CERTAIN OFF-THE-ROAD TIRES FROM CHINA, INDIA, AND SRI LANKA
INV. NOS. 701-TA-551-553 AND 731-TA-1307-1308 (PRELIMINARY)

PUBLIC STAFF CONFERENCE BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION

JANUARY 29, 2016

STATEMENT OF DENNIS NUTTER
SALES MANAGER
TITAN TIRE CORPORATION

Good morning. My name is Dennis Nutter. I am a sales manager at Titan Tire Corporation. I have been with Titan since 1988. I have worked on the operations side managing tire manufacturing, worked on quality control with Titan's engineers, and for the past eleven years I have overseen sales to our largest OEM customers as well as some aftermarket sales. I have negotiated with all of Titan's major customers during that time.

In its prior investigation on OTR tires, the Commission found that price is likely to be the primary factor in purchasing decisions for many purchasers of OTR tires. That continues to be the case today. The market for OTR tires is extremely price-sensitive, and we are engaged in negotiations over price with our customers on a daily basis.

OTR tires from China, India, and Sri Lanka compete directly with Titan's OTR tires in the market. While we have many different SKUs of OTR tires, foreign producers also produce a full range of products, and those products meet customer specifications on a wide range of vehicles and applications. As a result, when we compete with tires from these countries for sales, the competition comes down largely to price.

In the aftermarket, many sales are on a spot basis and there is constant price pressure from imports. Imports are consistently priced substantially below our prices, and our customers force us to lower our prices in order to continue to make sales. For example, our own internal data on distributor prices for our own tires and for tires produced in India by BKT and Alliance show that the Indian tire undersold Titan's own competing model in every available comparison. The margins of underselling were significant, causing Titan to lose sales volume on these models and forcing us to lower our own prices to compete.

We also face import competition at our original equipment customers. Though some of our OE accounts are covered by multi-year contracts, these contracts do nothing to shield us from price competition. First, all of our contracts with our major OE customers have had to be renegotiated at least once since 2012, and when contracts are up for renegotiation, everything is on the table, including price. Second, even with a contract in place, there is no guarantee we will actually get the price we agreed to in the contract. Many of our contracts contain escape clauses that permit the customer to notify us when they have been offered the same tire we are under contract to provide at prices that are below the contract price. When this happens, we have two choices. We can lower our price to make the sale, or we can lose that sales volume. Even when the contracts do not have a formal escape clause, we face pressure from OE customers to lower our prices when competitors offer the same tire at a lower price.

Since 2012, we have been under constant price pressure at our OE accounts, including in agriculture, earthmoving, construction, and industrial. We have had to make significant price concessions to make sales, and we have also lost sales volume where we are not able to match the import price. The underselling has gotten so bad that one of our major customers that sources tires from China, India, and Sri Lanka told us we were "not even in the ballpark" when we recently tried to quote them on smaller ag tires we wanted to sell. This pervasive price undercutting has forced Titan to sell some of its OTR tires at a loss simply to hold on to some sales volume.

We believe Titan's experience is representative of the domestic industry as a whole, and we expect that your questionnaire data will show widespread underselling and price depression by significant margins.

I also want to dispel any notion that the price declines we have suffered are due to falling demand or falling raw material costs. While we do pass along some of our raw material cost declines to our customers, the price depression we have suffered is far deeper than any raw material cost savings we have experienced over the period. In addition, while demand has been flat to declining for many of our end-use segments, we have seen aggressive price depression by subject imports across the board, regardless of the demand trends in any particular segment.

Finally, I want to briefly address our sales of mounted tires. We do sell a fair amount of our tires in mounted, rather than unmounted, form. We are aware of mounted tires being offered from each of the three countries in the market. There is thus direct competition between our mounted tires and mounted tires from the subject countries.

There is also direct competition between mounted and unmounted OTR tires. When a customer sends out a bid request for a tire, they typically send it out for an unmounted tire. We will frequently submit the bid for the tire in both unmounted and mounted form, quoting a price for the tire, the price for the wheel, and a price for the assembly, giving the customer the option to purchase the tire unmounted or to purchase a mounted tire assembly. That same customer will simultaneously be contacting our competitors to get prices for the same tire, and many of them will use third party mounters if needed if our competitors' prices are below what we are able to offer. The fact that Titan can supply both the wheel and the tire, and provide it in mounted form, does not shield us in any way from import competition. Imports can also come in in mounted form from all three countries, and unmounted imports can also be mounted by third party mounters where the customer requires.

In short, subject OTR tire imports from China, India, and Sri Lanka have seized market share from Titan, and we believe other domestic producers, by persistently undercutting our prices. In a market where OTR tires from all sources are interchangeable and price is a key purchasing factor, this price aggression has caused Titan to lose sales volume and forced us to lower our prices to unsustainable levels. We have faced this unfair import competition in the aftermarket and the original equipment market, and in all kinds of OTR tires, including tires for agricultural, earthmoving, construction, and industrial applications.

Disciplining these dumped and subsidized imports from China, India, and Sri Lanka is essential to the ability of Titan and other domestic producers to compete on a level playing field.

Thank you.