these tires unless absolutely
2 necessary, has been going on for some period of time.

3 COMMISSIONER OKUN: And maybe you and others
4 could respond, then, because one of the other points
5 made by Petitioners is -- and I think there was some
6 testimony about it earlier today, is that if you look
7 at the post duties being imposed and look at the data
8 from domestic shipments and comparing that with
9 Chinese shipments is that, in fact, the domestic
10 industry has gained back tire sales in smaller tires.
11 And so, that indicates at least they have the ability
12 and desire -- I mean, maybe it doesn't, but I guess
13 one explanation is that indicates that they can take
14 those back and they decided to. And so, I'm trying to
15 figure out is there evidence to the contrary of that
16 or how -- what is your response to that?

17 MR. KLETT: Commissioner Okun, this is Dan
18 Klett.

19 COMMISSIONER OKUN: Okay.

20 MR. KLETT: I heard that yesterday about the
21 fact that the average weight per tire went down, so
22 that is proof that they're getting back into the
23 smaller tires. I actually went back and looked at the
24 data and the decline in the average weight per tire in
25 the first quarter for the U.S. producers is actually a

1 consequence in the change in the mix, very large
2 diameter tire category, not a shift into smaller
3 diameter categories. And, in fact, it's a shift in a
4 category where the Chinese volumes have not gone down.
5 So, you can play with the aggregate data and make an
6 allegation like that. But, when you look at the
7 specifics, their argument doesn't hold up.

8 And I would also like to add, in terms of
9 that first quarter -- the first quarter evidence
10 proves their point, because they say import market
11 share went down and our profits went up. Well, that
12 works for the first quarter of 2008, but it doesn't
13 work for the rest of the period of investigation. So,
14 I don't see how that pattern proves their case at all.

15 MR. GANZ: This is Bryan Ganz from GPX. I'm
16 not even sure how it works for the first quarter of
17 2008, because we did not get antidumping duties
18 imposed on us until very close to the end of February.
19 So, there was only one month during the first quarter
20 that we had antidumping duties imposed.

21 COMMISSIONER OKUN: Okay. Well, obviously,
22 for post-hearing, I don't know, Petitioners will be
23 addressing as well, just taking a look again at the
24 data that's on the record with regard to shipments,
25 understanding that you want us to look at value or

1 weight, but units, as well. If you could address all
2 of those things and whether it's consistent with what
3 I heard from Petitioners, I would appreciate that.
4 And my yellow light is on, so I had better not start
5 the next question. Thank you, Madam Chairman.

6 CHAIRMAN ARANOFF: Commissioner Lane?

7 COMMISSIONER LANE: I first want to start
8 off, is it Mr. Kreitzman?

9 MR. KREITZMAN: Yes.

10 COMMISSIONER LANE: Okay. I'm sort of
11 concerned about the statements you made and so I'm
12 hoping that the Petitioners, either in post-hearing or
13 in the rebuttal, will respond to your concern that
14 perhaps people, who took the tour, were misled about
15 unused capacity. And I didn't take the tour and so --
16 but, it sounded like you were questioning whether or
17 not we were smart enough to figure out what we were
18 seeing. And so, I'm just hoping --

19 MR. KREITZMAN: But, not in a rude way.

20 COMMISSIONER LANE: -- that somebody will
21 come to our rescue and say that we are smart and we're
22 not idiots.

23 MR. KREITZMAN: But, it's very complex, the
24 tire building, and if you've never been through a
25 factory, it can be overwhelming. And to look at a row

1 of building machines, I think even Bryan Ganz
2 commented in their factories, as well, we all have
3 obsolete equipment sitting around. It can still be
4 used, but it doesn't -- it's not used, because it's
5 replaced with other equipment to build other tires or
6 there's not a demand for those size tires. So, things
7 progress. And I know that Titan spent, at least I
8 believe in their public announcement, a great deal of
9 money upgrading their equipment and their production
10 facilities. So, I don't know what you see. I mean,
11 if you -- or whoever was there, I mean, you know, if
12 you had a video of it or if you knew -- you know, you
13 could look at the curing room and work backwards. You
14 know, you can count molds and presses and work back
15 into the factory, as well, because there's a number of
16 areas in a factory that can become a bottleneck. You
17 can have a bottleneck in mixing. You can have a
18 bottleneck in building. You can have a bottleneck in
19 curing. So, you know, I really -- you know, without
20 specifics, unless you're trained in tire
21 manufacturing, I really don't know what -- how you
22 would ascertain what their capable of. Joele, you can
23 jump in and help me on that one.

24 MR. DE GLOPPER: As I mentioned before, I
25 believe in my heart that all the tire manufacturers

1 have this magic chart and it shows them the optimal
2 mix of the equipment they have and a plant scheduler
3 uses that. I mean, we're all rated on plant
4 efficiency. It certainly is true that sometimes,
5 because of product mix and having those work, you
6 know, rubber compound or any of the hundred things
7 that goes into the tire, we would have to idle some
8 equipment for a while. Sometimes, you know, you have
9 maintenance on equipment and sometimes, you know, you
10 have a new machine that will do the work of three old
11 ones. And I agree, I mean, I agree that it's not
12 unusual to see a spare or furloughed equipment in a
13 factory. It's also expensive to move it, you know.
14 If you get a new machine and it will take the place of
15 two old ones, well, you've got spend, you know, six or
16 seven thousand dollars to put the old ones out in the
17 pull barn. So, perhaps that's what you're seeing.

18 And, you know, we don't like to get rid of
19 our equipment. You know, it's always going to be good
20 someday and I can use that someday. So, that's how we
21 feel.

22 COMMISSIONER OKUN: Yes, sir?

23 MR. KREITZMAN: Just one other comment. And
24 the reason I brought that subject up is because it
25 looked like that you -- not you specifically, but the

1 questions coming from the Commissioners or the Board
2 was they were struggling with, gee, I've been through
3 this factory -- some of us have been through this
4 factory and it looks like they can do a lot more than
5 they're doing. Well, that's why I brought up that
6 point. I mean, I just think you have to --

7 COMMISSIONER LANE: Right. And I guess the
8 point was that yesterday, the domestic industry made
9 the point that it had a lot of unused capacity,
10 because it didn't have the orders because of the
11 unfair competition from the Chinese product. And you,
12 I think, were suggesting that perhaps that wasn't
13 true, that they had a lot of idle machinery, because
14 they deliberately idled the machinery for the tour.
15 And I was questioning whether or not that was accurate
16 and whether or not -- and I really wanted the domestic
17 industry to respond to that, because that just sounded
18 like an unfair characterization.

19 MR. KREITZMAN: No. I was just trying to
20 point out that -- I didn't say that they had done
21 that. I'm just saying that it can be done. What I
22 was trying to point out is that unless you knew how to
23 build tires or how to run a factory or how to schedule
24 a factory, it would be pretty tough for you to
25 ascertain what that equipment idle was for and what it

1 was doing.

2 COMMISSIONER LANE: Okay. Okay, thank you.

3 Mr. Reilly, going back to your slides five and six,
4 you were reporting all of those tires by pounds. Were
5 those tires all in scope or were they in scope and out
6 of scope?

7 MR. REILLY: All of the tires were in scope.

8 COMMISSIONER LANE: Okay. Okay, thank you.

9 And then I have a question in general. Do the Chinese
10 producers obtain their natural rubber from the same
11 sources as U.S. producers? Mr. Ganz?

12 MR. GANZ: We operate facilities in the U.S.
13 and Europe and China. We buy a lot of our raw
14 materials, steel cord, natural rubber from common
15 suppliers. I know that there was some comments
16 yesterday that the Chinese are subsidizing rubber. I
17 wish that were the case. That's not the case. We're
18 paying the same high, high, high price that the
19 Petitioners are paying. We're saying the same high
20 price in the U.S. and Europe and China. Natural
21 rubber trades on the Singapore commodity exchange and
22 it's one of those commodities that really is a global
23 commodity.

24 COMMISSIONER LANE: Okay, thank you. Yes,
25 sir?

1 MR. HAWKINS: Aaron Murphy from CMA. CMA is
2 a subsidiary of Double Coin Holdings Limited, with is
3 the 19th largest tire manufacturer in the world. While
4 we do own and operate some rubber plantations to help
5 supplement our purchasing, I concur with Mr. Ganz,
6 that whether it's steel cord, synthetic, or natural
7 rubber, most of the purchases come from the same
8 sources of product where the domestic manufacturers
9 have also purchased. People like ExxonMobil have
10 global operations not just here in the United States.
11 So, I concur with Mr. Ganz.

12 COMMISSIONER LANE: Okay, thank you. Madam
13 Chairman, that's all I have.

14 CHAIRMAN ARANOFF: Commissioner Williamson?

15 COMMISSIONER WILLIAMSON: Thank you, Madam
16 Chairman. Mr. Ganz, since you operate plants in both
17 the U.S. and China, yesterday, I asked about the
18 difference between production in China and the U.S.
19 and I think it was mentioned that they used a lot more
20 labor per tire and I was wondering if you agree with
21 that. Is that the big difference?

22 MR. GANZ: First off, this is Bryan Ganz
23 from GPX, let me clarify. The factory that we run in
24 the United States produces solid and semi-solid tires.
25 So, the manufacturing process is a slightly different

1 process than producing pneumatic tires, which we
2 produce in both Europe and China. Morry Taylor made
3 the statement that he walked through a factory that
4 had 4,000 people and in the U.S., we would do it with
5 400 people. That seems to me to be an exaggeration.
6 But, the trend is correct, there are significantly
7 more employees in our Chinese factory than we would
8 have if we purchased the factory in the U.S. Part of
9 that, frankly, is where we purchase a factory, we
10 agreed to keep on a certain number of employees. What
11 we're trying to do is expand into the larger work
12 base. I'm not sure who mentioned it here, maybe
13 perhaps Joel, the newer equipment is more automated.
14 So, as we are investing more and more money in newer
15 equipment, we have less and less need for employees.
16 The same thing is happening with the General factory
17 here. When Titan bought the General factory, there
18 was a lot of very antiquated equipment that took a lot
19 more manual labor.

20 So, I don't think it's particularly China
21 versus the U.S. It's more new versus old. There's a
22 lot of old crappy factories in China and there are new
23 state-of-the-art factories in China.

24 COMMISSIONER WILLIAMSON: But, in terms of -
25 - okay. In terms of inputs, raw materials and all of

1 that, costs are similar, because of the world market?

2 MR. GANZ: Raw materials are raw materials.
3 You know, those are really world prices. I think that
4 if you are perhaps in Sri Lanka or one of the other
5 countries that produces natural rubber, you may have a
6 slight advantage. But, otherwise, you're buying it on
7 world markets.

8 COMMISSIONER WILLIAMSON: Thank you.

9 MR. STOEL: Commissioner Williamson?

10 COMMISSIONER WILLIAMSON: Yes.

11 MR. STOEL: I think it's -- this is Jonathan
12 Stoel of Hogan & Hartson. I think it's rare for
13 Respondents' panel to say from the Commerce
14 Department, actually no decision yesterday on
15 countervailing duties. They said that the government
16 of China does not control the rubber market. They,
17 also, found that there was no price control by the
18 government of China or prices of rubber in China,
19 itself. So, I think you actually have evidence from
20 the Commerce Department in this case that shows that
21 prices, at least, are determined apparently of some
22 kind of set price in China.

23 COMMISSIONER WILLIAMSON: Okay, thank you.
24 Just moving on, because I have a number of small short
25 questions. On page 211 of the pre-hearing brief, it

1 states that purchasers make decisions to buy certain
2 OTR tires for a number of reasons and one of them is
3 purchase -- one of the reasons is purchase on a
4 program basis. And I was just wondering if that means
5 purchasing pursuant to a contract and, if so, is it a
6 short-term or long-term contract? Does anyone have
7 any information on that? What does it mean to
8 purchase on a program basis? If not, maybe you can
9 address it --

10 MS. KOESTER: I can answer that.

11 COMMISSIONER WILLIAMSON: Sure.

12 MS. KOESTER: I'm not really sure what
13 that's saying, but we purchase based on a whole
14 program that the vendor can offer us, meaning they can
15 offer us all sizes of ag, all sizes of OTR versus
16 choosing a vendor that only has the ag or only as OTR.
17 It's more of a package thing, so that the small
18 dealers can make enough weight to get our shipments.

19 COMMISSIONER WILLIAMSON: Okay, thank you.
20 Anyone else want to add to that?

21 MR. KLINE: What she was saying is that -- a
22 mix that we can put together in a container, we can
23 meet the weight. We buy a product from a manufacturer
24 and we must try to load shipments, so they want us to
25 fill a container. Any less than that, you pay more

1 money for. And in some cases, they won't ship or
2 they'll sell it to you at a higher price. We base our
3 purchasing on as somebody that can give us a pretty
4 much complete line of product, so we can mix it in the
5 container or truckload.

6 COMMISSIONER WILLIAMSON: Okay, thank you.
7 Let's see, I was just wondering, yesterday, I asked
8 about was there ever a time when the domestic industry
9 was at full capacity, I think they mentioned back to
10 1997-1998. So, for you all, I was wondering was there
11 ever a time when you didn't have shortages? I think
12 Mr. Koch talked about starting in 2004. I was
13 wondering about others, any different experience than
14 that? Yes?

15 MS. KOESTER: Maggie Koester. I had no
16 problem getting tires or making weight prior to 2004.

17 COMMISSIONER WILLIAMSON: Okay. What
18 happened in 2004?

19 MS. KOESTER: I don't know. You know, the
20 whole global economy is in a OTR tire shortage and I'm
21 imagining that the other countries are taking our
22 supply.

23 MR. KOCH: In 2004, it was sort of a perfect
24 storm of global demand for construction machines,
25 especially in mining, but also in a lot of the areas,

1 like wheel loaders, and I think it was across the
2 whole industry. This was kind of right at a time
3 where right before that, much of the tire industry was
4 deciding that maybe it's time to start shutting down
5 some plants. So, while we were reducing in size, the
6 demand took off.

7 COMMISSIONER WILLIAMSON: Okay. I had asked
8 the domestic producers yesterday about what is --
9 several of the people asked, what would it take to get
10 back -- you know, to increase your capacity
11 utilization and I think people talked about having to
12 bring workers back. It wasn't so much adding shifts.
13 It was like a gradual process. I was wondering what
14 is your view about what does it take to get the
15 domestic producers to be producing more or higher
16 capacity utilization? Or can they go to higher
17 capacity utilization?

18 MR. KOCH: We're certainly working with
19 suppliers that are adding capacity and they're
20 spending money to add capacity. I don't know on the
21 labor side. I would certainly -- if they could add
22 more labor and get us the tires we need, we would be
23 very happy.

24 COMMISSIONER WILLIAMSON: Yes?

25 MR. GANZ: Yes, this is Bryan Ganz of GPX.

1 Your question presupposes that there is, as the
2 Petitioners claim, idle capacity. I think the best
3 hope for the industry, frankly, is that the
4 Petitioners and ourselves and many others are
5 investing in new capacity. Titan has announced just
6 this year the addition of 38 very large agricultural
7 tire curing presses, which will clearly add to some
8 capacity and hopefully alleviate some of the problems
9 that the industry is having. But, I don't think it's
10 simply a function of would the equipment that they
11 have in place, that they can add more workers and put
12 out more tires or at least the tires that the market
13 is asking for. So, I think as the market has moved
14 upwards in terms of sizes, all the tire manufacturers,
15 whether they're domestic or foreign, are having to
16 invest in larger and larger equipment to meet the
17 requirements of the equipment manufacturers, like
18 Caterpillar, that are building larger equipment.

19 COMMISSIONER WILLIAMSON: Thank you for
20 that. Mr. Reilly, in some of your charts, I was
21 having trouble following your presentation. What is
22 sort of the bottom line, in terms of what you are
23 talking about in terms of the numbers on imports?

24 MR. REILLY: Ryan, would you put up, I
25 guess, slide -- start with slide two.

1 COMMISSIONER WILLIAMSON: We don't want to
2 go through the numbers so much, as what's the key
3 point?

4 MR. REILLY: Okay. This is basically a
5 chart that assumes the hypothetical that in adjusting
6 the total Census imports, for example, in 2006,
7 14,950,000 units, that's the total reported by Census.
8 The actual non-subject, if we assume that the
9 adjustments made by the staff were 85 percent correct,
10 would be 13,566,000, and that's derived by estimating
11 the non-subject imports that the staff derived, which
12 was in the previously slide, by 0.85. That would give
13 you an actual subject number of 1.384 million against
14 the subject number estimated by the staff of 3.419
15 million, which means the estimating error, assuming
16 that 85 percent accuracy, and that's -- this is a
17 hypothetical, the estimating error would be 2.035
18 million units and the error of 2.035 is 147 percent --

19 COMMISSIONER WILLIAMSON: My light is
20 running red, but I think what you're saying is that
21 you think 50 percent less --

22 MR. PORTER: Commissioner Williamson?

23 COMMISSIONER WILLIAMSON: I'm sorry.

24 MR. PORTER: I promise 10 seconds.

25 COMMISSIONER WILLIAMSON: Sure.

1 MR. PORTER: The bottom line is as follows.
2 The estimated methodology that the staff did to derive
3 the volume of subject imports contain sufficient
4 uncertainties and possible errors, that the Commission
5 should use the questionnaire data, which is actual
6 subject imports, to determine the volume of imports.
7 That's the bottom line.

8 COMMISSIONER WILLIAMSON: And that's half of
9 what these numbers are?

10 MR. PORTER: I don't know if we have -- do
11 we have a chart -- in it's the staff report. It's in
12 the staff report. It's actually Table E-2 in the
13 staff report.

14 COMMISSIONER WILLIAMSON: Okay, thank you.

15 MR. REILLY: On slide three.

16 COMMISSIONER WILLIAMSON: Thank you both.

17 MR. REILLY: The importer questionnaire is
18 for -- let's take 2007, okay.

19 CHAIRMAN ARANOFF: The red light is on.

20 MR. REILLY: Okay.

21 CHAIRMAN ARANOFF: We are going to move on
22 to Commissioner Pinkert.

23 COMMISSIONER PINKERT: If you want to go
24 ahead and finish your answer, you can do it on my
25 time.

1 MR. REILLY: Okay. The importer
2 questionnaire shows 825,000 units in 2005, 1.08
3 million units in 2006, and 1. in round numbers 4
4 million units in 2007. In 2007, the staff estimated
5 3.26 million units. So what the importer
6 questionnaires indicate is substantially below what
7 the staff has estimated. And I think in my testimony,
8 I mentioned that we have been able to substantiate
9 that the staff estimate of 3.25 million units is at
10 least a million units too high, by comparing the data
11 from the importers' questionnaires for those importers
12 that completed questionnaires was what the Census data
13 said for their imports. Remember, I said that the
14 numbers were -- that the staff estimated were a
15 million higher than what the questionnaires for those
16 producers indicated in each year.

17 Now, we also supplemented that with the
18 Special Survey from the Manufacturers Association. We
19 go, as you would expect, slight higher numbers than in
20 some years than the importer questionnaires, but
21 actually lower numbers in 2007. And those put
22 together the foreign producer questionnaires and the
23 CRMA Special Survey. But, you can see that all three,
24 the importer questionnaires, the foreign producer
25 questionnaires, and the Special Survey plus the

1 foreign producer questionnaires are very much in the
2 same ballpark when you compare them with the estimated
3 subject imports.

4 And as far as the foreign producer
5 questionnaire is a concern, plus the CRMA Special
6 Survey, the staff in Beijing, that's the combination
7 of Hogan & Hartson staff and the Manufacturers
8 Association, estimate that the companies that are
9 included in that survey, plus were put in foreign
10 producer questionnaires, account for roughly 80
11 percent of total exports from China during this period
12 and the applicable HTS numbers. What we're finding is
13 that in many of those cases and for many exporters,
14 what they're exporting in those applicable HTS numbers
15 are non-subject products.

16 COMMISSIONER PINKERT: Thank you. I want to
17 go back to Mr. Kreitzman for a second, because I think
18 he was trying to get in an answer on my last round
19 when I was asking about the markets for the Chinese
20 exports, other than the U.S. market. And Mr. Reilly,
21 you had answered that question, but I believe that Mr.
22 Kreitzman had something to add to that.

23 MR. KREITZMAN: We operate one of the
24 largest commercial factors , bias, ply commercial
25 factories, which build a lot of the items that are in

1 the scope of the investigation. And our sales in
2 China, within China, are just booming. We're adding
3 capacity as quickly as we can and it's affecting our
4 ability to export to other markets, including North
5 America. So, our business within China is excellent.
6 And some in the surrounding markets, as well, are very
7 good. The Middle East market is excellent for us, as
8 well, Australia. So, we don't really foresee that
9 we're going to have a lot of growth out of that
10 particular factory of product that will be able to be
11 exported in North America.

12 COMMISSIONER PINKERT: Perhaps you could
13 help me a little bit with something that Mr. Reilly
14 testified to earlier. Would you say that because of
15 the changing currency relationships, that there is
16 less of an interest or no interest in increasing
17 shipments to the United States market from China?

18 MR. KREITZMAN: Well, you know, costs play a
19 part. They have the same cost problems that we have
20 here in North America. To think that they don't is
21 kind of ridiculous. I mean, Bryan Ganz already
22 testified and I think a couple of other people did on
23 raw materials. As a matter of fact, I think we are at
24 a disadvantage on raw materials, because we're
25 probably not as big as some of the big players, like

1 Bridgestone-Firestone. And, you know, we probably
2 don't buy a lot of materials at a low a price as they
3 do, because they have huge contracts and go forward
4 contracts, and I would say they probably do better
5 than us on raw materials. So, I'm sorry, what was the
6 other part of the question?

7 COMMISSIONER PINKERT: The changing currency
8 relationships, is there is no longer any interest in
9 shipping or increasing shipments to the U.S. market?

10 MR. KREITZMAN: No. We've raised our prices
11 accordingly because of the currency. It's part of our
12 equation on costs. So when we look at our pricing in
13 North America, we surely look at the RMB/dollar
14 devaluation. It factors into our costs. And I think
15 if you look -- I don't know if we supplied it or not,
16 but if you looked at our pricing progression, you can
17 surely see that there is a lot of that timing comes
18 into play.

19 COMMISSIONER PINKERT: Thank you. Now,
20 turning to Mr. Ganz for a second. You testified about
21 the hope for the industry going forward and I'm
22 wondering, to the extent that there is unused capacity
23 among U.S. producers for product in the smaller sizes
24 of the scope, is there a thought in your mind that
25 that would be converted into the larger sizes or -- I

1 mean, what do you see going forward for that capacity?

2 MR. GANZ: Well, again, and I'm not sure who
3 mentioned it here, the real issue is every factory is
4 to determine whether the bottleneck is. The
5 bottleneck is rarely a mixing and as Mr. Taylor said,
6 they have significant excess mixing capacity. So,
7 your steam generation capacity, your mixing capacity,
8 are your two critical areas. Then, you have your
9 calendarizing capacity, in other words, rubberizing
10 the cord. You have your extrusion capacity. And then
11 you get into things that are specific to the tire; in
12 other words, building machines and curing process. In
13 order to convert the smaller tires to larger tire
14 capacity, they would have to install larger presses,
15 which, in fact, Titan and Bridgestone are doing. They
16 would have to install larger building machines, which,
17 in fact, Titan and Bridgestone are doing. You would
18 then use the same steam generation, the same rubber
19 mixing, the same calendarizing, the same extruding for
20 the larger tires that had before then been used for
21 the smaller tires. So, as Joel DeGlopper said, this
22 is exactly what we're doing in our factory. We have
23 not taken out all of the small building equipment. We
24 have not taken out all the small presses. We've added
25 new production halls and added larger equipment,

1 because (a) all of us are thinking like maybe one day,
2 we'll use this old stuff again and we're all sort of
3 hoarders and we hate to throw anything out; and,
4 secondly, it's very expensive to deinstall this
5 equipment. So, in almost every factory today, you'll
6 see 40 inch, 42 inch, and 55 inch idle press capacity,
7 in almost any factory you go into.

8 So, I do think that there is a way to
9 utilize the extra mixing capacity that they have.
10 There may be ways to utilize the extra extruding
11 capacity, but it will be doing exactly what Titan is
12 doing, which is investing in the larger equipment.

13 COMMISSIONER PINKERT: Any further comments
14 on that issue?

15 MR. KLETT: I would just like to say that
16 about a week ago, when Titan announced -- this is Dan
17 Klett -- when Titan announced expanding capacity for
18 130-inch curing presses, Mr. Taylor specifically said
19 the reason for this expansion is curing capacity is
20 too full and (1) Titan has promised its major
21 customers there should be no shortages of radial
22 tires; and (2) Titan believes that tire sizes will
23 continue to grow. So, I mean, I think there are two
24 points. One is that he's admitting that there is
25 capacity constraints for that size and they need to

1 actually put in new capacity to meet those sizes; and
2 number two, I think there was a question earlier about
3 whether they are being pushed or pulled and, clearly,
4 this is a demand driven reason for expanding capacity.
5 There's a shift to larger size radial tires in the ag
6 sector. Thank you.

7 COMMISSIONER PINKERT: Thank you. I have no
8 further questions for the panel at this time, but I
9 look forward to the post-hearing submission and I
10 thank you for your testimony today.

11 CHAIRMAN ARANOFF: I'd like to go back to
12 the questions that I was asking in my last round about
13 back orders and Mr. Koch was explaining how that works
14 for an OEM. And I wanted to ask some of the folks,
15 who are in the after market, to tell me, do you, like
16 Caterpillar, give a yearly number to the domestic
17 producers of what you want?

18 MR. DENIS: Dan Denis of VIP/Quirk Tire. We
19 do provide Bridgestone-Firestone with an annual
20 forecast of our needs. They are the one manufacturer
21 that did place us on allocation. However, the
22 allocation has not met our overall demand. Beyond
23 that, as Mr. Koch had mentioned, it really is kind of
24 a process, go to the next step, to see how we can
25 secure additional product and go on down the line. We

1 did get to a point where we couldn't acquire the
2 domestic products that we needed and we had to look at
3 other alternatives.

4 Regarding the back order specifically, for
5 some of the other manufacturers, they do not give us
6 any kind of a timetable on when we're going to see
7 that product. It literally is just cross your fingers
8 and hope for the best.

9 CHAIRMAN ARANOFF: Do you place orders in
10 multiple places, hoping that one will come through?

11 MR. DENIS: We do.

12 CHAIRMAN ARANOFF: So, in effect, you are
13 ordering more than you --

14 MR. DENIS: Correct.--

15 CHAIRMAN ARANOFF: -- actually expect to
16 receive or need?

17 MR. DENIS: Right. In fact, going back in
18 2004, we did see the signs of a shortage coming. We
19 did purchase far exceeding our immediate needs, to
20 build up somewhat of a reserve. So, we did take that
21 approach.

22 CHAIRMAN ARANOFF: Are you able to do that
23 because you carry a limited number of SKUs or your
24 customers are in a specific area? Because, we had
25 other people telling us that they're just many, too

1 many variations of this product, we couldn't possibly
2 stock them.

3 MR. DENIS: Based on our core business, we
4 are able to forecast our customer needs. So, we were
5 able to do that.

6 CHAIRMAN ARANOFF: Okay. Are there other
7 distributors out there, who would --

8 MS. KOESTER: Maggie Koester. I work with
9 Goodyear at the beginning of every year to set our
10 allocations. Goodyear will only allow us a certain
11 number of tires. So, we can't like bump the items up.
12 And we look at the data -- this is in the
13 questionnaire that I submitted. Like in 2004, we sold
14 100 of these tires and they have no production in
15 2005. So, we did not order any. We sold 100 in 2004
16 and they had no production in 2005.

17 CHAIRMAN ARANOFF: Okay. So, you had
18 customers, who wanted those tires. They had no
19 production in 2005, so you couldn't get an allocation.
20 What is the next step? Who do you turn to next? You
21 just tell your customers, sorry, we can't sell you
22 those tires, or where do you look?

23 MS. KOESTER: We look to other sources for
24 the tire.

25 CHAIRMAN ARANOFF: What other sources?

1 MS. KOESTER: Whoever may take an order from
2 us, since Goodyear would not take the order from us.
3 Then, there are many cases where the customer knows
4 the situation and will go somewhere else with his
5 business, to another supplier, who can supply --

6 CHAIRMAN ARANOFF: When you say "another
7 supplier," do you mean would you go to another
8 domestic producer? Would you go to an importer from
9 China? Would you go to someone, who imports from
10 another country? What kind of entities in the supply
11 chain do you go to?

12 MS. KOESTER: Well, those people know who
13 else makes that size tire and that pattern and they'll
14 go to Bridgestone-Firestone, Yokohama. They'll go
15 until they find their tires. They know what's going
16 on with the shortage.

17 CHAIRMAN ARANOFF: So, you're saying the
18 most likely pattern is that if you can't get the tire
19 from your supplier, then your customer is going to go
20 so somebody else?

21 MS. KOESTER: That's just exactly what
22 Caterpillar does. He goes to his first choice vendor,
23 where he actually wants to get the tires from, and if
24 they don't give him the allocation or the tires, then
25 he has no choice but to go to the next person.

1 Whereas the dealer, try to get the allocation for our
2 customers, but we're not given it.

3 CHAIRMAN ARANOFF: Okay. So, you don't go
4 and look for the tires somewhere else; the customer
5 does?

6 MS. KOESTER: Actually, both of us do. We
7 try, so that we don't lose the customer. But, there
8 are certain tires that --

9 CHAIRMAN ARANOFF: Would you try to buy them
10 from another dealer in some kind of a swap or trade or
11 arrangement, is that one of the things you would do?

12 MS. KOESTER: No. We would try to buy them
13 outright, but they wouldn't be available. But, they
14 may tell you, yeah, you place an order for eight and
15 I'll see if I can get them for you this year.

16 CHAIRMAN ARANOFF: Okay. Mr. Denis, is that
17 the same thing that would happen to you?

18 MR. DENIS: It would. We would go through
19 all the supply channels. It actually expands beyond
20 the new tires and I tried to mention it before. It
21 gets into the segment of retreading, as well, the
22 whole trickle down effect, where we saw people that
23 weren't able to acquire new tires turn to retreading
24 as an alternative source, maybe people that didn't
25 retread in the past. And it put a lot of more

1 pressure on that segment. Retread inventory that was
2 available was quickly depleted, as was the casings
3 that would be designated for retreading were depleted.
4 The turnaround time to have retreads sent out and get
5 the finished product back went from two weeks to six
6 to eight weeks and on some of the specialty stuff went
7 to 12 weeks. So, it had that much of an impact all
8 the way down the line.

9 CHAIRMAN ARANOFF: Okay. Now, I was going
10 to ask that question, which is if I am someone, who
11 uses this equipment, so the ultimate customer and I
12 need a tire and I can't get the brand name one that I
13 want, how do I prioritize? Do I want to get my old
14 tire retreaded? Do I want to buy a used tire from
15 someone else? Do I want a Chinese tire with a brand
16 name I have never heard of before? What is the
17 hierarchy? How do you make that selection?

18 MR. KOCH: First, I would want to clarify.
19 A big part of our process is looking at what is the
20 customer need. I mean, that's the first thing we're
21 looking at, because really in the end, they're the
22 ones that choose. And when they cannot supply a tire
23 -- I mean, when they cannot receive a certain tire
24 because it's not available, then there is a process of
25 saying, okay, here's what is available. We work with

1 them on that. If there is nothing else available, you
2 know, we've come to the conclusion sometimes that
3 we'll ship barefoot and they work with their dealer to
4 find the tire. But, in general, you know, what we do
5 is we scramble all around the world to find the tire
6 that will fit and that would be adequate and will work
7 for their machine. But, we don't order more tires
8 than we need, on purpose.

9 CHAIRMAN ARANOFF: Okay. You don't, but
10 some of the others do. Mr. Denis, did you want to add
11 something?

12 MR. DENIS: We are impacted by that. We do
13 an awful lot of business with the local Caterpillar
14 dealer and during the very critical times, we would
15 often see machines come in barefoot and they would
16 come to us, saying, you've got to help us, you've got
17 to find tires for this machine. That's the situation
18 that we would run into.

19 CHAIRMAN ARANOFF: Okay. And so there is no
20 hierarchy, is that what you're telling me? If I have
21 a choice between an imported brand I've never heard of
22 before, getting a tire retreaded, or maybe buying a
23 used one that somebody else doesn't want, do I have a
24 preference?

25 MR. KOCH: I think there is a hierarchy. I

1 mean, typically, a customer may have a second choice
2 in mind and we'll go and we'll try to get that choice.
3 You know, we'll go through -- it's like a checklist,
4 the top choice, next choice, and if you can't get the
5 top three or four, you may go barefoot, which means no
6 tires on the machine.

7 CHAIRMAN ARANOFF: Well, Mr. Koch, I feel
8 like maybe you're an exception, because you're selling
9 very expensive machines to very sophisticated
10 customers. But, someone, who is selling to farmers or
11 sort of average construction companies, it may not
12 have a customer, who -- I don't know if those
13 customers are as knowledgeable about what their tire
14 choices are. Mr. Ganz?

15 MR. GANZ: There clearly is a hierarchy. I
16 mean, obviously, everybody is going to want to have
17 the brand with the best performance and there's a view
18 with the market, even with the domestic suppliers,
19 what that is. Michelin and Bridgestone are clearly
20 one level. Goodyear is slightly below that. General
21 is slightly below that. And then they may look at
22 offshore brands, non-Chinese brands, whether it's
23 Yokohama or Kumho or Hancock or other brands, and then
24 at Chinese brands and, as you said, at retreading.
25 But what has happened is because the situation has

1 been so severe, once people realized that it's almost
2 impossible to find tires, they're looking for sort of
3 anything and we've seen a lot of dealers that will
4 take sort of a smorgasbord of, you know, there's three
5 Hancocks and two Kumhos and we've got some retreaded
6 tires and some tires from China. So, the shortages
7 have been that severe that I think people sort of very
8 quickly went down that hierarchical list and got to
9 the -- sort of the whole bottom.

10 CHAIRMAN ARANOFF: Okay. I'm running out of
11 time already.

12 MR. KOCH: Just one more comment. I would
13 like to make a point that that hierarchy does vary
14 depending on the use and the application, too. I
15 mean, it all comes down to what's available for an
16 application.

17 CHAIRMAN ARANOFF: Okay. All right. Let me
18 come back and turn to Vice Chairman Pearson.

19 VICE CHAIRMAN PEARSON: Thank you, Madam
20 Chairman. In the event of final antidumping
21 countervailing duty order goes into effect, how would
22 the marketplace adjust in both this country and
23 overseas? What would see happening in the marketplace
24 to deal with this order? Ms. Koester?

25 MS. KOESTER: Maggie Koester. I believe

1 what will happen is the people, who import tires, will
2 send them someone else and we will have a worse
3 problem than we have today with availability. They
4 won't pay that price and they certainly have choices
5 all over the world on where to send those tires. We
6 need them here, but we won't be able to pay that price
7 and they'll send them to places where they can make
8 the most money.

9 VICE CHAIRMAN PEARSON: Mr. Kreitzman?

10 MR. MURPHY: Mr. Murphy from CMA.

11 MR. KREITZMAN: I'm Jeff Kreitzman. What we
12 would end up doing and we're already seeing it happen
13 now is we're selling more and more tires out of India
14 and Indonesia and other markets that don't have
15 antidumping associated with them. So, you know,
16 there's a lot of other countries that build tires all
17 over the world. So, we're going to see -- it's
18 already happened, our businesses are huge in the other
19 countries that we manufacture, because of the
20 antidumping number that was thrown out three or four
21 months ago.

22 VICE CHAIRMAN PEARSON: Okay. Now, Mr.
23 Murphy?

24 MR. MURPHY: Aaron Murphy from CMA. I'll
25 concur with Mr. Kreitzman. We've seen a shift in the

1 manufacturing base, because there still is a need, as
2 Ms. Koester has mentioned, in the replacement market
3 for these products. And so, you'll find them moving
4 to areas that may not have these types of tariffs or
5 antidumping.

6 Also, along the lines of a global
7 manufacturer like Double Coin, we are seeing the
8 burgeoning domestic market and also the export market
9 outside of the U.S. grow at such a rapid pace. I
10 think it was mentioned before that that is taking up a
11 lot of our capacity, where our parent company had made
12 a decision that the Double Coin brand was an important
13 brand to be known in the United States. They have to
14 realize that maybe they'll utilize their capacity at
15 other parts of the world, because of the antidumping
16 tariffs.

17 VICE CHAIRMAN PEARSON: Mr. Ganz?

18 MR. GANZ: Yes, Mr. Chairman -- Mr. Vice
19 Chairman. Moving tires from one country to another is
20 certainly going to happen, but it's a slow and
21 laborious process. To redevelop a tire takes quite a
22 bit of time. And I think over some period of years,
23 the product coming from China will be replaced with
24 products from India and Indonesia and Sri Lanka and
25 others. In the short term, there will undoubtedly be

1 worse shortages. For ourselves and we're facing
2 pretty stiff dumping duties, which will make us
3 essentially noncompetitive in this environment, we
4 would focus on other markets. The European market is
5 very strong, particularly given the Euro. In many
6 ways, it's a much more attractive market than the U.S.
7 market. And I think as we pull out and others pull
8 out, it's going to be very difficult for the dealers
9 sitting behind us and our other dealers and there's
10 clearly going to be significantly more serious
11 shortages, at least over the next 18 or 24 months.

12 MR. KOCH: From Caterpillar's perspective,
13 it will definitely make our machines that are built in
14 the U.S. more expensive. We build machines all around
15 the world, so the ones in the U.S. will be more
16 expensive than the other machines. And with our
17 competitors, many of them who are foreign competitors,
18 so we would be at a disadvantage with them.

19 VICE CHAIRMAN PEARSON: Mr. Christenberry?

20 MR. CHRISTENBERRY: Yes, sir, thank you.
21 I'm extremely concerned about the coal production in
22 this country, because it's not just like going to some
23 other country or going to a domestic manufacturer that
24 makes these tires. So, help me, Jesus, there's not
25 anybody else that makes these tires. It's a

1 specialized niche. The coal production in this
2 country depends on it. It's a heavy load on my
3 shoulders to be the manufacture of these tires. And
4 everybody has had an opportunity to step up to this.
5 And as I said everything, this coal mining equipment
6 is produced in the USA and shipped all over the world.
7 I mean, it's a great export item for us. And I'm also
8 concerned about Taylor Machine Works in Louisville,
9 Mississippi. They're the last large giant forklift
10 manufacturer in this country. They came to me, they
11 have a thousand employees, they came to me, they had a
12 million dollars worth of warranties. Their tires
13 weren't working. They handed me a paper, where
14 Goodyear says we're going to quit making these tires.
15 They couldn't make -- they could not source the tires.
16 And that entire community down there depends on Taylor
17 Machine Works to deliver these big forklifts that go
18 all over the world and they handle our containers --
19 not our containers, but they handle container handlers
20 in all these ports in every country in the world.
21 It's a major export item for us. These ports have got
22 more demanding. There's more containers coming and
23 going. Now, they're going to seven high in these
24 containers, because there's no geographical room at
25 these ports to expand out. They've had to go higher.

1 So, the safety aspect of this tire for this container
2 handler, which is a safety issue, they're going seven
3 high with 60 something thousand pounds. So, I had to
4 -- we had to do some special engineering to create
5 that tire to handle these containers all over this
6 country. And I don't know anybody, who can step up to
7 that, and I don't know anybody that wants to step up
8 to that. And as they talk about being able to make
9 these running tires, I know better. Thank you, sir.

10 VICE CHAIRMAN PEARSON: You're producing an
11 extremely sophisticated tire, and yet you've chosen to
12 do it in China. I'm wondering whether there wouldn't
13 be an alternative in some other developed country,
14 Germany, Japan perhaps, to find a manufacturer there
15 that could understand the specs and make such tires.

16 MR. CHRISTENBERRY: I started in Japan. My
17 first business that I wanted to attack was the
18 forklift business. I was the largest forklift
19 dealership in the world, with 6,000 forklifts in my
20 rental fleet. Tires drove me crazy. I could not get
21 and it was the most expensive thing besides liquids
22 that went into these forklifts. I said, somebody has
23 got to produce a better tire. So, we're only getting
24 on our rental fleet, never dreaming I was going to be
25 in the tire business, we were only getting about 800

1 hours. We just came off of a test on forklift tires
2 of 26,000 hours. We have absolutely sunk our teeth
3 into this rubber and we're -- I mean, we're kind of
4 light years ahead on that product. And when people
5 start talking about the Chinese product, I'm proud my
6 product is made in China. It's just like when you --
7 if you went to McDonald's in Beijing, you wouldn't say
8 I had a Chinese hamburger. We've taken the Japanese
9 technology, we've taken the French, the Germans, the
10 Americans, and we worked on this for 10 years to
11 develop this tire. There's not another manufacturer
12 that is crazy enough to step up to what I did.

13 VICE CHAIRMAN PEARSON: Okay. I'll take
14 your word for that. Okay. I'm getting the picture of
15 a global market that has some ability to move tires
16 around, especially if given time. Because, if you
17 have some tonnage of tires coming from China into this
18 country that is no longer going to come in,
19 conceivably, they could go to other countries. Tires
20 from those other countries could come here. In the
21 longer term, the global supply of tires need not
22 change, it's just the trade flows would change. So,
23 is that a correct understanding and the real question
24 is how long it takes for those trade flows to adjust?
25 Mr. Ganz?

1 MR. GANZ: Yes. Mr. Vice Chairman, I think
2 that is a correct understanding. I mean, the problem
3 that we're facing today, tires really are one of the
4 truly global commodities. As we talked about before,
5 there's no packaging. There's no electrical outlet
6 that you have to fit something in. There's no manual
7 that has to be in a specific language. The whole
8 world is metric and, yet, every tire is measured in
9 inches. So, we have a part that you could make
10 anywhere in 133 different countries and sell it in 133
11 different countries and a tire made in China will fit
12 on a machine here and a tire made here will fit on a
13 machine in China. So, clearly, this is a global
14 market.

15 What we're facing today, though, is a global
16 shortage. There is a global shortage of tires and
17 given what's happened in the United States, it is not
18 really being driven by the U.S. market. It's being
19 driven by the industrialization in China, in India,
20 and other parts of Asia. So, yeah, we can rearrange
21 things; but, certainly, what's going to happen is
22 there's going to be shortages that continue and the
23 United States will suffer the brunt of those
24 shortages. Right now, the market is not particularly
25 attractive here anyway, because of the very, very weak

1 dollar. And if you start taking out some of the lower
2 cost producers, you'll really going to see a very
3 severe shortage here, probably until either the
4 domestic industry steps up and really builds excess
5 capacity or until the dollar strengthens.

6 VICE CHAIRMAN PEARSON: Okay. My light is
7 on yellow. Mr. Murphy, quickly.

8 MR. MURPHY: Yes. Being a subsidiary of
9 Double Coin Holdings, which is a Chinese manufacturer,
10 we don't have the luxury of moving our plants from
11 around the world. And so from a perspective of our
12 point, we're dedicated to this market. What it could
13 also mean is the fact that some of the people, who are
14 in this room today, who purchase Double Coin products
15 through CMA will have to pay a premium for that
16 product at a higher rate than what, as we've
17 described, maybe the value of the product is. So,
18 part of it is that a long-term process of moving it
19 through another country, as a manufacturing base.
20 Some of us do not have that luxury and we want to be
21 able to compete fairly in this country with the
22 product without having to have the excessive duties.
23 So, I wanted to reiterate that as a correction.

24 VICE CHAIRMAN PEARSON: Okay. Thank you,
25 Madam Chairman.

1 CHAIRMAN ARANOFF: Commissioner Okun?

2 MS. JEONG: Excuse me, this is Rosa Jeong
3 with Greenberg Traurig. I'm sorry for interrupting,
4 but Mr. Kreitzman has a flight to catch, so he needs
5 to leave in about five minutes. So, if there are any
6 questions that are specific to Mr. Kreitzman, address
7 them now or we'll address them in the post-hearing
8 brief.

9 CHAIRMAN ARANOFF: Does anyone have a
10 question for Mr. Kreitzman?

11 COMMISSIONER OKUN: I'll direct one at him,
12 but if someone else has one, I can --

13 CHAIRMAN ARANOFF: Go ahead.

14 COMMISSIONER OKUN: Mr. Kreitzman, I think
15 it was you raising these points about the capacity,
16 right. Are you the one that was talking about whether
17 the plant we toured, whether they're shutting things
18 down just so that we would think they were idle?

19 MR. KREITZMAN: I just want to go on record,
20 I'm not accusing Morry Taylor of shutting anything
21 down or doing anything underhanded at all. All I am
22 simply stating is that unless you know what equipment
23 does and is designed to do, you really wouldn't be
24 able to tell what it is. That's all I was trying to
25 state.

1 COMMISSIONER OKUN: Okay. Well, maybe, if
2 counsel, if you would in a post-hearing add some
3 substance to what you're trying to say, because I
4 think the point of -- and I think I probably raised
5 it, is not that I think I can walk into a factory and
6 know whether the capacity is well utilized. It would
7 be, does it support the point that they've chosen to
8 do it, because they're making more money in something
9 else. Do they have a bottleneck? We certainly asked
10 those questions. And, you know, we go to these --
11 staff go to the plant to verify and capacity is always
12 a hard number -- it's not always a hard number, but it
13 can be difficult. So, to the extent you raise that, I
14 really think it's up to you to add some additional
15 information. If you're trying to say that we should
16 be looking at capacity and saying this isn't a case
17 where we should pay a lot of attention to it --

18 MR. KREITZMAN: I heard --

19 COMMISSIONER OKUN: -- you need to give me
20 information why.

21 MR. KREITZMAN: I heard a lot of building
22 machines were sitting idle. We have several different
23 products that we can build quickly to where we might
24 use those machines only a part of the day. And the
25 uncured tires would sit in the heat room before they

1 were cured, so the machines would be idle. But, we
2 can't cure them quick enough. So, that would be a
3 good example of where you might walk through one of
4 our factories and see some machines that we're
5 actually using that would be just sitting idle, but
6 they were used, but they're not in full production.

7 COMMISSIONER OKUN: I guess what I'm saying
8 is if you're -- if the point is that -- which I think
9 is a relevant point, is that the capacity numbers
10 reported by the domestic industry, that the Commission
11 should not be looking at those as signs of injury,
12 then you need to put facts about what the domestic
13 industry -- you know, information, in my view, you
14 need to put information about -- saying, you can shut
15 something down, you know, you could.

16 MR. KREITZMAN: From looking at what is
17 going on and listening to both testimonies, everybody,
18 including the Petitioners, said they have shortages
19 during the time of the investigation. Everyone of
20 them said that yesterday.

21 COMMISSIONER OKUN: Right. But, I guess --

22 MR. KREITZMAN: And --

23 COMMISSIONER OKUN: -- it seems to me we
24 were asking questions about, you know, do you have
25 shortages at the mixing and I think even Mr. Ganz was

1 saying that is in a place you would normally see
2 shortages. We asked them about the rubber shortages
3 and some information -- if there are others that we
4 haven't gotten to with this panel, they should put it
5 on there. So, it's my only point, is that I think
6 there is information that is out there and if you
7 think it supports the things you're saying about what
8 they could or couldn't do, you know, point it out to
9 me. But, otherwise, I think it's kind of a strange
10 way to put it. Mr. Ganz?

11 MR. GANZ: Yes.

12 COMMISSIONER OKUN: That was my only
13 question for you, though, by the way. So, if he needs
14 to leave, he can go ahead and leave.

15 MR. GANZ: Yes, Commissioner Okun. You
16 know, I think -- obviously, this was an awkward
17 situation. But, I think the issue for the Respondents
18 is simply this. We have no idea what the capacity
19 utilization is of the domestic industry and, frankly,
20 even within our own group, I mean, these are closely
21 guarded secrets, you know, very, very proprietary
22 information. So, we would have no way of knowing what
23 the domestic industry's capacity utilization is.

24 The only question for us and the only
25 disconnect is that if there was so much excess

1 capacity, why are there shortages? And it leads us to
2 believe that either there isn't as much excessive
3 capacity, as has been alleged or it's been measured in
4 a way that is somewhat misleading, or that because
5 they don't want to add to the complexity of the
6 factory, because it would reduce the efficiencies,
7 that they've chosen to leave this capacity idle. And
8 I think again, we can't speak as to whether the
9 capacity is there or not. The only thing we can sort
10 of point out is the disconnect between the shortages
11 in the market and the claims of excess capacity and
12 the disconnect between the significant investments and
13 incremental capacity they're making and the claims of
14 excessive capacity. And I think that, as Respondents,
15 is all we can do.

16 COMMISSIONER OKUN: Mr. Durling?

17 MR. DURLING: Commissioner Okun, just a few
18 additional points. The industry witnesses here are a
19 bit -- kind of have their hands tied behind their
20 back, because they weren't allowed to see any of the
21 proprietary information. We had our hands tied behind
22 our back, because we're not tire guys and so we can't
23 figure out how to interpret the data. So, what we did
24 in our proprietary pre-hearing brief is we took our
25 best stab at exploring why we really do think there

1 are issues with the way the domestic industry reported
2 the capacity. What is helpful about the hearing is
3 yesterday, there was enough explanation given publicly
4 by the domestic industry about what they're doing,
5 that we can now sit down and work with the industry
6 guys and try to elaborate on arguments we've already
7 begun to develop. But, as a starting point, in our
8 pre-hearing brief, we actually spent quite a bit of
9 time talking about why we thought there were really
10 pretty serious questions about the reported capacity,
11 trying to compare publicly available information with
12 the proprietary information. It's just hard in a
13 hearing setting like this to go into detail, because
14 it is very sensitive information.

15 COMMISSIONER OKUN: I appreciate that and it
16 goes back to the point I made with Petitioners' panel
17 yesterday and not just in this case, but many, but
18 which is why business plans and other information that
19 are prepared that may go to this. I mean, you can
20 have a more efficient plant, if you were running this
21 line, which is a new line, and not this line, you
22 know, would, I think, be illuminating on some of these
23 things.

24 MR. DURLING: Commissioner Okun, our panel
25 enthusiastically hopes that you see some of those

1 business plans. We certainly hope some of them appear
2 on the record.

3 COMMISSIONER OKUN: All right. Then, let's
4 see, two or three other questions. And I guess these
5 are a little bit theory of the case questions, so
6 counsel can address them post-hearing, as well. But,
7 again, if -- you know, what we've heard a lot today is
8 about shortages in the market and the information
9 provided. Petitioners have said, okay, if that were -
10 - I mean, let's acknowledge that there were some point
11 where there were shortages or we need more time to get
12 something going. Demand for most of the period of
13 investigation, with the exception of 2006, looking
14 pretty good. Why didn't the industry do better than
15 it did? And I, again, recognizing your -- some of
16 your argument is that they have been doing pretty
17 fine, so you shouldn't find injury. But, I mean,
18 again, their theory of the case being in an up market,
19 we're supposed to look at the cyclical nature of the
20 industry. If this is an up market, why were they
21 doing better where there wasn't a concentration of
22 subject imports, than they're doing in this -- yes,
23 Mr. Durling?

24 MR. DURLING: We will certainly follow up
25 post-hearing, but Ryan, can you pull up the slide?

1 Actually, there's a very simple explanation, and we
2 can elaborate on the slide in a proprietary context in
3 the post-hearing. But even if we just focus on what
4 is publicly available information, it's very
5 interesting. It's the end of the slide, the
6 adjustments to the Titan. Sorry, this will take just
7 a second to pull up.

8 I mean, basically, what we were able to
9 determine from publicly available information is that
10 the comparison you heard yesterday from Mr. Taylor,
11 talking about, gee, I only did three percent and I was
12 at six percent -- what we did is, we went back to 2004
13 and we looked at their publicly available information.

14 Now this is a particularly good comparison.
15 Because for Titan, they're primarily an OTR company.
16 So we don't have the issue we would have with
17 Bridgestone or others, where they have lots of other
18 products.

19 If you simply go back and add to their
20 margins what they disclosed in the 10K as realignment
21 expenses, in other words, you kind of shut down
22 because you're moving into the bigger tires, and if
23 you add back the royalty transfers, which was
24 basically fees they were paying because they took over
25 a brand thing -- two things that have nothing to do

1 with imports; absolutely nothing to do with imports --
2 you see that in fact the performance of the company
3 was pretty consistent. They had a particularly good
4 2005. But other than that, they're pretty consistent
5 at, you know, kind of six percent or so.

6 What I find also very interesting is, look
7 at the Q 07, Q 08 comparison. This is the dramatic
8 improvement in their performance when the imports left
9 the market. How I think what this shows is that the
10 fundamental financial performance of the domestic
11 industry -- or at least Titan, and Titan is a big part
12 of the domestic industry -- is being driven by the
13 economic fundamentals here.

14 It's not being driven by the small changes
15 in imports during the period. I mean, I just think
16 this a very compelling image, and it kind of goes
17 directly to your point.

18 COMMISSIONER OKUN: Well, obviously,
19 Petitioners will comment on that, and then also to the
20 extent you're making that argument, I mean, Titan is
21 big, but there are other big players there; so to the
22 extent that you can comment on that as well.

23 Then I'll make this last one, post-hearing.
24 I see my light is getting ready to turn. Petitioner's
25 pricing argument, the price suppression case, they

1 have asked us to look at the raw material costs to net
2 sales, as opposed to costs in SLs, which has been a
3 more traditional way for the Commission to look at
4 that. It may not be unprecedented, and I'll obviously
5 look to see what they come up with on that.

6 But I did want to make sure that you all
7 took the time to brief that as well, in terms of, I
8 assume you don't support it. But if you don't support
9 it, why not and is there a statutory basis not to do
10 so or other reasons the Commission should not go down
11 that path? Thank you very much, Madam Chairman.

12 CHAIRMAN ARANOFF: Commissioner Lane?

13 COMMISSIONER LANE: Yes, I have a follow-up
14 question with Mr. Christenberry. As I understand your
15 testimony, you are stating that your product is not
16 being dumped on the U.S. market, and your product
17 isn't benefitting from any subsidies; and that you
18 just got caught up in this because nobody provided you
19 notice, and all of a sudden your tires have a 210
20 percent margin on them. Are you pursuing any
21 administrative remedies with the Department of
22 Commerce to address this situation?

23 MR. CHRISTENBERRY: Yes, ma'am, we are. I
24 heard rumors of this anti-dumping case; and ignorantly
25 I thought, well, I wasn't contacted by notice, my

1 factories or myself either.

2 I felt like probably they were looking at
3 the duties that we were paying and the price of the
4 tires that we were bringing in; and it was so obvious
5 to the panel and everybody investigating this. Super
6 Grip is not dumping. Their tires are higher than the
7 domestic made, and we're not dumping. So I didn't pay
8 enough attention to it.

9 MR. PORTER: Commissioner Lane, I have just
10 a quick comment.

11 MR. WILLIAMS: Can I add something? Kevin
12 Williams from Rodriguez O'Donnell.

13 COMMISSIONER LANE: Yes.

14 MR. WILLIAMS: The administrative remedies
15 we're pursuing, the fact is, it's too late for Super
16 Grip's factories to apply for a separate rate
17 application in this investigation.

18 So that puts us in the position that the
19 next opportunity they will have to do that would be
20 when the first administrative review of this order
21 occurs, if there is an order put in place. So that
22 would be a year from whenever the order, if it goes in
23 place, takes effect.

24 So we'd be looking at, at least a two year
25 time period, where we'd be paying this 210 percent

1 duty rate, until we'd have the opportunity to get the
2 separate rate. We have every confidence that we would
3 get the separate rate. The issue is how to hang on
4 until that's done.

5 COMMISSIONER LANE: Okay, thank you; Madam
6 Chairman, that's all I have.

7 CHAIRMAN ARANOFF: I believe that
8 Commissioner Williamson and Commissioner Pinkert don't
9 have any further questions; but I do. Mr. Murphy, are
10 you the representative here for the Chinese producers?

11 MR MURPHY: No.

12 CHAIRMAN ARANOFF: No; who is? Is there
13 someone here.

14 MR. LEWIS: Craig Lewis of Hogan & Hartson.

15 CHAIRMAN ARANOFF: Mr. Lewis.

16 MR. LEWIS: Yes.

17 CHAIRMAN ARANOFF: Is there any way that you
18 can quantify for us for the post-hearing, of Chinese
19 production capacity, how much can produce radial
20 tires?

21 MR. LEWIS: We'll do our best. Really, to
22 be up front with you, in order to get this kind of
23 information, we'd have to work through the China
24 Rubber Manufacturers Association and its membership.
25 So that will cover their membership. We'll try to get

1 what we can for you on that.

2 CHAIRMAN ARANOFF: Okay, I ask this
3 obviously because it goes to the issue of threat.

4 MR. LEWIS: Yes.

5 CHAIRMAN ARANOFF: And we know there are
6 some radial tires within the scope being produced in
7 China; and the question is, is that capacity growing?
8 Is the ability to serve what everyone seems to agree
9 is a growing market for radial tire in all sizes in
10 the U.S. growing? So anything that you can put on the
11 record to help us with that would be helpful.

12 MR. MURPHY: Ms. Aranoff, Aaron Murphy with
13 CMA -- Mr. Fan Xian who is the Chairman on the Board
14 of Double Coin is also the Chairman of the Rubber
15 Manufacturers Association. So if I can assist in any
16 way, I'm sure CMA and Double Coin would be happy to
17 help Mr. Lewis.

18 CHAIRMAN ARANOFF: We appreciate that. Mr.
19 Ganz, did you want to add something?

20 MR. GANZ: Yes, Madam Chairman; the only
21 thing I wanted to add is that there are already a
22 relatively large number of manufacturers in China
23 producing radial OTR tires; although they are not
24 exporting them to the U.S. Our estimate is that there
25 are probably 10 factories today that are producing

1 radial OTR tires for the local market.

2 There are only two factories that I know of
3 that are producing radial agricultural tires. One of
4 them is ours. The other is a factory we're affiliated
5 with, Tutrick. Again, none of those tires are coming
6 to the U.S. market.

7 CHAIRMAN ARANOFF: Well, at least not yet,
8 and that's the issue when we're looking forward toward
9 threat.

10 MR. GANZ: I understand. But they're not
11 coming to the U.S. market today, because the pricing
12 is much better in other markets.

13 The U.S. market, despite the shortages of
14 the dollar, is still extraordinarily weak, relative to
15 the Euro; and the European market is significantly
16 more radialized than the U.S. market is. The U.S.
17 market still has a much, much higher percentage of
18 bias ply tires than the European market does.

19 CHAIRMAN ARANOFF: Okay, well, anything that
20 can be put on the record that can help me quantify the
21 capacity that's there and the reasons why it might or
22 might not result in increased exports to the U.S.
23 would be helpful. So I'll leave it there.

24 I have one other point on the threat point.
25 Petitioners assert in their brief that the data that

1 we have showing the percentage of Chinese producers'
2 sales to the Chinese home market, Petitioners claim
3 that that's overstated. Because some of those sale,
4 they say, may be made to trading companies that
5 subsequently export the product.

6 Is there any evidence that you can point to,
7 that would assure us that the degree of export
8 orientation of the Chinese producers that's evidenced
9 in our data is accurate?

10 MR. STOEL: Madam Chair, Jonathan Stoel,
11 Hogan & Hartson -- I have a couple points on the data
12 issues. I mean, one is that you do have 36 importer
13 questionnaires, which is pretty good number in a case
14 like this.

15 The second is, as Mr. Reilly testified, we
16 did do a special survey in which we got the six
17 largest exporters from China of tires within the HGS
18 categories that are at issue in this investigation.

19 We also know of specific allegations in
20 Petitioners' and Bridgestone's briefs that are
21 proprietary, that we'll address in our post-hearing,
22 where frankly, we strongly disagree with their
23 characterizations of some of the data and we intend to
24 rebut it strongly.

25 MR. REILLY: John Reilly from Nathan

1 Associates -- I'd add that if we take the 36
2 questionnaire responses, and that includes everybody
3 who exported, who did not export, and who exported
4 only non-subject products, and we add to that what the
5 CMRA survey is going to produce and we expect to get
6 and are still working on this, in the end we expect to
7 get more than responses and perhaps well over 50
8 responses.

9 CHAIRMAN ARANOFF: Okay, I have one last
10 question and it's pretty broad, so feel free to think
11 about it for purposes of the post-hearing. But basic
12 economics tell us that where there's a shortage,
13 prices should rise to the point where supply and
14 demand equilibrate. I'm not quite sure why that
15 hasn't happened in this market, since everyone tells
16 me that the shortages have been going on for several
17 years.

18 *****

19 MR. KOCH: The thing that we do have though
20 is, we have seen a lot of price increases from
21 suppliers through the years; and in many cases, those
22 increases are not necessarily justified with raw
23 material. In some cases, they are; but in some cases,
24 they're not.

25 So I think the main thing is, we've actually

1 seen very, very significant price increases through
2 the years from several suppliers -- in fact, probably
3 most of the suppliers.

4 CHAIRMAN ARANOFF: Okay, I don't want you to
5 answer anything confidential. Please feel free to
6 answer post-hearing. Indeed, for everyone, if there's
7 any insight that you can give me on why prices haven't
8 risen to the point that shortages are eliminated, that
9 would be helpful; and I certainly direct that to the
10 domestic industry, as well. Mr. Ganz, did you want to
11 comment?

12 MR. GANZ: The only comment I'd like to make
13 is that again, this is a global market. There is a
14 global shortage, and I think that it's not that prices
15 haven't risen here. I mean, there are higher prices
16 in the market, in large part, driven by currency
17 differences. A lot of the production is being
18 redirected to other markets.

19 That's why there continues to be shortages
20 here, even though prices have gone up dramatically
21 here. Even Titan, in their last announcement raised
22 OE prices up to 37 percent. I would say we've
23 probably raised prices almost 40 percent this year.
24 So there have been significant price increases. But
25 they just haven't been able to out-pace the impact of

1 a declining dollar in terms of bringing production to
2 this country.

3 MR. KLETT: Chairman Aranoff, this is Dan
4 Klett with Capital Trade. In terms of tires going to
5 other markets, in fact, there's been a significant
6 increase in exports from the U.S. to other markets,
7 which probably exacerbates the shortage situation here
8 some what.

9 So I know in a lot of cases, you don't see
10 that. But the attractiveness of other markets is
11 actually resulting in subject tires being exported to
12 other markets.

13 CHAIRMAN ARANOFF: Okay, I think I will
14 leave it there for that point, because it's probably
15 too big to really answer. With that, I don't have any
16 further questions, and do want to thank the panel for
17 your time this morning and this afternoon. Vice
18 Chairman Pearson, do you have further questions?

19 VICE CHAIRMAN PEARSON: I do, yes, a couple
20 of them; and perhaps these can be addressed at least
21 partly in the post-hearing.

22 But I'd like to ask you about the effects
23 that you might have seen in your business from the
24 change in China's tax rebate last year on tires. Has
25 that had any meaningful effect on the business for any

1 of you; Mr. Murphy?

2 MR. MURPHY: Aaron Murphy from CMA -- the
3 VAT rebate, which was taken away based on
4 exported/imported raw materials, did have a
5 significant change. In fact, it affected every aspect
6 of any tire coming from China or any product coming
7 from China, that the rebates weren't allowed on.

8 We, ourselves, here in the U.S., increased
9 not only our off-the-road products, but also our truck
10 and bus radial products and other affiliated tire
11 products, an average of anywhere from four to eight
12 percent, depending on the factory and the product
13 line, how the effect was.

14 So yes, it did have an effect; and I think
15 in our information we submitted, that there are price
16 increase letters and price increase notifications.

17 VICE CHAIRMAN PEARSON: Okay, because I'm
18 probably confusing this with steel nails, what was the
19 rebate change and when?

20 MR. MURPHY: It was in approximately July or
21 August of last year; and since I'm on record, I'm
22 going to be very vague, because I don't want to say
23 any incorrect information. But it was around that
24 time, and it had to do with the amount of domestically
25 and foreign imported raw materials and what the

1 Government would give you back as a value-added tax
2 rebate. But I think that's approximately the time.

3 VICE CHAIRMAN PEARSON: Okay, Mr. Ganz?

4 MR. GANZ: If I remember correctly, it was
5 in July. The VAT is 17 percent. There was a 13
6 percent rebate; or rebate is probably the wrong word.
7 Almost all the AT systems are closed looped. So when
8 you export, you get the VAT back.

9 Here, there was four percent leakage. So
10 you get 13 percent of it back. They drop that down to
11 five. So there was an additional eight percent
12 impact.

13 Since raw materials represent probably
14 anywhere from 60 to 75 percent of the cost of the
15 tire, depending on the type of tire, it was 75 percent
16 of eight percent, and that's why it was about a six
17 percent cost increase in terms of raw materials.

18 Although it did have an impact for all of us
19 that manufacture in China, given the dramatic increase
20 in raw materials, it was almost no --, relative to the
21 50 percent increase we saw in actual raw material
22 prices.

23 VICE CHAIRMAN PEARSON: Okay, well, perhaps
24 counsel in the post-hearing could provide a little
25 substantiation of what effect that might have had on

1 pricing at the time it went in effect.

2 Then as a matter of threat, have the Chinese
3 authorities given any indications that they intend to
4 keep the rebate at this level or change it one way or
5 another? I mean, how might this issue influence our
6 evaluation of the case in a threat context; Mr. Ganz?

7 MR. GANZ: We're not certain what the
8 Chinese are doing. The rumors we hear and what we
9 hear from the local government is that they're
10 probably going to eliminate the remaining five
11 percent; that there will be no rebate whatsoever.

12 VICE CHAIRMAN PEARSON: Okay, so you're
13 suggesting that the direction of policy change, if
14 there is any, would be further in the direction of
15 discouraging exports.

16 MR. GANZ: Correct; they've already made two
17 moves, to take it from 17 to 13, and the 13 down to
18 five, and now rumors are that they'll take it from
19 five to zero.

20 VICE CHAIRMAN PEARSON: Okay, fine, well, if
21 there's anything that should be put on the record for
22 purposes of the post-hearing, by all means, do so.

23 The last issue I wanted to go to is how to
24 measure volume, and we've talked about this different
25 times over the two days. You know, units, pounds,

1 value -- if counsel could go back and look at the
2 cases where the Commission has looked at things other
3 than units.

4 Explain to us, is this more like Live Swine,
5 where we did look also at weight; or is it more like
6 Bearings, where we look at value? Help me to
7 understand this. Because I'm not sure how best to be
8 comfortable with it, Mr. Durling.

9 MR. DURLING: Sure, we'll certainly go into
10 some detail in the post-hearing. We've addressed it
11 somewhat in the pre-hearing. But in light of the
12 discussion over the past two days, we'll certainly go
13 back and refine it.

14 I think there are just kind of two basic
15 points. First, I think this is very much like Live
16 Swine. That was a case that we all lived for quite a
17 period of time, and it is quite similar to Live Swine.
18 We'll go at some length in the post-hearing,
19 explaining that.

20 But more fundamentally, all you really need
21 to do is recognize that a tire is not a tire. Because
22 if you look at either pounds or value, you'll come up
23 with pretty much the same conclusion. You're focusing
24 on how has import penetration changed over the period;
25 how has the domestic market share changed over the

1 period.

2 Depending on the metric you chose, you'll
3 have a different kind of case level. But if you look
4 at how the market share has changed over time, they're
5 remarkably consistent. Whether you use pounds,
6 whether you use value, whether you use import
7 questionnaire, whether you use adjusted customs data -
8 - I mean, as long as you're focusing on something
9 other than the number of tires, you'll get very
10 consistent numbers.

11 We developed as much information as we could
12 in the pre-hearing, and we'll go back and expand upon
13 that based on new information that's becoming
14 available throughout the process. But everything that
15 we've seen so far points to a very consistent picture.
16 The only anomaly is if you call those two things the
17 same, then you'll get numbers that are different than
18 if you look at value or volume.

19 VICE CHAIRMAN PEARSON: Okay, thank you; Mr.
20 Ganz, did you have something to add?

21 MR. GANZ: Yes, actually, that's one of my
22 warehouse employees, just for scale. These are both
23 pricing products. The one on the left is the 11L-15,
24 and that's the infamous tire that nobody seems to want
25 to make. You'll see that that's a 31 pound tire. We

1 sell it for approximately \$2 a pound.

2 The 30.5 L-32 is a forestry tire. The
3 weight is slightly over 1,000 pounds. We sell that
4 for about \$2.50 a pound, because it's more complicated
5 tire, a larger tire. Again, as we've been talking
6 about all day, that's where the better pricing is, in
7 a per-pound basis.

8 But clearly, the most important thing for us
9 running the factory, and I think everybody has talked
10 it today, is to maximize the tonnage that goes through
11 the factory. So we don't look at producing one 11L-15
12 and consider it the same success as producing one 30.5
13 L-32.

14 VICE CHAIRMAN PEARSON: Okay, well, thank
15 you for those answers. I appreciate very much your
16 participation here today.

17 It's a somewhat unusual treat to have some
18 interest demonstrated by Respondents. I mean, both
19 sides of this case, yesterday and today, we've had a
20 large number of people keenly interested in it; and
21 believe me, that helps us a lot in getting questions
22 answered. It doesn't necessarily help us in asking
23 them. But we have to struggle with ourselves.

24 But I just wanted to say how much I
25 appreciate the time and energy you've taken to be

1 here; most of you for two days, and that's a big
2 commitment. So thank you very much.

3 CHAIRMAN ARANOFF: Are there any further
4 questions; Commissioner Lane?

5 COMMISSIONER LANE: I have no further
6 questions. I just wanted to thank everybody for
7 sticking it out for two days; thank you.

8 CHAIRMAN ARANOFF: Commissioner Okun is not
9 here. Do we know that she had no more questions?
10 She's done? Okay, do the Staff have any questions for
11 this panel?

12 MR. MCCLURE: Jim McClure, Office of
13 Investigation -- Madam Chairman, unlike yesterday,
14 Staff does have a few questions. I have just two, and
15 then I will turn it over to Ms. Hughes of the General
16 Counsel's Office.

17 CHAIRMAN ARANOFF: Mr. McClure, is your
18 microphone on?

19 MR. MCCLURE: I believe it is. Mr. Ganz, as
20 a producer, insofar as your production in the United
21 States, you do not produce subject tires in the United
22 States, do you? By that, I mean within scope.

23 MR. GANZ: That's correct. We produce in
24 the United States only solid and semi-solid industrial
25 tires.

1 MR. MCCLURE: All right, fine; you saved
2 yourself getting a producer question here.

3 Mr. Reilly, on the bottom line in the chart
4 that has this CRMA, special survey plus the foreign
5 producer questionnaires, contained in that survey, I
6 believe you said there were six exporters in addition
7 to the foreign producer?

8 MR. REILLY: No, there are more than that
9 now. We'll give you updated numbers in our post-
10 hearing brief.

11 MR. MCCLURE: It would be nice if we had the
12 names of the firms that are in addition to what we
13 have in foreign producer questionnaires. Even nicer
14 would be if they could have filled out the foreign
15 producer exporter questionnaire.

16 MR. REILLY: Well, in one case, you do have
17 that information. It's attached as an exhibit to the
18 Hogan & Hartson pre-hearing brief.

19 MR. MCCLURE: Okay.

20 MR. STOEL: Actually, there's a explanation
21 of all the data contained in Exhibit 3 of our pre-
22 hearing brief. But we'll be glad to supplement that
23 obviously in post-hearing.

24 MR. MCCLURE: Okay, thank you; Ms. Hughes?

25 MS. HUGHES: Rhonda Hughes, Office of

1 General Counsel -- to whomever and I'm sure anybody
2 can answer this one. In light of the extensive
3 discussion about branding, as I understand it,
4 branding is in terms of sort of a hierarchy. It's not
5 Michelin and Goodyear and whatever are premium brands
6 and the Chinese are at the bottom. There is a tiered
7 structure.

8 It would be helpful, I think, if whoever
9 could detail in the post-hearing brief, and perhaps
10 Petitioners would like to do this, as well -- explain
11 which brands are in which tier; and the range -- I
12 guess it would be a range -- of premiums, if not a
13 single number, would be assigned to that brand.

14 The other thing, the Commission has to make
15 a determination with respect to critical
16 circumstances. We don't have any data from Commerce,
17 in light of the way Commerce made its determination.

18 So it would be really helpful if the
19 Respondents could provide this. Perhaps you provided
20 the data to Commerce for the period that we need
21 examine, which I think would be April 2006 through May
22 2007. I'm sure counsel would know exactly what the
23 period is, for which the Commission makes its critical
24 circumstance determination; thank you very much.

25 MR. PORTER: Excuse me, Ms. Hughes, I'm

1 sorry, could you just repeat that question? I
2 apologize.

3 MS. HUGHES: The Commission has no data
4 right now for its critical circumstances determination
5 in light of the way Commerce made its finding. Yet,
6 we still have to make a determination. So it would be
7 helpful if you could supply the data.

8 Hopefully, you wouldn't have a lot of work
9 to do. It may be well the same data that was supplied
10 to Commerce, although the time period may be a big
11 difference. Because I think the Commission uses a
12 year before the filing of the petition.

13 MR. PORTER: I would just note, I believe,
14 and would have my colleagues correct me if I'm wrong,
15 they made the critical circumstance finding for only
16 what's called the PRC rate principle --

17 MS. HUGHES: Right.

18 MR. PORTER: -- which under the Commerce
19 Department are those who didn't appear.

20 MS. HUGHES: So you don't have the data.

21 MR. PORTER: So it's pretty much we're not
22 going to have the data. But we will check on that.

23 MS. HUGHES: Okay, thank you very much.

24 MR. MCCLURE: Mr. Cantrell?

25 MR. CANTRELL: Ray Cantrell, Staff Industry

1 Analyst -- this question is to Caterpillar, for post-
2 hearing will be fine. But I notice that Caterpillar
3 has announced a \$1 billion for the period 2008 through
4 2010. I believe part of this will be for wheel
5 loaders and large off-the-highway trucks and
6 excavators.

7 If you could assist in helping us or telling
8 us where you think these additional supplies of tires
9 will come from; what the sizes will be; and where will
10 the metal rims come from -- metal wheels, excuse me,
11 for this equipment. If you could respond to that in
12 post-hearing, we would appreciate.

13 MR. KOCH: I'd be glad to.

14 MR. CANTRELL: Thank you.

15 MR. MCCLURE: Madam Chairman, Staff has no
16 further questions.

17 CHAIRMAN ARANOFF: Thank you; Mr. Stewart,
18 you have two remaining of your time. Would you care
19 to ask any questions to this panel?

20 MR. STEWART: No questions, Madam Chairman.

21 CHAIRMAN ARANOFF: Okay, in that case,
22 Petitioners have two minutes remaining from their
23 direct testimony and five minutes for closing, for a
24 total of seven minutes. Respondents have no time left
25 from their direct presentation, and five minutes for

1 closing. Mr. Stewart, would you like to combine your
2 seven minutes, or do you want to divide them up?

3 MR. STEWART: Yes; Mr. Dorn will be making
4 the comments, and he would like to combine the time.

5 CHAIRMAN ARANOFF: Okay, then we will
6 dismiss this panel with our sincere thanks for all of
7 your time and all of your answers today; and we will
8 have Mr. Dorn come forward for closing.

9 MR. DORN: Madam Chairman, could I have two
10 minutes to get set up?

11 CHAIRMAN ARANOFF: Sure, two minutes.

12 MR. DORN: I'm going to be right back; thank
13 you.

14 CHAIRMAN ARANOFF: Let's make sure it's two,
15 Mr. Dorn. It's my lunch time and then some.

16 (Whereupon, a short recess was taken.)

17 CHAIRMAN ARANOFF: Mr. Dorn, please proceed.

18 MR. DORN: Thank you; the Respondents'
19 defense is largely predicated on having the Commission
20 do what Congress has told you not to do. That is, to
21 define the like product so broadly as to mask the harm
22 being caused by unfairly traded imports.

23 Petitioners are not asking you to exclude a
24 type of domestic pasta or domestic tomato that is
25 entirely interchangeable with imports subject to

1 investigation. Petitioners only ask you to exclude
2 domestic giant earth moving tires that are never
3 interchangeable with imports of subject tires.

4 No tire with a 39 inch or larger rim is
5 interchangeable with any product subject to this
6 investigation. There is a clear dividing line based
7 on rim diameter, which is a metric used by the Tire
8 and Rim Association and by every producer and customer
9 in the world. It's understood by all.

10 The clear dividing line of 39 inches is also
11 reasonable, because it dictates the production
12 equipment used to make the products, the physical
13 characteristics and uses of the product, and the price
14 of the products.

15 For example, a pot heater costs \$3.5 million
16 and up; 2.5 to 10 times the cost of a conventional
17 curing press used to make certain OTR tires. That is
18 not a trivial distinction. It is a significant
19 distinction.

20 GPX at page 23 of its brief says that BFNT
21 offers its RLS E-4 series from 25 to 51 inch rim. But
22 it fails to mention that BFNT classifies the models
23 under 39 inches as "large", and those over 39 inches
24 are "giant", as shown on Slide 1.

25 The same "large" versus "giant" distinction

1 is repeated over and over again in BFNT's price book
2 for mining tire series that cross the 39 inch line,
3 with just a couple of minor exceptions.

4 Applying the statutory factors to the
5 domestic industry as properly defined, the record
6 shows clearly material injury by reason of subject
7 imports. First, the volume of subject imports and
8 increase in the volume of imports is significant. As
9 shown on Slide 2 before you, imports averaged 2.8
10 million tires per year during the POI; more than
11 double the imports during 2004, using Petitioners' and
12 BFNT's estimates with a cut-off at \$25 per tire.

13 I would note that you received only 36 of 75
14 importers' questionnaire responses, and only 19 of 95
15 foreign producers' questionnaires responses, according
16 to the pre-hearing report. So these estimates are the
17 best to work with, in terms of the volume of imports.

18 As shown on Slide 3, subject imports equaled
19 37 percent of consumption and 75 percent of domestic
20 production in 2007. As shown on Slide 4, imports more
21 than doubled from 2004 to 2007, based upon our
22 estimates.

23 As shown on Slides 5 and 6, multiple data
24 sources demonstrate that subject imports increased
25 sharply from 2005 to 2007. Everyone agrees with that.

1 Contrary to Respondents, these subject
2 imports were not drawn into the U.S. market due to
3 shortages. Respondents have grossly exaggerated the
4 extent of any shortages. Any sustained shortages were
5 for excluded giant earth moving tires; not certain OTR
6 tires.

7 ITC staff verified the capacity utilization
8 numbers of the two largest producers. You heard these
9 producers yesterday. You heard their sworn testimony
10 about their huge excess capacity to produce the very
11 types of low priced tires coming in from China. What
12 you heard from the other side was speculation.

13 Then, finally, Mr. Ganz admitted that
14 Respondents have no idea of domestic capacity
15 utilization, and that's a fact. But you heard sworn
16 testimony regarding the extra capacity in these
17 plants. You saw the idle equipment. Your staff saw
18 it at Bridgestone a year ago; and these producers did
19 not voluntarily abandon that equipment.

20 As Mr. Ivy said, the imports drove a big
21 hole in his plant. He's trying to fill it now that
22 the duties are in place. This was not a voluntary
23 move away from these bread and butter products.

24 You heard a lot of testimony about
25 shortages. But you have to be careful. Shortage is

1 their story and they're sticking to it; but shortage
2 for what? Our testimony was that most of the tires in
3 the market are under 25 inches rim diameter.

4 Eighty percent of the construction and
5 mining tires imported from China have a rim diameter
6 under 24 inches. There's not testimony about
7 shortages for those types of products.

8 They're talking about one set of products.
9 We're talking about another set of products. We're
10 talking about the set of the products that have been
11 focused on by the Chinese producers that have taken
12 away sales and have idled our equipment. There's
13 nothing voluntary about it.

14 Mr. Koch of Caterpillar told you this
15 morning that U.S. producers, I guess, are bad
16 suppliers and are unable to supply his needs. It's
17 interesting, however, that Caterpillar gave BFNT in
18 2007 its Caterpillar Strategic Supplier Recognition
19 Award. In 2008, Caterpillar gave BFNT its Caterpillar
20 Supplier Quality Excellence Award.

21 As shown on Slide 7, on March 26th, 2007,
22 about three months before Titan filed its petition,
23 Mr. Koch stated that "Bridgestone consistently
24 provides critically needed tires, in line with
25 Caterpillar expectations, even with our ever-changing

1 requirements." Then he went on to say, "Your passion
2 for excellence is clearly visible in your actions and
3 communications." That is what Caterpillar's
4 contemporaneous business records show, when it was not
5 just trying to win your vote.

6 Caterpillar and the other tire purchasers
7 are here for one simple reason today. They want to
8 keep domestic tire prices suppressed with the help of
9 unfairly priced imports from China.

10 Now Mr. Koch, in his testimony, admitted
11 that when he couldn't get tires from one producer, he
12 turned to another producer. He got all the tires.
13 But he complained because had to pay more.

14 That's what this case is about. It's about
15 unfair prices, and the domestic industry is trying to
16 restore fair price levels so they can start utilizing
17 some of that idle equipment in their plants.

18 The references to the April 18, 2008 report
19 are grossly mis-characterized. Respondents grossly
20 mis-understand the purpose of that report, which is a
21 one day shot look at the situation with respect to an
22 extremely small fraction of the total products offered
23 by BFNT. We'll address that in detail in our post-
24 hearing brief.

25 The fact is that imports were pushed into

1 this market with unfair prices. You heard a lot of
2 sworn testimony to that effect yesterday. Your record
3 confirms that the subject imports undersold domestic
4 products in 94 percent of the quarterly price
5 comparisons, with margins up to 65.5 percent. That
6 under-selling caused the domestic industry to lose
7 sales and market share, and to suffer price
8 suppression.

9 As shown on Table E-2 of the Staff report,
10 the domestic industry lost 6.5 percentage points of
11 market share from 2005 to 2007. They were pushed out
12 of the smaller sizes.

13 Notwithstanding strong demand and increasing
14 comparative advantage, the domestic industry could not
15 raise prices sufficiently to earn reasonable prices
16 during POI. The price to raw material cost spread
17 shrunk by seven cents from 2005 to 2007, even though
18 the industry had virtually no profit in 2005, and
19 demand was strong in 2006 and 2007.

20 In contrast, the price to raw material cost
21 spread for giant earth moving tires, facing virtually
22 no imports from China, increased by 70 cents from 2005
23 to 2007; and the spread on price versus cost of goods
24 sold increased about 67 cents from 2005 to 2007.

25 There is record evidence of the imports of

1 those large tires. That was requested in the
2 importers' questionnaire, and you'll see that there
3 are very, very few tires coming in that are excluded
4 from the scope.

5 Contrary to Respondents, competition with
6 subject imports was head-to-head, not attenuated; and
7 that's addressed on the next few slides, which show on
8 Slide 8, from 2005 to 2007, the share of Chinese tires
9 sold for agriculture increased from 30 percent
10 41 percent.

11 Slide 8 shows the Chinese volume sold to the
12 agricultural segment more than doubled from 2005 to
13 2007. Slide 9 shows the Chinese volume of shipments
14 in the construction segment also increased
15 substantially. So the imports were gaining share in
16 both of those segments simultaneously. There was
17 head-to-head competition; not attenuated competition.

18 CHAIRMAN ARANOFF: Mr. Dorn, the red light
19 has come on. Can you get to a conclusion, please?

20 MR. DORN: If I have about five more
21 minutes, I can.

22 (Laughter.)

23 MR. DORN: Yes, ma'am, I will.

24 CHAIRMAN ARANOFF: I'm sorry to say that you
25 don't.

1 MR. DORN: But the domestic industry's
2 operations declined during a period of strong demand,
3 as shown on the trend data. It also had very poor
4 operating performance during a period of strong demand
5 at the peak of the cycle, as shown on the last slide.
6 Thank you very much, Madam Chairman.

7 CHAIRMAN ARANOFF: Thank you.

8 Mr. Lewis, please proceed.

9 MR. LEWIS: Thank you, Commissioners.

10 I'd like to start out by thanking the
11 Commission staff for their excellent work in this
12 case. This case presented some unusual challenges,
13 and the Commission staff is to be commended for the
14 quality of the staff report.

15 You've now had two days of witness testimony
16 added to the record. What has the testimony revealed?
17 First, like product -- the parties are in agreement
18 that -- and I'm quoting Bridgestone's pre-hearing
19 brief at page four -- OTR tires subject to
20 investigation "comprise a broad continuum of sizes,
21 tread, designs, and quality."

22 Yet, despite the existence of this continuum
23 of OTR tires, Petitioners would nevertheless have the
24 Commission believe that a clear dividing line exists
25 separating mining and construction tires with rim

1 diameters greater than 39 inches from all other OTR
2 tires.

3 Let me be clear that where there's already
4 an admission that a product continuum exists,
5 Petitioners have the burden to demonstrate the
6 existence of that clear dividing line. This they have
7 failed to do.

8 Witness after witness has come before you
9 testifying that OTR products they purchase include
10 tire series that span both sides of the imaginary line
11 Petitioners are attempting to draw. Not a trace of
12 the imaginary 39 inch dividing line can be found in
13 Petitioner's own product catalogs.

14 Even Titan's CEO admitted yesterday that
15 both 33 inch and 45 inch OTR tires are cured in the
16 same pot heaters. The only place this line exists is
17 in Petitioner's briefs filed with the Commission.

18 Second, import volumes -- Petitioners
19 launched this investigation with the assertion that
20 the U.S. OTR market was annually absorbing imports of
21 15 million Chinese tires. The numbers we are now
22 fighting over are between 1.4 and 3.2 million tires.

23 If, as the Petitioners have argued, U.S.
24 producers are engaged in head-to-head competition for
25 sales to the same customers, how could they have

1 possibly so bizarrely overstated the volume of subject
2 imports?

3 Ironically, this error merely confirms what
4 the testimony today has shown; that U.S. producers are
5 not competing in the same market segments as Chinese
6 imports and, in fact, do not appear to know much about
7 the size or nature of those market segments.

8 Third, product shortages -- witness after
9 witness has testified to the existence of massive
10 shortages in the OTR market as booming demand of
11 outstrip supply. Contrary to Petitioner's claims,
12 these shortages are not limited to non-scope jumbo
13 tires, but existed across the board. They exist in
14 broader and more common categories such as bias ply
15 tractor rears, and they exist in numerous niche
16 categories.

17 In fact, Respondents furnished the
18 Commission with a report proving that Bridgestone,
19 even after provisional anti-dumping and countervailing
20 duty measures had been put in place, has no interest
21 or plans to produce numerous categories of tires
22 demanded by U.S. customers.

23 Fourth, pricing -- U.S. prices rose sharply
24 over the investigation period. In fact, price
25 increases outstripped significant cost increases,

1 raising profitability in the industry.

2 The Commission correctly determined in the
3 preliminary phase that this evidence fails to support
4 U.S. producers' claims of price suppression or
5 depression. The evidence gathered in this final phase
6 of the investigation only confirms the correctness of
7 that decision.

8 Fifth, under-selling -- subject OTR tires
9 are not commodity products, and purchaser
10 questionnaires bear out conclusively that price is not
11 a principle factor in purchasing decisions.

12 In addition, testimony presented to the
13 Commission explains that U.S. producers' tires command
14 a consistent price premium because of brand
15 differentiation, greater certainty of supply, higher
16 residual value, shorter lead times, longer service
17 life, and other features not otherwise captured in the
18 Commission's price comparisons.

19 Sixth, condition of the U.S. industry --
20 there's no sign of injury here. The U.S. producers'
21 data reveals sharply increased profits over the period
22 of investigation. Titan has had the best performing
23 stock in the country. U.S. producer market share is
24 basically stable. Even measured on a unit basis, U.S.
25 producers' shipments have increased over the

1 investigation period.

2 While the Petitioners want even higher
3 profits; who wouldn't? The current levels of
4 profitability are simply inconsistent with claims of
5 injury or vulnerability.

6 Lastly, threat -- as noted, the U.S.
7 industry is not vulnerable to injury, and is clearly
8 strengthening its position as it further develops the
9 most lucrative segments of the OTR market for radial
10 and larger tires.

11 Meanwhile, Chinese manufacturers for whom
12 the U.S. market has never been very significant are
13 working at effectively full capacity, while they
14 struggle to meet booming demand, principally in the
15 hugely expanding Chinese market; but also in other
16 third country markets in Africa, Asia, and the Middle
17 East, where mining and agriculture are expanding and
18 prices are favorable.

19 Chinese producers have little capacity or
20 incentive to increase shipments to the United States.
21 U.S. importers are already on back orders in
22 allocation.

23 Perhaps this case would never have been
24 brought or continued had Petitioners correctly state
25 the Chinese import volume in the petition. We'll

1 never know the answer to that. But what we do know is
2 that there's no basis for an affirmative finding on
3 the record of this investigation. We strongly urge
4 the Commission to issue a negative determination in
5 this case, and I thank you for your time.

6 CHAIRMAN ARANOFF: Thank you; once again I
7 thank everyone for a long and productive two days of
8 hearings. If we all go and take a long lunch now, it
9 should take us right into the dinner hour.

10 Post-hearing briefs, statements responsive
11 to questions and requests of the Commission, and
12 corrections to the transcript must be filed by July
13 16, 2008. Closing of the record and final release of
14 data to the parties will be August 5th, 2008, and
15 final comments are due on August 7th, 2008. With
16 that, we are adjourned.

17 (Whereupon, at 2:50 p.m., the hearing in the
18 above-entitled matter was concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Certain Off-the-Road Tires
INVESTIGATION NOS.: 701-TA-448
HEARING DATE: July 8-9, 2008
LOCATION: Washington, D.C.
NATURE OF HEARING: Hearing

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: July 8-9, 2008

SIGNED: LaShonne Robinson
Signature of the Contractor or the
Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Carlos E. Gamez
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: Christina Chesley
Signature of Court Reporter