STAFF CONFERENCE BEFORE
THE U.S. INTERNATIONAL TRADE COMMISSION

TRUCK AND BUS TIRES FROM CHINA

INVESTIGATION NOS. 701-TA-556 AND 731-TA-1311 (PRELIMINARY)

February 19, 2016

TESTIMONY AND MATERIALS IN SUPPORT OF IMPOSITION OF ANTIDUMPING AND COUNTERVAILING DUTY ORDERS

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TRUCK AND BUS TIRES FROM CHINA
INV. NOS. 701-TA-556 AND 731-TA-1311 (PRELIMINARY)

PUBLIC STAFF CONFERENCE BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION

FEBRUARY 19, 2016

STATEMENT OF STAN JOHNSON
INTERNATIONAL SECRETARY-TREASURER
UNITED STEEL, PAPER AND FORESTRY, RUBBER, MANUFACTURING, ENERGY, ALLIED INDUSTRIAL AND SERVICE WORKERS INTERNATIONAL UNION

Good morning. My name is Stan Johnson, and I am the International Secretary-Treasurer of the United Steelworkers union. I also chair the Rubber and Plastics Industry Conference of the USW.

I have extensive experience in the tire industry. I worked at Armstrong's passenger car and light truck tire plant in Madison, Tennessee, for more than 20 years. I left the plant to join the USW after the Rubber Workers merged with the USW in 1996. As part of my responsibilities, I have been involved in major bargaining with the tire companies that employ USW members.

The USW represents workers at three companies and five plants that produce truck and bus tires in the United States. The USW represents workers at Bridgestone's plants in La Vergne and Warren County, Tennessee, at Goodyear's plants in Danville, Virginia and Topeka, Kansas, and at Sumitomo's plant in Buffalo, New York. These plants account for two thirds of the domestic industry's capacity to produce truck and bus tires.

It is on behalf of these members, which represent the majority of domestic production, that our union filed these petitions on truck and bus tires from China. As in so many other segments of the tire industry, China has aggressively targeted our market with dumped and subsidized tires over the last few years. These unfairly traded imports have taken shipments and market share from domestic producers, deeply undercut prices, and prevented our industry from participating in an extraordinary period of growth in domestic demand. In short, Chinese truck and bus tires have injured the domestic industry, and they threaten further injury if relief is not imposed.

From 2013 to 2015, as the economy recovered and commercial trucking activity increased, demand for truck and bus tires jumped by more than 17 percent. But the domestic industry was prevented from participating in any of this demand growth. One would expect the domestic industry to reap significant benefits from such an upswing in the demand cycle – increased shipments, production, and employment. Indeed, the industry must maximize the benefits of rising demand to protect itself from the inevitable downturns that follow.

Instead, the domestic industry actually saw its shipments fall by 5.7 percent as demand was rising. There was one reason for the decline: the massive surge in unfairly traded imports from China.

From 2013 to 2015, imports from China ballooned by 41 percent – growing at a rate more than twice as rapid as the growth in demand. Indeed, as China pumped an additional 2.6 million tires into the market, it seized over 70 percent of the increase in demand, while the domestic industry got none.

As a result, China was able to significantly increase its share of a growing market, at the direct expense of domestic producers. In 2013, China had 30 percent of the U.S. market – by 2015, it had more than 36 percent. At the same time, domestic producers saw their market share plummet from 50.7 percent in 2013 to just 40.7 percent in 2015. While there were six Chinese tires sold for every ten domestic tires sold in 2013, by 2015 there were nine Chinese tires sold for every ten domestic tires. If these trends are allowed to continue, China will easily overtake domestic producers in terms of shipments and market share by the end of this year, if not sooner.

The way that Chinese producers were able to seize shipments and market share from domestic producers was through widespread price undercutting. As our petition shows, retail prices for Chinese and U.S. tires across a broad range of tires show universal underselling in 30 out of 30 comparisons. The margins of underselling are significant, ranging from 9 to nearly 50 percent, and averaging over 29 percent. As industry materials explain, almost all independent dealers carry truck and bus tires from China alongside domestic product because of the significantly lower prices for Chinese tires. And it is the customers that choose these Chinese tires instead of U.S. tires – simply because of price -- that drove the loss of shipments and market share to Chinese tires over the period.

The USW has witnessed the impact of the surge in low-priced truck and bus tires firsthand in our plants. I am pleased to be joined by USW local presidents from three of those plants today – Bridgestone's plant in Warren County, Tennessee, Goodyear's plant in Topeka, Kansas, and Sumitomo's plant in Buffalo, New York. These local presidents will explain the real-world impact of Chinese imports on our industry.

Despite a 17 percent increase in demand, production at these plants has remained largely flat. And even as demand is projected to increase in the future, our employers are not increasing plant production tickets. Instead, the production tickets have been cut at each of the three plants starting in late 2015. The reason management gave for the reductions? Loss of market share to low-priced Chinese imports.

Our plants have also seen shifts no longer being used for production, days taken out of schedule, and cutbacks in the use of overtime. At each of these three plants, there is unused capacity and equipment that is idle. Some of our plants have also been starved of investment over the period. Our local presidents will testify to specific investment projects that have been discussed at their plants but put on hold as a result of Chinese imports eroding domestic shipments and market share. It is truly tragic that -- during such a dramatic increase in demand – the domestic industry has merely been treading water instead of re-investing in the future.

It is not just the USW that sees Chinese imports as the source of the domestic industry's problems. Management also discusses the import problem with us on a regular basis. During contract negotiations, at interim meetings, and at the plant level, management is constantly bringing up Chinese imports, their low prices and rising volume, and the market share they are taking from domestic producers. Our employers, like most profit-maximizing companies, are laser-focused on increasing market share. They constantly launch new products, update product features, and engage in many other efforts to grow their presence in the market. They are especially eager to introduce more offerings under brands such as Kelly, Dunlop, Firestone, and Dayton. Michelin has shown similar interest by launching new models of Uniroyal truck tires. The only reason these were not able to help them gain market share in the past three years was unfair competition from Chinese imports.

If these imports are disciplined, there is a significant opportunity for domestic producers. As our local presidents will testify, their plants could quickly and easily ramp up annual production by 1.3 million tires on existing equipment and with existing employees. In addition, if planned investments which have been deferred are finally made at each plant, total annual production could increase by over 2.5 million tires above current levels within a year. In short, production volumes at these plants could quickly increase by 25 percent without any new investment, and production could go up by almost half if shelved investments are made. These are massive opportunities for the industry and our members; but they also underscore the scale of potential production and investment that has been lost to Chinese imports.

Finally, I want to briefly address the threat of material injury if orders are not imposed. As in so many other industries, China has massive overcapacity in truck and bus tire production, and in fact currently has the capacity to produce every single truck and bus tire demanded in the entire world. And that capacity is still growing, fueled by massive and distorting government subsidies. The only way for Chinese producers to maintain production is to export their way out of the problem, and the U.S., with its large market, rising demand, and relatively high prices, is the number one target for such exports. As other governments around the world have imposed antidumping orders on truck and bus tires from China, Chinese producers will only further intensify their focus on the U.S. market, and continue to undercut prices to gain market share.

The result will be continuing injury to a domestic industry that has already been denied the benefits of rising growth over the past few years. In addition, as raw material prices rise in the imminent future, the industry will be less able to withstand significant price pressure from Chinese imports. The result will be less production, cutbacks in hours and jobs for our members, and a continued lack of needed investment in this important industry.

That is why our union filed these petitions, and that is why I am here today to ask for an affirmative preliminary determination.

Thank you.