CERTAIN OFF-THE-ROAD TIRES FROM INDIA AND SRI LANKA
INV. NOS. 701-TA-552-553 AND 731-TA-1308 (FINAL)

PUBLIC HEARING BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION

JANUARY 4, 2017

# STATEMENT OF PAUL REITZ
## PRESIDENT AND CEO
## TITAN INTERNATIONAL, INC.

Good morning. My name is Paul Reitz, and I am the President and CEO of Titan International, Inc., the parent company of Titan Tire Corporation. I have been with Titan since 2010. I became President in 2014, and I became CEO as of the beginning of this year.

Imports from India and Sri Lanka are highly substitutable with Titan's own tires. Titan competes across the market, including in the OEM and aftermarket, and the agricultural, construction, and industrial markets. Wherever subject imports are penetrating the market, we feel the impact directly. Your staff report shows that the majority of firms rate domestic and subject tires as comparable across nearly every purchasing factor. More than 80 percent of firms reported that U.S. and Indian tires are always or frequently interchangeable, and 78 percent of firms reported the same for tires from the U.S. and Sri Lanka. The vast majority of purchasers reported that tires from the U.S., India, and Sri Lanka usually or always meet minimum quality specifications. A majority of firms also reported that differences other than price are only sometimes or never significant when comparing domestic tires to those from India and Sri Lanka.

Price is a key factor in our ability to compete with these highly interchangeable tires. More than 68 percent of purchasers report that price is a very important factor in purchasing decisions for OTR tires, and 78 percent of purchasers listed price as one of their top three purchasing factors. When asked to compare prices between domestic tires and subject imports, the majority of purchasers reported domestic tires had inferior, that is, higher, prices.

The U.S. market for OTR tires has become more price sensitive in recent years as demand has declined and farm income has dropped. Customers have become more willing to purchase the lowest-cost product, and more aggressive in pushing us to match import prices. This market is characterized by very transparent pricing – we know what our competitors are offering, and we must compete to make those sales. The competition is fierce. Even if we believe our quality or services are superior, and even if we have well-known brands, any such advantages are simply overwhelmed when imports are being priced as low as they have been.

We are forced to review every request for a price reduction very carefully to see if we can meet it. In some cases, we have been forced to make sales at a loss just in order to keep our plants operating. Overall, we have lost significant volumes of sales and production because the import price is simply too low to meet.

Your staff report shows that tires from India and Sri Lanka undersold domestic tires in 96 percent of available comparisons, at margins ranging as high as 47.5 percent. Imports have also depressed prices to a significant degree. This cannot be explained solely by declining demand, as we have seen aggressive price depression by subject imports across the board, regardless of the demand trends in any particular segment. And while raw material prices have also been declining, we believe total costs have not fallen nearly as quickly as prices.

This has had a dramatic impact on our operations. We are operating far below capacity, with many tire building machines and curing presses sitting idle. We have had to lay off workers and reduce hours. Even with our reduced production, we are carrying high inventories. Though raw material costs have been declining over the period, the decline in tire prices, combined with the high fixed overhead we have to spread over lower production volumes, has deeply eroded our profitability. Without sufficient profits, we have been forced to slash capital expenditures and research and development expenditures by more than half from 2013 to 2015. These trends are simply not sustainable for a capital-intensive industry like ours.

The declines we have suffered far outstrip what would otherwise be expected if we had merely been following the cyclical downturn in demand. Unfortunately, agriculture demand is not expected to rebound significantly anytime soon, and construction and industrial remain sluggish. This will only exacerbate the injury to our industry if relief is not provided. If imports continue to flood our market and continue to use price aggression to buy market share, we will have to make very difficult decisions about how we keep our operations viable in the near future.

In other words, Indian and Sri Lankan producers have taken our market share by deeply underselling our product across the board. In an increasingly price-sensitive market with declining demand, these low prices were simply too attractive for many of our customers to resist.

The only way for us to combat this unfair competition was to file these petitions. The future of our company and our workers depend on effective relief being provided in this case.

Thank you, and I look forward to any questions you may have.