

1 THE UNITED STATES INTERNATIONAL TRADE COMMISSION

2

3 In the Matter of: ) Investigation Nos.:  
4 ) 701-TA-522 and 731-TA-1258  
5 ) (Preliminary)  
6 CERTAIN PASSENGER VEHICLE )  
7 AND LIGHT TRUCK TIRES )  
8 FROM CHINA )

9

10 Tuesday, June 24, 2014  
11 Main Hearing Room (Room 101)  
12 U.S. International  
13 Trade Commission  
14 500 E Street, S.W.  
15 Washington, D.C.

16 The Preliminary Conference, commenced, pursuant  
17 to notice, at 9:30 a.m., before the Investigative staff of  
18 the United States International Trade Commission.

19

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13 Countervailing Duty Orders:

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19 Darryl Jackson, President, USW Local 959

20 David Hayes, President, USW Local 12L

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1 P R O C E E D I N G S

2 (9:30 a.m.)

3 MR. BISHOP: Will the room please come to order.

4 MS. DeFILIPPO: Good morning and welcome to the  
5 United States International Trade Commission's Conference in  
6 connection with the preliminary phase of antidumping and  
7 countervailing duty investigation No. 701-TA-522 and  
8 731-TA-1258 concerning Certain Passenger Vehicle and Light  
9 Truck Tires from China.

10 My name is Catherine DeFilippo. I am the  
11 Director of the Office of Investigations and I will preside  
12 at this conference.

13 Among those present from the Commission staff are  
14 from my far right, Elizabeth Haines, a supervisory  
15 investigator; Edward Petronzio, the investigator; to my left  
16 Courtney McNamara, the attorney advisory; William Deese, the  
17 economist; David Boyland, the accountant/auditor; and  
18 Raymond Cantrell, the industry analyst.

19 I understand the parties are aware of the time  
20 allocations. All witnesses must be sworn in before  
21 presenting testimony. Any questions regarding the time  
22 allocations or swearing in should be addressed with the  
23 Secretary.

24 I would remind speakers not to refer in your  
25 remarks to business proprietary information and to speak

1 directly into the microphones.

2 We also ask that you state your name and  
3 affiliation for the record before beginning your  
4 presentation or answering any questions for the benefit of  
5 the court reporter.

6 Are there any questions?

7 (No response.)

8 MS. DeFILIPPO: Seeing and hearing none, Mr.  
9 Secretary, good morning. Are there any preliminary matters?

10 MR. BISHOP: Madam, Chairman, I would note that  
11 all witnesses for today's conference have been sworn in.

12 MS. DeFILIPPO: Excellent. Let us please proceed  
13 with opening statements.

14 MR. BISHOP: Opening remarks on behalf of  
15 Petitioner will be by Terence P. Stewart of Stewart and  
16 Stewart.

17 MR. STEWART: Good morning. For the record, I'm  
18 Terence Stewart. I'm the managing partner of Stewart and  
19 Stewart and counsel for the Petitioners, USW.

20 The Petitioner in these investigations, United  
21 Steel, Paper and Forestry, Rubber, Manufacturing, Energy,  
22 Allied Industrial and Service Workers International Union,  
23 or the USW, represents a large portion of the production  
24 workers producing passenger car and light truck tires here  
25 in the United States.

1           The USW's members are on the frontline of the  
2 current crisis flowing from the huge increase in import of  
3 passenger vehicle and light truck tires from China.

4           As you know, it was the USW that petitioned for  
5 relief under Section 421 in 2009. As the Commission record  
6 in that investigation reflects, the injury to the domestic  
7 industry was so serious during the year of the investigation  
8 in 2009, companies announced plans to close two additional  
9 plants and reduce production at a third by the end of the  
10 year shrinking domestic capacity significantly below the  
11 capacity that has existed at the end of 2008, the end of the  
12 period of investigation and affecting production and  
13 shipments in the year 2010.

14           As our witnesses will discuss this morning, 421  
15 relief translated into higher orders at the plants they work  
16 at, indeed with relief in place U.S. producers started  
17 regaining market share in 2011 and were able to obtain  
18 better prices for the products. However, when relief  
19 terminated in late September 2012 the effects on U.S.  
20 facilities and the USW's members was immediate.

21           The increase in imports from China from under 25  
22 million tires in 2011 to nearly 51 million tires in 2013 and  
23 with a further nearly 25 percent increase in the first  
24 quarter of this year have directly harmed domestic producers  
25 and their workers.

1           Imports from China have captured not only 100  
2 percent of the market growth during that time period, but  
3 have also seized large volumes of tire production and market  
4 share from domestic producers. Lower domestic shipments has  
5 meant reduced employment for workers across the industry as  
6 our witnesses today will describe. We have suffered injury  
7 already and there is more that is unfortunately threatened.

8           Our petitions have laid out information that we  
9 believe when investigated will confirm that imports from  
10 China are not fairly traded, but massively dumped and  
11 benefiting from large government subsidies. So the decline  
12 we're facing in jobs is not flowing from fair trade, but  
13 from unfair trade practices.

14           The rate of import growth from China having  
15 already harmed the industry threatens the survival of  
16 additional domestic tire plants in 2014 and 2015, just as  
17 China's growth in the 2004-2008 period that you've already  
18 investigated resulted in the closure of many plants in the  
19 United States. Based on the first quarter numbers China's  
20 exports to the U.S. will grow by more than 10 million tires  
21 this year, faster growth in nearly all the years of the 421  
22 investigation, and far higher than expected market demand  
23 growth this year.

24           In our submission of June 17th, the USW provided  
25 information on the 2013 production of the eight plants where

1 the USW has members. The loss of 10 million additional  
2 tires in 2014 is greater than the 2013 production at nearly  
3 every one of those plants. Thus, there can be no question  
4 that the growth of imports from China will cause further  
5 reductions in jobs, hours worked, wages, domestic  
6 production, market share, and will threaten the existence of  
7 one or more plants.

8           The ability of domestic producers to maintain or  
9 increase investments in the U.S. depends on generating  
10 adequate returns on their investments. Such returns were  
11 not possible during the 421 investigation period. Relief  
12 has improved pricing and profitability and you have seen  
13 increased investments in the opening of some new facilities  
14 being announced. Yet public reports indicate that tire  
15 prices have been falling with the surge of imports from  
16 China in the last year and a half. While the industry has  
17 experienced declining raw material costs in recent years,  
18 mounting imports from China at aggressively undersold prices  
19 combined with raw material prices that are likely to  
20 stabilize or rise in the near future ensures a return to  
21 declining profitability and the closure of additional  
22 facilities.

23           Thus, the working men and women of the USW who  
24 produce these tires in the United States seek an affirmative  
25 determination both at the surge through 2013 has caused

1 material injury to the industry and its workers through the  
2 loss of volume, market share, jobs, wages and hours of work,  
3 and that the continued surge threatens our workers and  
4 industry with additional material injury.

5 Thank you very much.

6 MS. DeFILIPPO: Thank you, Mr. Stewart.

7 MR. BISHOP: Opening remarks on behalf of  
8 Respondents will be by James P. Durling, Curtis,  
9 Mallet-Prevost, Colt & Mosle.

10 MR. DURLING: Good morning. My name is James  
11 Durling with the law firm of Curtis, Mallet-Prevost,  
12 appearing today on behalf of the Chinese exporters.

13 The petitioner in this case has presented what  
14 can best be described as a mere presence theory. If Chinese  
15 imports are present and increasing in the market, they must  
16 be causing injury. Yet, I have rarely seen a petition so  
17 utterly inconsistent with the evidence in the  
18 questionnaires. I guess that is the risk of filing a trade  
19 petition when you do not really know the condition of the  
20 domestic industry.

21 This domestic industry is not materially injured.  
22 The contrast with this domestic industry in the Section 421  
23 case, the last time the Commission considered this industry  
24 could not be more dramatic. The domestic industry is  
25 thriving by almost every metric. The companies have seen

1 consistent and increasing profits, both total dollars earned  
2 and profit margins.

3           Moreover, the companies are investing, R&D  
4 spending is up, capital expenditures are up. Companies have  
5 already built new factories, and have announced even more  
6 new factories.

7           Nor is this data on the domestic industry doing  
8 quite well in any way anomalous. Rather, the strong and  
9 improving performance reflects the conscious strategy  
10 adopted by the domestic industry years ago long before this  
11 period of investigation to cope with the increasingly  
12 globalized industry by adapting.

13           The industry is thriving even during a period of  
14 increasing volumes of Chinese and other imports because the  
15 business strategy to focus on higher value market segments  
16 is working.

17           We will discuss in our testimony today the role  
18 played by imports, Chinese and otherwise in the market.  
19 Imports play a key role in supplying those parts of the U.S.  
20 demand that the domestic industry cannot supply. Imports  
21 also more cost effectively supply the value segment of the  
22 market which allows the domestic industry to focus on the  
23 higher value and more profitable segments. Thus, imports  
24 have not injured the domestic industry, rather imports  
25 compliment domestic industry efforts. That is why in this

1 case the evidence shows the precise opposite of the usual  
2 pattern. As subject imports have increased, the domestic  
3 industry has done better and better hitting record profit  
4 levels in 2013 and doing even better in early 2014.

5 Now, I'm sure the petitioner panel will present  
6 extensive testimony on various volume metrics, imports are  
7 up, domestic shipments are down, Chinese market share is  
8 growing. You will also undoubtedly hear about the low  
9 Chinese prices. But under the law, volume and market share  
10 are not decisive. The mere existence of price underselling  
11 is not decisive. The volume and pricing must be linked to  
12 some adverse impact.

13 Petitioner's theory ignores two key points.  
14 First, the conscious business strategy to stop supplying  
15 private label tires to the value segment of the market  
16 happened more than decade ago. Since that time the domestic  
17 industry has wisely focused its U.S. production on the  
18 higher value segments of the market and have also built  
19 operations offshore to supply more cost effectively the  
20 value segments as needed.

21 But the domestic producers long ago stopped  
22 chasing volume for the sake of volume and market share,  
23 focusing, instead on a diversified production strategy to  
24 make profits and it has been working brilliantly as the  
25 questionnaire responses in this case will show.

1           Second, the allegedly injurious volume and prices  
2 have had no adverse effect. In fact, the domestic  
3 industry's best year was 2013 when the 421 tariffs had been  
4 fully lifted, and when the Chinese volumes and market share  
5 were at their peak, and the Chinese selling was at its  
6 largest.

7           It is hard to imagine more compelling record  
8 evidence, that domestic industry strategy is working and  
9 that imports are not causing injury.

10           With no real evidence on current injury, I'm sure  
11 the petitioner panel will also talk a lot about the threat  
12 they believe the Chinese imports pose. But their theory of  
13 threat also makes no sense given the evidence in this case.

14           First, the trends in this case have been  
15 significantly influenced by that 4021 tariffs, a key  
16 condition of competition that must be taken into account.  
17 The allegedly threatening surge from China is really little  
18 more than China returning to the market after facing three  
19 years of increased tariffs.

20           Second, it is hard to imagine a less vulnerable  
21 industry. Even with Chinese imports at their largest volume  
22 and market share in 2013 the domestic industry earned record  
23 profits. 2014 started out even stronger. There is not a  
24 shred of evidence that the Chinese imports will suddenly  
25 cause these strong positive trends to reverse.

1           And, third, although the Chinese industry  
2 continues to grow in that capacity, the vast majority of  
3 that capacity is needed for the Chinese market.

4           The Commission has extremely good coverage even  
5 at this preliminary stage with foreign producer responses  
6 that account for 98 percent of U.S. imports from China.  
7 What that evidence shows is that the past and projected  
8 increases in capacity are largely accounted for by the  
9 rapidly growing Chinese market and other export markets.

10           Thank you.

11           MS. DeFILIPPO: Thank you, Mr. Durling.

12           MR. BISHOP: Would the first panel, those in  
13 support of the imposition of antidumping and countervailing  
14 duty orders please come forward and be seated.

15           (Pause.)

16           MS. DeFILIPPO: Welcome back, Mr. Stewart and  
17 welcome to the members of your panel. Please proceed when  
18 everyone is seated and ready.

19           MR. STEWART: My partner, Elizabeth Drake, is  
20 going to start.

21           (Pause.)

22           MS. DRAKE: Good morning, Commission staff. My  
23 name is Elizabeth Drake and I'm here from the law offices of  
24 Stewart and Stewart on behalf of the Petitioner, the USW.  
25 I'm joined today by our managing partner, Terence P.

1 Stewart, and our associate, Philip A. Butler.

2 And we will introduce our witnesses after we  
3 first provide a short presentation that summarizes the facts  
4 of the case before the Commission this morning.

5 First we would like to start with review of the  
6 subject merchandise and domestic-like product. Then we will  
7 cover the conditions of competition. We will then discuss  
8 the volume of subject imports and the price effects of those  
9 imports. We will then review evidence that the domestic  
10 industry is being materially injured by those imports and is  
11 threatened with further material injury.

12 The subject merchandise is passenger vehicle and  
13 light truck tires. There are new, pneumatic tires of rubber  
14 with a passenger vehicle or light truck size designation.  
15 The scope includes tube type, tubeless, radial, and  
16 nonradial tires whether for sale to original equipment  
17 manufacturers or the replacement market.

18 The subject merchandise does not include racing  
19 car tires, medium and heavy truck tires, bus tires,  
20 agricultural, or off-the-road tires. I will note the  
21 petition did file a scope clarification request yesterday  
22 with a revised definition of racing car tires.

23 This is essentially the same scope as the section  
24 410 investigation on passenger vehicle and light truck  
25 tires. The domestic-like product is a single product

1 consisting of passenger vehicle and light truck tires  
2 coextensive with the scope.

3 All of the factors that the Commission reviews in  
4 defining domestic-like product support this definition. In  
5 terms of physical characteristics and uses, in the 421  
6 investigation the Commission found that all passenger  
7 vehicle and light truck tires are produced from the same  
8 basic raw materials and have the same basic components. And  
9 they all have the same basic function, to be mounted on the  
10 wheels of passenger cars and light trucks.

11 In terms of interchangeability, tires with  
12 different designs, features, and performance characteristics  
13 can be used interchangeably if they are the are the same  
14 size. The Commission previously found that there were no  
15 clear dividing lines between sizes or types of passenger  
16 vehicle and light trucks tires, the same is true today.

17 On channels of distribution the Commission found  
18 that both domestic and Chinese tires are sold primarily to  
19 warehousing distributors for sale in the aftermarket. The  
20 Commission also found that both were present in the OE  
21 market. And both are available nationwide. All of those  
22 facts remain the same today as is demonstrated in our  
23 petitions.

24 All tires are made -- all passenger vehicle and  
25 light trucks tires are made in the same facilities, through

1 the same basic manufacturing processes, on the same types of  
2 equipment, and by the same employees. Our witnesses will  
3 provide further testimony regarding these facts this  
4 morning.

5 In terms of customer and producer perceptions,  
6 the Commission previously found that there were no clear  
7 dividing lines between what were alleged to be tiers in the  
8 market. And not even agreement among market participants as  
9 to how to define such alleged tiers.

10 In fact, a vast majority of purchasers reported  
11 that U.S. and Chinese tires are always or frequently  
12 interchangeable. The same conditions exist today.

13 Finally, with respect to the last factor, price,  
14 all passenger vehicle and light truck tires are offered at a  
15 range of prices, though the average Chinese price is  
16 significantly lower due to underselling.

17 Moving to conditions of competition. In terms of  
18 demand in the U.S. market, there's been only slow growth  
19 over the period of investigation. From 2011 to 2013, there  
20 was an increase in apparent consumption of 13 million tires  
21 or 5 percent. In 2014 apparent consumption is projected to  
22 grow by only four million tires or about 1 percent. This is  
23 public data from the Rubber Manufacturers Association.

24 In terms of supply, previously the Commission  
25 found that both domestic and Chinese producers could respond

1 to changes in demand with moderate changes in shipments.  
2 The record in this investigation shows that Chinese  
3 producers can in fact respond with very large changes in  
4 supply and at the direct expense of domestic producers.

5 Chinese producers were able to increase their  
6 exports by more than 26 million tires -- excuse me, almost  
7 26 million tires from 2011 to 2013, while domestic producers  
8 saw their shipments fall by 14 million tires. Again, this  
9 is based on public data from the Rubber Manufacturers  
10 Association and public import statistics.

11 An important condition of competition in this  
12 market is the high degree of substitutability between  
13 Chinese and domestically produced tires. The Commission had  
14 found them to be highly substitutable in its 421  
15 investigation. As we discussed, most purchasers reported  
16 they are always interchangeable. We believe the record in  
17 this investigation will continue to support a large majority  
18 of participants finding them to be interchangeable.

19 The Commission found they're substantially  
20 identical in inherent or intrinsic characteristics and there  
21 are no clear dividing lines between the different types of  
22 tires or size of tires. All domestic and all Chinese tires  
23 are subject to the same motor vehicle safety standards and  
24 the same performance, quality grade, and marking standards.

25 This is a comparison that we provided in our

1 petition of the load, speed, tread wear, traction and  
2 temperature grades for tires in the same size designation  
3 with U.S. and Chinese origin. This information comes from  
4 the web site of a dealer called Tirerack, Tirerack.com that  
5 does identify the country of origin of the tires and so  
6 permits us to make these comparisons.

7           As you condition see in any particular -- and  
8 these are the most popular sizes in the replacement market.  
9 As you can see, for any particular size designation, both  
10 Chinese and U.S. tires are offered in a range of speeds,  
11 tread wear, and traction and temperature grades and an  
12 overlapping ratings in all of these areas.

13           As to the alleged tiers in the market. In the  
14 Commission -- this was a big issue in the 421 investigation  
15 and the ITC investigated, sent out supplemental  
16 questionnaires on the issue and found there were no clear  
17 dividing lines between alleged tiers and no agreement as to  
18 what the tiers were. They found that both domestic  
19 producers and importers ship a relatively full range of  
20 tires. And that shipments from both the U.S. and Chinese  
21 producers fell into all three of the alleged tiers in the  
22 market. And that both U.S. and Chinese tiers were also  
23 present in both the OE and replacement markets.

24           The Commission concluded, the tires include a  
25 wide range of products along quality price and performance

1 spectrum. Domestically produced tires compete with subject  
2 imports in all markets in which the imports are present.

3           The same is true today. The AMS data provided in  
4 our petition shows imports from China by OEMs as well as  
5 after-market dealers. And both U.S. and Chinese tires are  
6 offered under a range of name brands as well as private  
7 labels. Tire dealers carry and advertise Chinese and U.S.  
8 tires in the same sizes with the same features and market  
9 them side by side to consumers.

10           As to the confusion regarding alleged tiers, this  
11 is from a 2013 article on modern tire dealer where the  
12 author stated, "So many factors determine brand placement."  
13 It is so hard to define tiers. It is also hard to determine  
14 how many tiers there are.

15           With regard to potential attenuation of  
16 competition based on brands or prices, as this slide shows,  
17 with any particular size designation you will find that  
18 brands offer a range of price points. So within a brand you  
19 can find a lower-priced tire, a middle-priced tire, and a  
20 higher-priced tire. And brands don't necessarily fall in  
21 some lock step order of only certain brands being at the top  
22 of the price spectrum and only certain brands being at the  
23 middle or at the bottom.

24           As to private brands, at topic that counsel  
25 raised in opening statements. This is from the website of

1 Nick Del-Nat Tires, which is a large private-brand dealer  
2 explaining why consumers should consider buying private  
3 brand tires. They explain that private-brand tires are  
4 built by the same manufacturers as name-brand tires, both in  
5 the U.S. and overseas. This particular dealer does provide  
6 both U.S. origin and Chinese origin tires. We provided that  
7 information in the petition. They explain that both  
8 private-brand tires are able to meet the same performance  
9 criteria and have the same physical characteristics as  
10 name-brand tires.

11 Basically, the only difference between  
12 private-label tires and name-brand tires, according to the  
13 dealer, is price.

14 This slide shows that there's also no attenuation  
15 of competition by supposed relegation of Chinese tires to  
16 some lower end of the market and concentration of U.S. tires  
17 at a higher end of the market. Again, this is from  
18 Tirerack and it shows for popular size designations, there  
19 are tires from the U.S. available at the full range of price  
20 points, and there are tires from China available at the full  
21 range of price points. There's no strict dividing line  
22 between the two. Both are offered in a full range to  
23 consumers and advertised side by side to consumers.

24 Chinese tires are also not limited to low-quality  
25 tires. In the 421 investigation the Commission found that

1 93 percent of purchasers reported Chinese and U.S. tires  
2 were comparable in meeting industry quality standards and 86  
3 percent reported they were comparable in exceeding those  
4 standards. You can find both U.S. and Chinese tires  
5 marketed as high performance, ultra-high performance, or  
6 grand touring. So we think the Commission should continue to  
7 find, as they did in the 421 investigation, that Chinese and  
8 U.S. tires are available in the full quality spectrum.

9           There are a number of Chinese name brands that go  
10 to significant efforts to market their tires under their own  
11 name brands as being high quality and comparable to tier one  
12 and tier two tires. Aeolus says it's promoted as an  
13 alternative to tier one and tier two brands. Sailum says  
14 that it has equal performance to top tier brands at half the  
15 price. Linglong tires advertises that it has a premium tire  
16 with the same ride, handling, and performance you'd expect  
17 from premium tires. Sentaida, another Chinese brand explain  
18 that its goal is to be a top-end Chinese brand and offer  
19 premium tires.

20           I will now turn it over to my partner, Terry  
21 Stewart?

22           MR. STEWART: When you turn to the issue of  
23 volume of imports, what you see is that the volume of  
24 imports is significant both absolutely and relative to  
25 domestic production and consumption. This is not surprising

1 since the imports from China are the largest source of  
2 imports. They are close to 51 million tires in 2013. And  
3 there has been a substantial increase ever since the fourth  
4 quarter of 2012. You see in the 11/2013 period, more than  
5 doubling on a value and volume basis, and compared to  
6 domestic shipments, an increase of 27 percentage points.  
7 And as a percent of U.S. consumption an increase of 9  
8 percentage points. Very dramatic changes in the time period  
9 there.

10 This is a visual representation that you can see  
11 more than 100 percent increase in both of those between 2011  
12 and 2013 and further increase in 2014.

13 Okay. This is a visual representation of the  
14 increase in share of U.S. imports from China compared to  
15 U.S. shipments and U.S. consumption. You can see it going  
16 from less than 20 to over 45 compared to U.S. shipments and  
17 going from under 10 -- 9 percent to 18 percent as a percent  
18 of consumption.

19 Turning to price effects, subject imports are  
20 also having significant adverse price effects on the U.S.  
21 industry. And this is not because the domestic producers  
22 have abandoned the value part of the market as was alleged.  
23 Public data that we submitted in the petition shows  
24 significant underselling by Chinese tires in the most  
25 popular size ranges. We believe that the questionnaire

1 responses that you received will show the same thing for the  
2 high volume replacement tires that the Commission went out  
3 and got information on. And that information is similarly  
4 confirmed by various industry sources in terms of aggressive  
5 underselling.

6           Here's some of the part numbers that we presented  
7 in the petition, again from public sources. And these are  
8 prices not from -- at the importer level. They are rather  
9 prices at the retail level, but they show the type of  
10 underselling that we believe is going on, and that we  
11 believe the staff report in terms of the questionnaire  
12 responses will show, these are passenger car tires. They go  
13 from 10 percent to close to 40 percent. And the next slide  
14 shows the same thing for light trucks tires where you have  
15 underselling from about 18 to about 36 percent.

16           We also looked at U.S. import prices from China  
17 for the five largest import categories and looked at the  
18 average unit values to customs values over time and you see  
19 beginning with the fourth quarter when the tariffs come off  
20 that there's a significant downward trend in the customs  
21 value. This is before import duties and so excludes both  
22 before and after the 421 relief.

23           If you take a look at the comments of industry  
24 participants, here's the Yokohama president last November.  
25 Chinese brands are coming into the U.S. market and the price

1 level is coming down. Cheap tires are coming in and the  
2 tier two and tier three brands are reducing their prices to  
3 compete with the Chinese product. Then the tier two and  
4 tier one have to adjust also. So we have downward price  
5 pressure across the spectrum whether you believe in tiers or  
6 not.

7           And then there's a comment from a company that  
8 was a major participant in the 421, and a major importer of  
9 tires from China, the best advantage Chinese-made tires have  
10 to offer is still price. With that advantage comes the  
11 ability to impact the market as a whole through price  
12 fluctuation.

13           Following the expiration of the elevated tariffs  
14 on Chinese-made consumer tires in September 2012, prices of  
15 Chinese tires decreased substantially contributing along  
16 with reduced raw material prices to devaluation on tires  
17 across the board. Exactly what is happening in the U.S.  
18 market.

19           So, on the issue of material injury, despite the  
20 comments of our opponents, the issue is not simply one  
21 factor, but if you look at all of the factors that the  
22 statute requires the Commission to look at, what you will  
23 see is dramatic declines across the board. This is  
24 identified in the petition and we believe it's supported by  
25 the information that you will have in your questionnaire

1 responses.

2           The domestic industry has lost shipments and  
3 market share directly to rising imports from China. Our  
4 witnesses will also testify to lost production, reduce  
5 employment wages and hours, and foregone capital  
6 investments.

7           Similar to the injury suffered during the 421  
8 period, there is a direct and significant connection between  
9 rising imports and injury to the industry.

10           If we had abandoned these markets a decade ago,  
11 it is surprising that when relief was taken off and the  
12 market was growing, and all that happened was, the domestic  
13 industry lost 14 million tires in volume. Apparently we  
14 lost volume in markets that we don't compete in. Compared  
15 to that, China captured 100 percent of the increase in  
16 market demand and non-subject imports moved virtually none.

17           You can see the same thing on a percentage basis.  
18 We lost 7 percent. Chinese market share grew by 9 percent,  
19 non-subjects which basically reflect decline by 1.5 percent.

20           Okay. So the increase in the Chinese shipments  
21 came at the direct expense of U.S. producers -- no other way  
22 to read those import statistics. And the statements in the  
23 press in the fall of 2012, more than 20 percent of dealers  
24 reported a change in their top selling tire brand to a  
25 Chinese model. Spring of 2013, number of dealers reported

1 to be turning increasingly to Chinese tire company-owned  
2 brands. In 2013 numerous dealers announced new sourcing  
3 agreements with Chinese producers. That is a classic  
4 example of a foreign source becoming a more significant  
5 player in the market. We acknowledge that, but they're  
6 taking it out of the high end of the domestic producers  
7 which is costing USW members jobs.

8 In addition, you have these statements from three  
9 of the domestic producers, Coopers 2013 Annual Report  
10 contribute reduced 2013 sales volume in North America to  
11 increase competition from imports. Prior slides show you  
12 the only increased competition from imports was from China.

13 Yokohama's 2013 annual report explains that  
14 termination of the safeguard duties on tires from China  
15 undermine their North American sales. Michelin explained in  
16 its collective bargaining agreement that it was rates that  
17 are very cost competitive in a challenging environment. You  
18 will hear from the workers as to what that meant. And a  
19 publication that talked to many domestic tire manufacturers  
20 indicated that the producers tend to agree that 2013 ended  
21 up being a very difficult year for the industry, most  
22 notably because of the adjustments that had to be made with  
23 the removal of tariffs on Chinese-made passenger and light  
24 trucks tires and low priced product coming in.

25 We had layoffs -- former layoffs, and as you will

1 hear from today, there are hundreds of other people who have  
2 lost their jobs through attrition as companies have cut back  
3 because of reduced production.

4           On the threat of material injury, I've kind of  
5 already walked through the fact that we're expecting large  
6 increases as seen in the first quarter. There are a large  
7 number of export subsidies that were alleged in the  
8 petition. As you know, the Commission is required to give  
9 that some weight in terms of looking at a possible threat  
10 issue.

11           The subsidies further explicit government  
12 policies to increase tire production and tire exports and to  
13 improve tire technology and quality. One of those examples  
14 is the creation in 2011 of the Shandong Rubber Valley to  
15 make the industry "bigger and stronger" in fierce  
16 international competition.

17           They are now the world's largest producer and  
18 exporter of tires from one of their producers the  
19 information on tire production in China grew from 280 to 470  
20 million between 2006 and 2012. We identified from public  
21 sources at least \$1.4 billion of additional capacity  
22 expansion in China last year. The data in the petition show  
23 they're highly export oriented and that much of China's  
24 export production is likely to be exported.

25           Contrary to the statements made earlier, if you

1 take a look from 2011 to 2013, almost 100 percent of the  
2 growth in exports from China was to the United States, not  
3 to these other markets that it's supposedly going to capture  
4 all of the increased capacity that's going in.

5 And as we showed in the petition and as was true  
6 in the 421, for at least some companies, there is an export  
7 requirement built into the opportunity to produce tires in  
8 China.

9 So all of the factors we believe point to not  
10 only existing material injury, but also to the threat.

11 With that, I'm going to stop and turn it over to  
12 our first witness, Stan Johnson.

13 MR. JOHNSON: (Off microphone.) Good morning. My  
14 name is Stan Johnson. I'm the International  
15 Secretary-Treasurer of the USW --

16 Okay. How about that? Yeah, I can hear that.  
17 Okay. Good. Thank you. Sorry.

18 Good morning. My name is Stan Johnson. I'm the  
19 International Secretary-Treasurer of the United Steel  
20 Workers Union and I also chair the rubber and plastics  
21 industry conference for the USW.

22 I have extensive experience in the tire industry.  
23 I worked in the passenger and light truck tire plant, the  
24 Armstrong tire plant in Madison, Tennessee for more than 20  
25 years. I worked at all stages of the production process

1 just from mixing to extruding, building, curing, and  
2 inspection.

3 I left the plant to join the United Steel Workers  
4 International after the rubber workers merged with the USW  
5 in 1996. As part of my responsibilities I've been involved  
6 in major bargaining with the tire companies that employ USW  
7 members for a number of years. I have also visited  
8 facilities that produce non-subject tires such as truck,  
9 bus, and off-the-road tires.

10 USW filed these petitions on China for one simple  
11 reason, to fight for our own industry. When we fought for  
12 our industry in 2009 the safeguard duties we obtained made  
13 all the difference. When we brought that case China had  
14 more than tripled its exports of passenger and light trucks  
15 tires to the U.S. from 2004 to 2008 leading to significant  
16 job losses, factory closures, and a struggling domestic  
17 industry.

18 When the Commission recommended relief and the  
19 President acted to impose safeguard duties the turnaround  
20 was quite remarkable. Imports from China dropped from a  
21 peak of 46 million tires in 2008 to just 30 million tires in  
22 2010, dropped again in 2011, and stayed below 32 million in  
23 2012. The bleeding in the domestic industry had stopped, in  
24 short, the tariffs worked.

25 Then at midnight on September 26, 2012 the

1 safeguard duties expired. Importers were so eager to  
2 reflood the U.S. market with Chinese tires that some of them  
3 even set up warehouses as free trade zones so they wouldn't  
4 have to wait for the tires to enter the ports. As one  
5 industry publication explained, key players were planning to  
6 resume shipments of Chinese tires at 12:01 on the 27th of  
7 September.

8           The impact was dramatic. From 2012 to 2013 U.S.  
9 imports of tires from China jumped by more than 19 million  
10 tires or 61 percent. As a result imports in 2013 were twice  
11 what they had been in 2011 and even higher than the previous  
12 peak reached in 2008. At the same time average values for  
13 the most popular tire sizes began to plummet.

14           The trends have continued in 2014 with first  
15 quarter imports up by 24.6 percent compared to 2013.

16           Resurgence of Chinese tires has come at the  
17 direct expense of U.S. producers who lost shipments of 14  
18 million tires and 7 percentage points in the market share  
19 from 2011 to 2013.

20           As the USW local presidents with me today will  
21 attest this has led to reduced production, lost hours, lower  
22 staffing levels, and layoffs at the tire plants we  
23 represent.

24           It is Chinese imports that are the cause of this  
25 injury. We regularly discuss market conditions with

1 management including through interim meetings between  
2 bargaining sessions. The issue of imports and our ability  
3 to compete with those imports is a constant topic of  
4 discussion. It comes up almost every time we have a  
5 meeting.

6           Persistent pressure to be more efficient and cost  
7 effective is a result -- is a direct result of this  
8 competition.

9           In addition to the injury the industry and our  
10 members are already facing, the additional threat to our  
11 industry, if we cannot obtain relief from unfairly traded  
12 tire imports from China is eminent. And it's grave.

13           If the trend continues, China could increase its  
14 export to the U.S. by 10 million tires in 2014, enough to  
15 lead to significant reductions in production and employment  
16 at a number of our plants and even wipe out one or more of  
17 our plants entirely. And the possibility is far more than  
18 theoretical.

19           As our local union presidents today will testify,  
20 a number of plants have already seen reductions in hours in  
21 employment since the removal of the tariffs; are facing  
22 potential further reductions in production later this year.  
23 In addition, our current contracts provide no protection  
24 against management's ability to shut down two of our  
25 facilities, the Michelin plants in Fort Wayne, Indiana and

1 Tuscaloosa, Alabama. Even those facilities that are  
2 "protected" from being shut down completely may be subject  
3 to significant layoffs within the terms of our existing  
4 contract agreements.

5           If we cannot get relief from the rising tide of  
6 tires from China domestic production will continue to fall  
7 and additional layoffs and closures will be inevitable.

8           The market can only return to conditions of fair  
9 employment if we get relief from the dumped and subsidized  
10 Chinese tires. Our petition shows tires are being dumped at  
11 margins as high as 92 percent. They also identify more than  
12 three dozen subsidy programs benefitting Chinese tire  
13 producers.

14           When market distortions are corrected, our  
15 industry can regain the stability and strength it need to  
16 compete. The benefits of relief are very real for our  
17 members, their families, and the communities in which they  
18 live.

19           This is why our union filed these petitions, it  
20 is why we are here today to ask the Commission to give us a  
21 chance to obtain badly needed relief. And I look forward to  
22 any questions you may have. Thank you.

23           MR. WILLIAMS: Good morning. My name is Mark  
24 Williams and I'm the president of United Steel Workers Local  
25 351. Our members produce passenger car and light trucks

1 tires at Michelin's plant in Tuscaloosa, Alabama.

2 I started my career as a tire builder at the  
3 Tuscaloosa plant in 1976. Our plant was originally owned by  
4 B.F. Goodrich and is now owned by Michelin. Since that time  
5 I've also held positions in quality assurance and as a time  
6 study representative for the union.

7 As a time study rep I've had the opportunity to  
8 visit 14 different tire plants where USW workers were and in  
9 many instances are employed.

10 I have served as the president of our local since  
11 2012.

12 Our plant makes a wide range of tires with rim  
13 diameters from 14 to 20 inches. We produce both tires for  
14 the OE market, and the aftermarket. The same tire building  
15 machine can make a wide variety of tires depending on how it  
16 is programmed and what components are put into it.  
17 Depending on their size, passenger car and light trucks  
18 tires may be cured on a larger or a smaller curing press,  
19 but the basic curing process is the same.

20 Both passenger car and light truck tires are made  
21 on the same equipment and by the same workers. All of the  
22 tire plants I visit are very similar in terms of the  
23 equipment, process, and technology that they use.

24 When President Obama imposed safeguard duties on  
25 Chinese tires in 2009, it led to a lot of optimism at our

1 plant. Three years ago management launched a plan to add  
2 equipment, make improvements to existing equipment, and hire  
3 additional staff in order to raise our daily production to  
4 18,500 tires a day from 12,000 tires a day before the  
5 relief. They put up a big board with a football theme. We  
6 are big University of Alabama fans, of course. It had goals  
7 for growth, a count down and big picture of Bear Bryant. We  
8 never made it to that goal. We were able to enjoy growth  
9 while the tariffs were in place, and our daily production  
10 peaked at 16,500 tires a day in early 2012. But in  
11 mid-2012, as we were facing the expiration of tariffs in the  
12 fall, management took down the big board they had put up in  
13 the plant tracking our expansion progress. The growth plan  
14 suddenly went away. Our production started to slowly  
15 decline and it was about 15,500 tires a day right before the  
16 tariffs came off.

17           Since the tariffs were removed and imports  
18 flooded back into the market, the situation at our plant has  
19 gotten much worse. In 2013 we cut daily production again  
20 down to 13,500 tires a day and we also shut down the plant  
21 for four whole weeks.

22           Even this was not enough to adjust to the surge  
23 of Chinese tires that were seizing our market share.

24           In October of 2013, Michelin laid off 100 workers  
25 at our plant. At that point the market situation was so

1 dire that management told us we might have to go down to  
2 just 8,500 tires a day. If we got down to 7,500 to 8,000  
3 tires a day, we would be at less than half of our capacity  
4 and I don't believe our plant could survive under those  
5 conditions.

6           After the layoffs, we fell to 9,500 tires a day  
7 as we worked off excess inventory. We have now crept back  
8 up to 12,000 tires a day, but this is still less than 75  
9 percent of what we produced with the safeguards were in  
10 place.

11           Of the 60 to 65 tire building machines in our  
12 plant, about one-third are sitting idle and unmanned. And  
13 while our laid off workers are now being recalled, it is  
14 only because we have not been backfilling additional jobs  
15 lost to attrition since the layoffs.

16           When we entered contract negotiation with  
17 Michelin last year, the threat posed by Chinese tires was  
18 openly discussed. We talked about the number of tire plants  
19 being built in China, and the tremendous growth in Chinese  
20 imports. Management also discussed the intense process  
21 pricing pressure they were facing in the market.

22           When we ratified the contract, the company's  
23 statement to the media noted that the agreement was reached  
24 in a very cost-competitive and challenging environment. Our  
25 contract does not protect us from further layoffs or indeed

1 from either of our plants or our sister plant in Fort Wayne,  
2 Indiana from being shut down entirely.

3           If import relief is not imposed, I fear that  
4 additional layoffs and even plant closures are likely to  
5 result. Imports from China are continuing to rise rapidly  
6 in 2014, up nearly 25 percent in the first quarter of this  
7 year. And the unit value of these imports is falling.

8           Heavily subsidized Chinese producers are rapidly  
9 adding capacity to produce ever growing volumes of tires.  
10 At least 1.4 billion in additional investments was budgeted  
11 for last year alone. Chinese producers have shown their  
12 willingness and ability to continually ramp up exports to  
13 the attractive U.S. market and they are doing so in what we  
14 believe are large dumping margins as shown in our petition.

15           Our experience has shown that the domestic  
16 industry can regain production levels, make needed capital  
17 investments, maintain employment and compete successfully  
18 when unfairly traded imports from China are not flooding our  
19 market.

20           The Commission's decision in this case will  
21 determine whether or not we are given that opportunity.

22           Thank you.

23           MR. NELSON: My name is Rod Nelson, I am the  
24 President of the USW Local 207L. We represent workers at  
25 Coopers passenger car and light truck plant in Findlay,

1 Ohio. I have been with Cooper for 33 years and I have been  
2 President of the Local for 8 years.

3 In my time at Cooper I have done nearly every job  
4 there is. I have worked in the mill room doing material  
5 prep. I have worked with the banberry mixers and the tire  
6 room as a tuber operator and more. The plant primarily  
7 produces tires for light trucks and SUV's with rim diameters  
8 from 16 to 22 inches. Our plant produces for the  
9 replacement market and we produce for Cooper's own brands as  
10 well as dealers private labels. Regardless of whether the  
11 tires were produced for light truck or passenger vehicles,  
12 regardless of their size, and regardless of whether they are  
13 a Cooper brand or a private label, tires are made from the  
14 same basic physical components and they are made on the same  
15 equipment, through the same production processes and by the  
16 same workers.

17 One of the most important factors affecting the  
18 fortunes of our plant and my members in recent years has  
19 been the volume of tire imports from China. When President  
20 Obama imposed safeguard tariffs on Chinese tires in 2009,  
21 the impact on our plant was immediate. The order imposing  
22 duties was issued Friday, September 11th, the next Monday  
23 our plant manager told me that we are going to hire a  
24 hundred more workers and invest 20 million dollars in the  
25 plant to keep up with the increased demand of our tires.

1           Even that estimate was conservative. All  
2 together we ended up hiring 150 more people and we invested  
3 in new curing presses and made other improvements. And  
4 these workers were kept extremely busy. We were racing to  
5 keep up with the demand of our tires.

6           Unfortunately, just as the plant thrived when  
7 imports from China were down, we have suffered as those  
8 imports have increased. In contract negotiations in 2011,  
9 management said we needed to cut costs, rollback our wages  
10 to prepare for tariffs coming off. A proposal they called  
11 Project Normandy.

12           As we got closer to the tariff's expiration,  
13 management warned us that the ships were loaded with tires  
14 from China already off the coast of California waiting for  
15 the tariffs to expire.

16           Once the tariffs did expire, the Chinese imports  
17 came flooding back, the effect was immediate. While the  
18 tariffs were in place we would run about 21,500 tires a day.  
19 In 2013 that fell to 17,400 tires a day and it has stayed  
20 there since. In 2013, management started taking days out of  
21 our schedule to adjust production down.

22           As a result we only operated 41 weeks in 2013.  
23 While we were operating 298 molds before the tariffs came  
24 off, we are now down to 242 molds. We have lost workers as  
25 well. Through attrition we went down from 1,050 workers in

1 2012, to only 906 today.

2 Management has been very clear with us about the  
3 reason that production, hours, and employment have all gone  
4 down and the ability to compete with a flood of Chinese  
5 tires entering in the market. As Cooper explained, in its  
6 2013 annual report, it reduced those volumes in North  
7 America is a result of increased competition from imports.

8 The company also noted favorable price in the  
9 North American market in 2013. Rising imports have caused  
10 real pain. Our plant is not in operation -- we only get a  
11 lower rate of pay until that pay runs out. And as the plant  
12 is out of operation for only part of the week, we are not  
13 eligible for unemployment. So even those members have been  
14 able to hold on to their jobs, have lost hours and  
15 compensation, causing significant hardship for them and  
16 their families.

17 I have been a very busy local union President  
18 during this time, trying to find answers to the difficult  
19 questions my members ask. I am confident that if the  
20 unfair trade practices that surround imports from China are  
21 addressed, my members will once again be able to compete and  
22 succeed and provide for their families. I have seen  
23 first-hand the dramatic improvements that are possible if we  
24 get relief from Chinese tires.

25 When the imports are disciplined, domestic

1 production, investment, employment and hours can all  
2 improve. When the discipline is not in place, the Chinese  
3 aggressively target our market with the ever increasing  
4 surges of tires and these tires enter such unfairly low  
5 prices, they drive domestic product right out of the market.

6 The result is lower production and market share  
7 for our producers, and fewer jobs, shorter hours and lower  
8 compensation for our members and their families. For all  
9 of these reasons, I hope the Commission will make an  
10 affirmative preliminary determination in these  
11 investigations, thank you.

12 MR. JONES: Good morning, my name is Steve Jones.

13 I am President of USW Local 1023 which represents workers  
14 at Yokohama's tire plant in Salem, Virginia. I started  
15 working in the Salem plant in 1991. I worked as a press  
16 operator in the curing operations, as a green tire man and  
17 as a tire builder.

18 We make both passenger car light truck tires on  
19 about 40 tire machines in our plant. Our plant focuses on  
20 16 and 17 inch tires for the aftermarket. We produce under  
21 Yokohama's own brands as well as some private labels.  
22 Tires sold under Yokohama's own brands and private labels  
23 have very similar physical characteristics and are produced  
24 through the same manufacturing process.

25 They are also made on the same equipment and by

1 the same employees. Our plant has tried to focus on the 16  
2 to 17 inch high performance light truck tires in the hopes  
3 that it would insulate us from the import competition.

4 Unfortunately, that has not been the case.

5 In early 2012 with the safeguard tariffs on China  
6 tires in place, our plant was producing up to 18,000 tires a  
7 day. That started to climb once the tariffs were taken off.  
8 In 2013 as imports from China surged into the market, we  
9 produced an average of only 16,000 tires a day.

10 We have had to cut production again since then.  
11 Our daily production taken in June of this year was only  
12 15,100 tires a day. I was just notified by management on  
13 June 17th that our production is going down to 13,000 tires  
14 a day starting in July and could stay at those levels for  
15 the remainder of 2014.

16 This would result in us operating at only 72% of  
17 the level we enjoyed while the safeguard tariffs were in  
18 place. With the reduced production we could see short work  
19 weeks, reduced warehouse levels which also happened in 2013.  
20 We were also -- we are also working on fewer shifts at our  
21 plant. One of our 8 hour shifts on Wednesday each week  
22 could be used for either production or maintenance.

23 While we are running full out management will  
24 often choose to use this shift of production. The  
25 Wednesday shift is being used much more often for

1 maintenance these days. There are very few times we used  
2 this shift for production like we used to. This is the  
3 equivalent of cutting one shift a week from our plant.

4 We are also seeing a reduction in our hours and  
5 staffing levels. Management has greatly reduced overtime  
6 which is an important source for income for our 740 members.  
7 Overtime pay often makes all the difference for families  
8 with children just to afford and pay the bills.

9 In March of this year management also stopped our  
10 new workers to replace those lost through attrition.  
11 Overtime has been substantially reduced the number of  
12 workers employed in our plant. The management of our plant  
13 has explained to us that cuts in production hours in the  
14 hiring freeze are due to market conditions.

15 Statements by more senior Yokohama management  
16 confirm that it is the competition from rising imports of  
17 low priced tires from China that is forcing the cutbacks to  
18 our plant. In its 2013 annual report, Yokohama explained  
19 that the determination and the safeguard duties of the  
20 imports from China undermined its sales in North America.

21 In November of 2013 the President of Yokohama was  
22 described in a news article as concerned about the influx in  
23 Chinese tires into the U.S. market. Since the expiration  
24 of the safeguard tariffs, the President stated Chinese  
25 brands are coming into the U.S. market and the price level

1 is coming down. Noting the low price imports were  
2 affecting the whole range of tires on the market.

3 In January of this year Yokohama's President  
4 explained that he expects to see increased competition in  
5 the U.S. market in 2014 noting there are many low cost  
6 imports which are impacting everyone in the market.

7 Given these pressures, management insisted that  
8 our most recent contract be cost neutral. We just ratified  
9 that contract earlier this month. While our plant is  
10 protected from being shut down during the life of the  
11 contract, there are no restrictions on the number of USW  
12 members that could potentially be laid off if conditions  
13 continue to deteriorate.

14 If Chinese imports continue and no relief is put  
15 in place to offset the dumping and subsidization that has  
16 occurred, I am concerned that our plant and our members at  
17 our local will suffer additional injury in the near future.

18 This could include additional production cuts, continued  
19 reduction in hours of pay, ongoing attrition and potential  
20 layoffs.

21 I urge the Commission to help insure this does  
22 not happen by reaching an affirmative preliminary  
23 determination in these investigations, thank you.

24 MR. JACKSON: Good morning, my name is Darryl  
25 Jackson. I am President of the USW Local 959 representing

1 workers in Goodyear's Fayetteville plant in Fayetteville,  
2 North Carolina. I started working at the Fayetteville plant  
3 in my senior year of high school, working the night shift  
4 from 7PM to 7AM six days a week. In my 36 years at the  
5 plant, I have worked in the curing ring and also as a tire  
6 builder.

7 I have been President of the local for the last  
8 11 years. Our plant makes tires for the OE market and for  
9 the replacement market. The tires we make are sold under  
10 various Goodyear brands including Kelly and Dunlop. We make  
11 both passenger car and light truck tires in a full range of  
12 sizes from 15 inch to 22 inch diameters.

13 Regardless of the size, design or end use, all of  
14 these tires are made by the same workers on the same  
15 equipment, using the same basic materials and manufacturing  
16 processes. While the safeguard duties on imports of tires  
17 from China were in place from September 2009 through  
18 September 2012, our plant was able to maintain its  
19 production level and sell that product into a market that  
20 permitted a reasonable return.

21 Now that the safeguard duties have expired and  
22 Chinese tires have come flooding back into our market,  
23 Goodyear plants are once again at risk. As David Hayes  
24 from our sister plant in Gadsden will testify, their plant  
25 has experienced reduced production and employment since the

1 safeguard duties expired and they are threatened with  
2 further injury if relief is not imposed.

3           Our plant and our sister plant in New York are  
4 also threatened. In the most recent contract we negotiated  
5 with Goodyear, the company did commit to keep plants open  
6 during the life of the contract, but they also retain the  
7 flexibility to lay off our members. The company can reduce  
8 staffing by up to 15% depending on the facility, but they  
9 can also negotiate buy outs with the Union's agreement.  
10 While we made some gains in closing the gap between the  
11 tiers of the workers in our new contract, the wage increases  
12 were limited to cost of living adjustments and not a general  
13 wage increase in the wage scale.

14           There were sacrifices as well. We moved from a  
15 defined benefit to a defined contribution pension plan,  
16 capping the company's pension liability. The company also  
17 reduced and capped the amount of profit share with our  
18 members which limits the amount that is contributed to the  
19 Viva program our retirees depend on. In short, our Goodyear  
20 plants have survived the past few years because of the  
21 market stability that the safeguard relief provided.

22           Once those duties expired and Chinese tires came  
23 rushing back into the market and the unit base of those  
24 tires began to plummet. The Gadsden facility has already  
25 suffered as a result. My plant and other Goodyear plants

1 are threatened with further injury if the tide of Chinese  
2 imports is not stilled. For all of these reasons we urge  
3 the Commission to take an affirmative determination, thank  
4 you.

5 MR. HAYES: Good morning, my name is David Hayes.  
6 I am the President of USW Local 12L which represents the  
7 workers at the Goodyear Tire Plant in Gadsden, Alabama. I  
8 have worked at the Goodyear plant in Gadsden for nearly 39  
9 years. My family has a long history with the Goodyear  
10 facility in Gadsden. My father worked at the plant for many  
11 years and he was also President of the Local. My five  
12 brothers and a couple of my brother-in-laws also worked at  
13 the plant.

14 I currently have a couple of nieces and nephews  
15 that work there as well. I have spent the bulk of my  
16 career working in the extruders and the component  
17 preparation part of the plant but I have also worked as a  
18 tire builder and in the final finish operation.

19 Our plant makes both passenger and light truck  
20 tires. We have the capability to make a wide range of  
21 sizes from as small as 13 inch diameter to as high as 24  
22 inches. Much of what we produce is 17 inches or smaller.  
23 We make tires for the OE and replacement markets and for  
24 Goodyear's own labels including Dunlop and Kelly as well as  
25 private labels.

1           After the safeguard duties on tires from China  
2 expired, the surge of imports from China directly impacted  
3 our plant. If nothing is done to still this tide from  
4 unfairly traded tires, I am afraid our plant will likely be  
5 the first on the chopping block at Goodyear. This would be  
6 a huge blow to our members and their families and indeed the  
7 entire Gadsden community.

8           My family is not the only one in Gadsden that has  
9 supported itself through generations of hard work at the  
10 plant. According to a 2006 study, the economic impact of  
11 our plant in our community, it contributes 360 million into  
12 the local community in direct and supported economic  
13 activities and supports 4,200 jobs throughout the state of  
14 Alabama.

15           If this plant were to close its doors, the impact  
16 would be devastating. In 2012 the safeguard duties of the  
17 tires from China were in place, we were producing from  
18 21,500 to 23,927 tires a day at our plant. In October,  
19 right after the duties expired, we dropped to 15,090 tires a  
20 day. The plant also shut down ten days due to a high  
21 inventory and we worked at a 50% level for several weeks.

22           Then our work schedule was reduced from 42 hours  
23 a week to 40 hours. As our production dropped, 53 USW  
24 members were laid off. In 2013, our production was 20,000  
25 tires a day for most of the year. Though it finally

1 started to pick back up in October, we are currently  
2 operating at 20,600 tires a day, still well below where we  
3 were before the tariffs expired.

4           While the 53 members of the lay-off have now been  
5 recalled, it is only to fill a small number of the many  
6 positions we have lost through attrition since the tariffs  
7 expired. In August of 2012, we had 1,456 members in our  
8 bargaining unit, today it is just 1,350. I am deeply  
9 concerned that the situation will not only get worse if  
10 imports from China are allowed to continue to flood our  
11 market at dumped and subsidized prices.

12           Goodyear is currently increasing production at  
13 Gadsden by adding 22 new tire codes to the plant. If this  
14 plant is successful, it will allow Goodyear to regain the  
15 market share at the mid-level of the market where they have  
16 been directly pushed out by Chinese imports.

17           To succeed however, Goodyear must be able to make  
18 a profit on these tires. Unless something is done to  
19 address the sharp downturn in the unit value of tires  
20 imported from China, since the safeguard duties expired,  
21 this may be extremely difficult. The company has explained  
22 that this expansion may have to be cut back if they cannot  
23 regain the market share they have lost to China.

24           If that happens, I am concerned, not only that  
25 our plant won't gain production but it will lose even more.

1 They have explained that this plant is critical to the  
2 long-term security of our plant. While our current contract  
3 protects the plant from being closed down entirely until  
4 2017, management knows they have the flexibility to reduce  
5 the workforce even further before then by more than 200  
6 workers.

7 Our plant and our members have already suffered  
8 lost production and employment due to the influx of unfairly  
9 traded tires from China. We face the immediate threat of  
10 additional injuries if these duties are not imposed.  
11 Obtaining relief is critical for our plant, our members and  
12 the generations of families engaged that have made their  
13 livelihood in the tire business, thank you.

14 MR. STEWART: That concludes our presentation.

15 MS. DEFILIPPO: Thank you Mr. Stewart and thank  
16 you very much to all of the members of the panel who have  
17 come here today to provide us with some information that  
18 will hopefully help us in understanding the tire market and  
19 put together a good in depth report for the Commission. I  
20 will turn first to Mr. Petronzio for questions of this  
21 panel.

22 MR. PETRONZIO: Good morning everyone, I would  
23 like to welcome everyone to the Commission and for their  
24 testimony it was very helpful. My first question is for Mr.  
25 Stewart, Mr. Durling in his opening comments said that

1 comparing the record in this investigation versus the one in  
2 the 421 said it couldn't be more different. Do you have  
3 any comments about the record that we have in our current  
4 POI versus the one that we had during the 421 in terms of  
5 similarities and differences?

6 MR. STEWART: Thank you very much for the  
7 question. While obviously all the questionnaire responses  
8 are confidential, let me just draw some basic conclusions.  
9 In our Petition we indicated that a belief that there was a  
10 sharp downward drop in production capacity utilization  
11 employment wages, hours, work, we believe that all of - and  
12 that's very similar to of course what was happening during  
13 the 421 period.

14 We believe that a review of the record that you  
15 have in front of you will show that all of those things are  
16 happening once again in this time period just as it did in  
17 421. The major difference, if there is a difference in the  
18 two time periods is that with relief the domestic industry  
19 was able to start a process of recovering market share which  
20 you will not find in the 421 period where it was a continual  
21 loss that reversed in 2012 and 2013.

22 The other difference is that throughout the  
23 2004-2008 period you had a period of rising raw material  
24 costs, in this period you have had in raw material costs are  
25 relatively volatile in this industry, as they are often --

1 many of them are related to petroleum or at least some are  
2 related to petroleum prices which all of us who go to the  
3 gas station can go up and down.

4           If you look at the data in this time period you  
5 will find that there is a period of declining input costs in  
6 the post conference brief we will be submitting information  
7 that suggests that that has come to an end and is now  
8 arising and in some cases rising fairly rapidly.

9           In the 421 you had declining prices, not  
10 declining - you had rising prices, but you had more quickly  
11 rising costs. We believe that what the record will show in  
12 this period is that you have decline prices, but the prices  
13 have not declined as rapidly as yet as costs have declined  
14 in the time period so those I think would be the differences  
15 that we would see in the record, but for the most part there  
16 are mainly similarities.

17           The domestic industry is capital intensive. As  
18 it loses production, usually there is a one or two year lag  
19 before you start to see facilities close. Facilities may  
20 close in fact a year or two after the drop because what  
21 happens first is that companies stop investing in a  
22 particular facility. As they stop investing in that  
23 facility, becomes less competitive. Typically you will find  
24 then that they negotiate to take off preserving the plants  
25 for the period of a contract.

1           We have several plants that are in that situation  
2 at the present time. They are union plants. And then the  
3 plants close because capacity utilization is simply too low  
4 based on what's happening and that's exactly what we are  
5 seeing. We lost 14 million tires in production in a  
6 growing market.

7           In the 421 time period we were in a growing  
8 market and we were losing market share and we were losing  
9 production and facilities were closing. We are a year and  
10 a half in to declining domestic production and that  
11 declining domestic production is going to lead to reduced  
12 facilities in the near term if we are not able to stop.  
13 That is the reason that the workers brought the case and  
14 that is the reason that they believe that an affirmative  
15 determination is critical if we are to maintain the capacity  
16 here in the United States.

17           MR. PETRONZIO: Okay thank you for that. With  
18 regards to closures over the POI, can we talk a bit about  
19 the Union City plant that closed, Goodyear's plant in Union  
20 City in terms of what types of products that plant was  
21 making in terms of I know, in terms of expansion there's  
22 been news that Goodyear will be introducing a new plant to  
23 focus on high value added products. Just some background  
24 as far as the Union  
25 City plant and what it was producing and the context that

1 led to its closing would be helpful.

2 MR. JOHNSON: The Union City plant was light  
3 truck and passenger vehicle tires and Mr. Stewart basically  
4 laid out the chronology as to how Union City was impacted  
5 and what led to the eventual closure. It is a matter of  
6 starving out plants through investment, reducing capacity to  
7 the point that the overhead becomes such that profitability  
8 for a single site is no longer possible, that's the scenario  
9 that Union City went through and quite frankly, that's the  
10 scenario that a couple of our plants now are facing.

11 As the local union presidents testified, as we  
12 see, it gets reduced, as we see the utilization of working  
13 days reduced. We are seeing an overall capacity reduction  
14 and therefore an increased overhead cost for the tires that  
15 are indeed produced. That then leads to endangered  
16 facilities and endangered facilities 90% of the time, 95% of  
17 the time lead to closed facilities and that's the pressure  
18 from the Chinese product are clearly coming from that  
19 direction.

20 MR. STEWART: Just to add the pressure on that  
21 plant started during the period of 421 relief and before  
22 relief was granted in September of 2009, the company had  
23 already negotiated with the plant to take it off and protect  
24 its status, all right, in the next cycle. And then in the  
25 next cycle, when you hit the recession, the kind of loss of

1 investment that had happened, the fact that it was no longer  
2 protected, meant that as they were right sizing production  
3 to what remaining volume they had, they closed that  
4 facility, so that in the Union's view that facility was a  
5 trailing indicator of the devastation that happened during  
6 the 421 investigation period that carried over and was kind  
7 of the final death knell was the recession, but it flowed  
8 from that.

9 MR. PETRONZIO: Okay.

10 MR. STEWART: And you also heard from David Hayes  
11 over there that Goodyear is actively adding back items in an  
12 environment in which prices have gotten significantly  
13 better, determined to go after particular pieces of business  
14 that they were pushed out of through act of profitability in  
15 the closure of facilities. Whether or not they can  
16 continue in that direction really depends on whether or not  
17 the unfair trade practices can be addressed and the market  
18 can be stabilized.

19 MR. PETRONZIO: Okay, thank you. And that  
20 segment of the market that you are talking about, those  
21 products that we are hoping to be profitable, are those the  
22 high value added products, or can you specify?

23 MR. STEWART: Yeah, David why don't you answer on  
24 the products.

25 MR. HAYES: Mid-level, what we refer to as

1 mid-level tires, is what they are going to add. Those are  
2 the same process of all of the tires that we build, the same  
3 builder, same equipment, but the company labels them as  
4 mid-level tires.

5 MR. PETRONZIO: Okay.

6 MR. STEWART: It's the case that for all of the  
7 four companies where the USW has members, that different  
8 facilities produce products at the high end, middle end and  
9 sometimes at the lower end, so it's not the case that the  
10 companies are only producing at the top end of the market,  
11 that wasn't true in the 421 case and it is not true today.  
12 It's not true at the Michelin facility, the BF Goodrich  
13 facility that is here, or at the Cooper facility or at the  
14 Yokohama facility or the Goodyear facility.

15 MR. PETRONZIO: Okay, thank you. The one thing I  
16 am trying to reconcile here is that there has been arguments  
17 and the Commission has found that there is the tier argument  
18 in testimony earlier there was an argument that these tiers  
19 don't exist and it is hard to define them, but yet we seem  
20 to be talking that there certainly are levels, mid-level,  
21 low-level, high-level in terms of products that companies  
22 are producing and how they market them.

23 I am just trying to reconcile how if tiers don't  
24 exist in the market, how is the industry -- what are the  
25 major market segments and how do we reconcile the fact that

1 they don't exist, but they do?

2 MR. STEWART: The Commission has existed -- has  
3 looked at hundreds of industries over time and you will find  
4 almost no industry where individual companies don't promote  
5 good, bad or best. One of the slides that we had up earlier  
6 that was taken from public data off of the internet showed  
7 for a company like Goodyear, that on the same tire, same  
8 dimensional tire that there was more than 100% difference  
9 between the high price version of that tire that they put  
10 out, mid-level version of the tire that they put out and a  
11 lower version of the tire that they put out, all right,  
12 that's a classic good, better, best kind of marketing  
13 strategy.

14 So there's a lot of confusion in terms of how  
15 things get said between whether you have tires that are  
16 good, better, best in the marketplace that you can sell to  
17 consumers for various features, this is more of a racing car  
18 tire or if you are a sports car you can use it for your  
19 sports car.

20 If you are concerned about danger in the winter,  
21 here's a winter tire, so you have lots of different types of  
22 tires that may fit the same car, all right, from the same  
23 company. Historically the tier that you people are trying  
24 to say, a Goodyear tire is a tier one, a Bridgestone is a  
25 tier one, Michelin is a tier one, Firestone, which was

1 bought by Bridgestone to some has argued to be a tier two.

2 Why is that, I don't know.

3           BF Goodrich is a tier two to some, et cetera, so  
4 some have tried to characterize it based on whether it is  
5 the big mall nationals, or whether it is more local  
6 producers or foreign producers who are newer to the market,  
7 but whether or not that resonates in the marketplace, on 421  
8 the importers couldn't agree.

9           They would characterize people as being in  
10 different categories and the reality is when you look at how  
11 the products are actually marketed in the marketplace at any  
12 given dealer, they will have a wide variety of tire types  
13 and those tire types will be in a wide variety of price  
14 points. So if you come in and say gee my car has Yokohama  
15 tire on it, or my car has a Michelin tire on it and I want  
16 to have the same tire they can say yes we have that tire and  
17 we can sell you that tire.

18           If you come in and say gee I would like to have  
19 whatever the cheapest tire that you can put on this thing,  
20 you can find a tire that's cheaper that's the same, perhaps  
21 from the same company, maybe a Michelin tire, maybe a  
22 Goodyear tire, maybe a Chinese tire, et cetera. So we  
23 don't disagree that there are big brands, there are other  
24 brands, and that there are foreign brands, that those make  
25 tiers and that those tiers make a difference in the market,

1 there is no agreement on that and we certainly don't agree  
2 that that's the case.

3 MR. PETRONZIO: Okay thank you. In terms of the  
4 domestic industry, in terms of the expansions that are  
5 taking place, I mentioned the Goodyear plant that according  
6 to reports, there was going to be a 6 million tire capacity  
7 per year, on high value added tires, the Michelin expansion  
8 which was mentioned. Continental is putting in a new plant  
9 in South Carolina or in the mist of it and GTI just  
10 mentioned that they are investing in South Carolina as well,  
11 560 million dollars -- if any of the witnesses have any kind  
12 of details as far as timelines and what these, you know,  
13 what these facilities will be focused on and also if you can  
14 reconcile with the statement earlier that demand may only be  
15 increasing by 1% in the next year, so we are just trying to  
16 reconcile the fact that there is all of these expansions  
17 taking place, but yet forecasts aren't too rosy as far as  
18 demand in the future.

19 MR. JOHNSON: Well I can speak more specifically  
20 I think to Goodyear and often times I will say announcements  
21 of new plants being constructed turn out to be just that.  
22 Kumho I think had made an announcement to construct a new  
23 plant as well, some three or four years ago and Georgia,  
24 that plant is yet to be constructed.

25 So this simple act of announcement doesn't

1 necessarily translate always into a new facility. I am not  
2 sure that any of these proposed announcements will end up  
3 with being new facilities, and you know if GITI comes to  
4 South Carolina, if indeed the facility is built and I would  
5 assume that their intent would be not to do anything other  
6 than take their ever-increasing share of the market and  
7 domesticate it with no real intention of stopping the  
8 continued growth of their export.

9           MR. STEWART: I think the Goodyear announcement  
10 was that that plan, if it goes forward, would be built and  
11 tires would be made available some time in 2018, so it's a  
12 number of years out and the location of the plant is not  
13 certain. If you look at -- if you look at the -- you have  
14 the benefit in this case of having the industry capacity  
15 back to 2004 as well as what's happened to the capacity in  
16 recent years, the decision to build a new plant is usually a  
17 multi-year plant in development and we believe that a lot of  
18 the announcements are based upon the improved market  
19 conditions that have existed.

20           In the last couple of years when the relief was  
21 in place and as the market has started to come back, if you  
22 look at overall demand, overall demand is down more than 10%  
23 from where it was in 2004, despite the fact we are in the  
24 fourth or fifth year of a recovery from it, so we are very  
25 hopeful that those expansions have a basis in reality to

1 happen.

2           They will not happen if there is deterioration in  
3 the market and the market continues to deteriorate. You are  
4 in a period, as I have said, where you have had decline in  
5 raw material costs, but that is almost certainly going to  
6 reverse itself, and you are in a situation where you have  
7 significant declines in prices in the marketplace. That is  
8 not a condition in which you will see expansion here in the  
9 United States.

10           MR. PETRONZIO: Okay, thank you for that. A few  
11 questions regarding the data that we have on the record and  
12 obviously it is a condensed schedule, being a prelim, and  
13 you probably haven't had a complete chance to look at all  
14 the numbers and run them but if you could comment now or in  
15 the briefs as far as how the Commission's coverage is in  
16 terms of import data and foreign producer data and any  
17 positions as far as official stats versus questionnaire  
18 data, the staff would appreciate that.

19           MR. STEWART: I think in terms of foreign  
20 producer data, as we have run the numbers, we don't disagree  
21 with the position taken by opposing counsel that you have  
22 what appears to be a fairly comprehensive group of companies  
23 and so that may go to the accuracy of actual data, we  
24 obviously have a difference of opinion as to projections and  
25 what those projections are. I have never been in a case

1 where a foreign producers, no matter how rapidly their  
2 exports have increased in the United States, have ever said  
3 anything other than that the market was coming to an end the  
4 day after the case was filed and so it's not surprising to  
5 me that we will have different views as to the  
6 reasonableness of that data.

7           The domestic, you have pretty complete data as  
8 well, although there are some problems with some of the  
9 responses which we will identify, there are problems with  
10 the responses on the foreign producers in some cases as  
11 well, and you have a pretty good coverage on the importer  
12 side, it is not to the same extent but it is reasonable  
13 coverage.

14           MR. PETRONZIO: And in terms of the import stats,  
15 the Petition did mention that there might be some products  
16 that are included in there that are not subject to the  
17 investigation, including racing tires, are there any other  
18 instances there where the stats might be capturing something  
19 that is not the scope?

20           MR. STEWART: We don't believe that there is  
21 anything and racing tires are an extremely tiny, tiny number  
22 of tires.

23           MR. PETRONZIO: Okay and along the same lines,  
24 there was an additional bet -- there are two basket  
25 categories that were included involving trailer tires, can

1 you speak a bit about that and why that was included this  
2 time versus the last time?

3 MR. STEWART: Our experience in the 421 and some  
4 kind of unsolicited email communications that have come into  
5 us over the last couple of years indicated that there was  
6 the possibility of some significant circumvention during the  
7 period of relief. If you looked at the import stats for  
8 those two categories, it's not that they should hamper  
9 anything that they we are interested in, but you had a  
10 simultaneous large increase at the time import relief was  
11 provided into those two categories and we spent a fair  
12 amount of time working with customs in the U.S.  
13 representative's office to try to get a handle on what was  
14 happening. Our belief was that there were at least in some  
15 instances, products that were being misclassified. Some of  
16 that was caught, we are not sure all of it was caught, so we  
17 wanted to be sure that the mere classification into a  
18 different HTS number did not make it a non-passenger car or  
19 light truck tire category.

20 We also had information that there were tires  
21 that were being mismarked to get them into the United  
22 States, being brought in as special trailer tires, but we  
23 didn't have any physical evidence of that, but we had  
24 received unsolicited emails from the marketplace that that  
25 was going on, so the effort -- nobody brings a case to

1 obtain relief that is ineffective, we had effective relief  
2 largely in the last case, there were some concerns about  
3 possible evasion in some areas and those were included to  
4 try to at least flag areas where there could be evasion.

5 MR. PETRONZIO: Okay, thank you. The last  
6 questions involve import volume. Mr. Durling said earlier  
7 that you know this is just an instance where you know,  
8 Chinese producers were subject to higher tariffs and what  
9 you see is them coming back into the market, it is kind of a  
10 natural phenomenon. How should the Commission view that in  
11 terms of 421 tariffs coming off and our current record now  
12 where you see imports increasing? Do you see this as just  
13 getting back in the market, in that situation or how would  
14 you view it?

15 MR. STEWART: The import community during the  
16 period of 421 relief used to be vocal about the fact that  
17 the relief was doing no good. You have heard people from  
18 the plants tell you that that is not their experience and  
19 that in fact all that happened was Chinese tires went away,  
20 imports from third countries came in. Now if that was in  
21 fact the case, then what you would expect when relief went  
22 off, is that Chinese tires would come in and imports from  
23 third countries would drop off. That is not what your  
24 import data shows, all right.

25 So what has happened since the removal of the

1 tariff is that the domestic industry once again is under  
2 attack and we have lost a lot of market share. We agree  
3 that there is a condition of competition, namely that the  
4 relief was in place and it gets taken off, that doesn't  
5 negate whether or not the domestic industry is materially  
6 injured by the consequences of the increased flow of  
7 imports.

8           Obviously if they are fairly traded, we don't  
9 have a remedy. If they are not fairly traded and they are  
10 increasing largely due to the dumping or subsidization we  
11 believe is occurring, we believe that we are entitled to a  
12 remedy under the statute.

13           MS. DRAKE: This is Elizabeth Drake on behalf of  
14 Petitioner, there are two steel cases that the Commission  
15 looked at where the 201 steel safeguard expired during the  
16 period of investigation. One of those cases went  
17 affirmative and didn't really discuss the issue at all.  
18 The other one went negative for other reasons, but the  
19 respondents did argue that the increase in volume was not  
20 significant because it simply reflected the expiration of  
21 the 201 safeguard and the Commission rejected that argument  
22 and said no the volume is still significant so we would be  
23 happy to provide those post conference.

24           MR. PETRONZIO: That concludes my questions,  
25 thank you it was very helpful.

1           MS. DEFILIPPO: Thank you Mr. Petronzio. We will  
2 turn to Mr. Deese for questions.

3           MR. DEESE: Thank you, this is Bill Deese,  
4 Economist of the ITC. We spoke a lot about price and there  
5 is a quite a bit on the record about that. I had a  
6 question about safety -- is there anything that you are  
7 aware of that might indicate that some tires are safer than  
8 others? Have there been recalls or other issues to your  
9 knowledge?

10          MR. STEWART: Over time Mr. Deese, as I am sure  
11 you are aware, different manufacturers, domestic and foreign  
12 have had quality problems. The good news domestically is we  
13 haven't seen any major ones from U.S. companies in a while.  
14 There have been some Chinese tires we have had problems, we  
15 would be happy to supply whatever information we can find on  
16 that for you in the post conference brief.

17          But it is the case that China has put a lot of  
18 effort into upgrading its tire industry overall, but of  
19 course there has been lots of investment and lots of  
20 acquisition of equipment that is basically western  
21 equipment, so the quality standard of many, many Chinese  
22 tires has improved significantly over the years and they  
23 certainly tout themselves as being as safe as comparable in  
24 quality, as domestic tires.

25          MR. DEESE: Okay, thank you. I think you have

1 made this perfectly clear, but just to summarize as I did  
2 have some questions in this area. Your position is a  
3 similarly specified tire from China or the U.S. are totally  
4 substitutable and that while there might be slight  
5 differences in the overall product mix of -- as you were  
6 saying, some companies make a wide range of you know, good,  
7 better, best qualities, and some types of tires are  
8 inherently more upper end as opposed to over end, but your  
9 position is that the product mix question is not important  
10 because both -- because it's essentially even between the  
11 two countries, is that correct?

12 MR. STEWART: Yes our position is that there is a  
13 high degree of interchangeability in that both Chinese  
14 producers and domestic producers provide tires in a wide  
15 range of quality standards as they are perceived in the  
16 marketplace. Whether they are to be high performance  
17 tires, or they be sports tires, et cetera. And we believe  
18 that the record that you have in front of you in terms of  
19 importer questionnaires and domestic producer  
20 questionnaires, confirm that there is a high degree of  
21 interchangeability between Chinese and domestically produced  
22 tires.

23 MR. DEESE: Okay thank you, I have one last  
24 question that I just -- it just concerns the details on how  
25 tires are specified. A lot of tires have a prefix either a

1 P or an LT, some don't have a prefix at all -- it seems like  
2 the most important thing is the quality of the tire, its  
3 size whether it is going to fit the vehicle you want. So  
4 one question is about the prefix what does it mean, what is  
5 the value of it and another is, later in the specifications  
6 of the tire there is something called the speed rating, I  
7 looked up what that was after we have spoken, all the speed  
8 ratings are in excess of 100 which very few people here  
9 drive that fast and the range is not that great either and I  
10 was just wondering what is the difference in the speed  
11 rating and how does that translate into a physical  
12 difference of the tire and how important is that in price?

13 MR. STEWART: I will ask my partner to answer  
14 your first question about the prefixes based on trying to  
15 provide an answer and I think in the Petition and we will  
16 turn to our experts about what the speed rating is. I will  
17 admit as long as this doesn't get reported to the police  
18 department that on rare occasions I have been known to go  
19 over 100 miles per hour.

20 MS. DRAKE: As for the prefix, there is a  
21 difference between a tire with the same numeric size  
22 designation with and without the prefix, with the P prefix.  
23 Those with the P prefix are American sizes, those without  
24 the prefix are European or globally harmonized sizes so even  
25 though the actual size specification is the same, you would

1 not tend to use the two interchangeably, your car will  
2 specify the size and either it comes with a prefix or  
3 without a prefix.

4           So that - so we treat them as two different  
5 products and they are in fact treated in the marketplace as  
6 two different products. And the Tire and Rim Association  
7 Yearbook, they will list those sizes with the P in a  
8 parenthesis saying this comes with P which goes on certain  
9 vehicles and without a P that goes on certain vehicles, so  
10 while you could potentially for a little while, use one for  
11 the other that's really not what you are supposed to do, you  
12 are supposed to either stick with the one with the P or use  
13 the one without the P and it's based on European versus  
14 U.S., I'm sorry specifications.

15           Does someone want to comment on the speed  
16 ratings and what physically that means?

17           MR. JACKSON: I'll speak on the speed rating, Z -  
18 - we've made Z rated tires in our plant and that is for cars  
19 that are going to go over 149 miles an hour and I can attest  
20 truthfully that I have never driven 149 so Z rated in our  
21 plant is anything over 149 miles an hour.

22           MS. DRAKE: And the other speed ratings go down?

23           MR. JACKSON: Yeah they go down based on the  
24 sizes.

25           MR. STEWART: If you have ever been in Germany

1 and been on the Autobahn you would know that there are a lot  
2 of people who go more than 149 miles an hour.

3 MR. DEESE: So that translates into a price  
4 difference or their tires or bulkier or stronger if they  
5 have a higher speed rating?

6 MR. JACKSON: It will translate into a higher  
7 price paid because it is going to go on to a more expensive  
8 automobile. Z rated goes onto I think a Corvette.

9 MR. DEESE: Thank you, no further questions.

10 MS. DEFILIPPO: Thank you Mr. Deese and Mr.  
11 Boyland any questions for this panel?

12 MR. BOYLAND: Thank you for your testimony. I  
13 have actually sent each company follow up questions and  
14 obviously you are not the companies themselves, per se, but  
15 I'm hoping that counsel is representing those companies or  
16 has contact with them and would encourage them to respond.  
17 But I do have a few questions that I would like to ask you  
18 here.

19 With respect to automation during the period,  
20 were workers impacted negatively to the extent that  
21 automation had become more prevalent? Were jobs being  
22 eliminated as a result of that?

23 MR. JOHNSON: I'm sorry I think I can speak for  
24 the group. Automation has been an on-going process within  
25 the industry but for the specific period of which we have

1 filed, I don't think -- I think everyone here and I will  
2 gladly let them respond individually, but I think everyone  
3 here would say that we have not been adversely impacted from  
4 an employment standpoint because of automation. It's been  
5 a continued and the vast majority of employment of loss has  
6 been simply due to the competition, reduced days, hours and  
7 production.

8 If anyone here has a different opinion, please  
9 say so.

10 MR. BOYLAND: I'll take that as no. Thank you.  
11 In terms of the strike at Findlay, Ohio at Cooper, that's  
12 been resolved?

13 MR. NELSON: It was a lockout.

14 MR. BOYLAND: That was a lockout, okay. And it  
15 was resolved in early 2012? First quarter of 2012, the  
16 lockout ended?

17 MR. NELSON: Yeah, what was the question again?

18 MR. BOYLAND: The lockout ended in early 2012?

19 MR. NELSON: March 3rd we returned to work of  
20 2012.

21 MR. BOYLAND: 2012 okay, you're calling it a  
22 lockout, I'm just calling it a strike, but it is the general  
23 matter, was this the only labor dispute of that nature that  
24 occurred during the period?

25 It's the only one that I read about, so I wanted

1 to --

2 MR. JOHNSON: To my knowledge it is the only  
3 interruption of labor due to a strike or a lockout in the  
4 industry for the period of time. None of the rest of the  
5 major companies for which we have representation had a  
6 strike.

7 MR. BOYLAND: And I think testimony indicated  
8 that there are now two plants that are not in a protected  
9 status?

10 MR. JOHNSON: That's correct, there are two  
11 facilities the cause of -- during the contract negotiations  
12 we had extensive discussions with Michelin, BF Goodrich,  
13 Michelin being the parent company about the pricing  
14 pressures put upon the two, BF Goodrich one in Fort Wayne in  
15 Indiana and the other in Tuscaloosa, Alabama. They were  
16 insistent because of those extensive pressures being put  
17 upon those facilities that they were not in a position to be  
18 able to guarantee that those facilities would not close  
19 during the term of the next -- of the agreement that was  
20 negotiated, so yes, there are two.

21 MR. BOYLAND: Thank you. And Ed touched on this  
22 issue too I guess with the Union City plant, was the  
23 capacity itself actually moved or was it simply absorbed by  
24 the remaining Goodyear plants?

25 MR. JOHNSON: I think the most correct answer is

1 the vast majority of capacity was lost and had been lost  
2 because once you quit investing in the facility that level  
3 of production is as I have said earlier, continues to  
4 decline because the overhead continues to go up so you are  
5 producing at a far lower number than you would have been in  
6 your pique production.

7 I know I think when they closed Union City, I  
8 believe employment numbers were down to about 1100 down from  
9 a high of maybe 3200 in the barring unit. Production was  
10 probably in the neighborhood of 20,000 -- 18 to 20,000 units  
11 a day down from its highs of maybe 62,500 a day. So there  
12 was a portion of that that was absorbed, but a good bit of  
13 it had already been gone during the period which the 421 was  
14 decided.

15 MR. BOYLAND: And the narrative, in Goodyear's  
16 10K referred to that plant as, I'm paraphrasing but a high  
17 capacity cost and it sounds like what your testimony is  
18 indicating in a sense it is high capacity simply because the  
19 overhead had gotten unabsorbed by reduced production.  
20 There wasn't anything -- is it safe to say there wasn't  
21 anything inherent in the plant itself that was causing it to  
22 be?

23 MR. JOHNSON: A modern facility with a great  
24 layout as far as tire plants go, they had had some cost  
25 issues intertwined with the continuing reduction in ticket

1 which does indeed exacerbate any type of ability to perform  
2 at your peak levels so I would have to say both things were  
3 factors, but I believe that the lack of investment creates  
4 the lack of productivity which creates the cost,  
5 circumstance and so once you put a plant in that position it  
6 could never become competitive again just simply because of  
7 the lack of investment.

8 MR. BOYLAND: Thank you and this is sort of along  
9 the same lines, but Mr. Stewart you stated in your testimony  
10 it's a capital intensive industry and I just wanted to get a  
11 general statement of confirmation from the witnesses here  
12 that your fixed costs are an important part of  
13 manufacturing. Goodyear had a very explicit statement in  
14 their 10K about fixed costs and I kind of wanted to get a  
15 sense from the other witnesses to what extent, you know  
16 fixed costs are an important part in this, the industry  
17 itself.

18 MR. JOHNSON: Volunteered I guess I will. Fixed  
19 costs are a significant part of any industrial operation.  
20 Tire plants have a good bit of facility and machinery  
21 requirements that lead to extensive overhead so therefore  
22 fixed costs are significant. But labor costs are also  
23 significant, it's a pretty labor intensive industry as well  
24 as a relatively expensive high overhead industry.

25 MR. STEWART: I don't know Mr. Boyland if you

1 have had a chance to visit any of the tire plants next to  
2 kind of going to a steel mill, it is probably the old  
3 integrated steel mills that kind of look like small cities,  
4 these kind of occupy multiple football fields in size and so  
5 they are vast operations and so by definition you have lots  
6 of equipment and so there is a big capital cost to begin  
7 with and that's the reason that as capacity utilization  
8 comes down, the plant becomes unprofitable.

9           As it becomes unprofitable, companies stop making  
10 investments and they stop making investments the likelihood  
11 is as imports increase they will continue to stop making  
12 investments until that plant becomes untenable and closes  
13 and we have had a lot of that in the last decade.

14           MR. BOYLAND: Thank you. One additional  
15 question, this is kind of more for clarification, but based  
16 on my reading, no U.S. producer is actually vertically  
17 integrated with respect to natural rubber? I mean that  
18 doesn't sound like it's anything that any producer now  
19 actually controls directly?

20           MR. JOHNSON: Bridgestone/Firestone owns a  
21 natural rubber plantation I believe in South Africa, I'm not  
22 absolutely positive of the location but I do know they do  
23 own a natural rubber plantation and some other companies own  
24 bits and pieces of synthetic rubber operations, chemical  
25 based operations. Michelin also owns a rubber plantation as

1 well as I am told by Mark Williams.

2 MR. BOYLAND: Yeah, I know Goodyear I believe  
3 divested its interested in a rubber -- a little while ago.

4 MR. JOHNSON: I believe that's correct.

5 MR. BOYLAND: Thank you very much, I appreciate  
6 your responses, I have no further questions.

7 MS. DEFILIPPO: Thank you Mr. Boyland we will now  
8 turn to our Industry Analyst Mr. Cantrell for questions.

9 MR. CANTRELL: Let's see am I live here.  
10 Welcome to the panel, it is good to be here with other  
11 southern accents. I kind of picked up a northern accent I  
12 think a bit since I moved here some 25 years ago. So I  
13 thank you. I of course, you know, handle the nuts and  
14 bolts and the technical end of the industry process.  
15 Description, uses and so forth and I understand that your  
16 argument that there is interchangeability between the U.S.  
17 and the Chinese tires, but I wonder you know if you look at  
18 the relative distribution.

19 If you look at a bell shaped curve on the  
20 production technology and I know some automation has been  
21 mentioned and I am wondering what could you site as some of  
22 the basic differences between the Chinese, you know overall,  
23 if you go to the top of the bell shaped curve, which would  
24 be maybe 50% of the Chinese producers are whatever, but how  
25 could you compare the difference in the production process

1 between the Chinese tires and the U.S. manufactured tires?

2 MR. STEWART: Mr. Cantrell, I'm not sure that we  
3 could give you an accurate answer. What I have seen in the  
4 media suggests that there are a lot of new facilities so  
5 that are using a lot of western technology and so we would  
6 expect that the process is similar, technology is probably  
7 similar and probably similar in many cases to some of the  
8 better, newer facilities here in the United States simply  
9 because they have been built in more recent times and bought  
10 equipment from the major tire producing producers in the  
11 country.

12 MR. CANTRELL: Excuse me, go right ahead. Do  
13 you believe that there is more automation in the U.S.  
14 industry, or you know where is the automation intensified in  
15 the U.S. industry, is it in the tire building primarily  
16 rather than mixing or curing areas?

17 MR. JOHNSON: I think the automation has  
18 primarily occurred in all tire facilities around the world  
19 and the tire assembly has become less labor intensive as a  
20 rule. The mixing operations I think have had their kind of  
21 heyday in technological run, maybe some number of years  
22 prior. I mean we see no real differentiation. There is  
23 some material handling that one you know major, within the  
24 U.S. maybe ahead of another producer in the U.S., but we  
25 don't see any real significant value difference based upon

1 technology and you know it would be anecdotal but don't  
2 really believe that there is any significant advantage for  
3 us in the U.S. over the Chinese producers.

4 Their tires are coming in competing head to head  
5 so we have every reason to believe that technology is there  
6 as well.

7 MR. CANTRELL: I just noticed just some  
8 interesting facts that interested me anyway, that on the  
9 imports overall, total U.S. imports of tires, you have got  
10 it looks like about 98% are radial would those be -- do you  
11 think those would be all steel belted radials? Or could  
12 they be two different categories of radials?

13 MR. STEWART: I -- based on what we see in the  
14 marketplace based on what's being advertised, most of the  
15 products look like they are still steel belted. Could you  
16 have a radial tire that is not steel belted, I believe the  
17 answer to that is possible. I don't know that there is a  
18 significant market for that but perhaps some of the tire  
19 plant folks could tell us whether or not there is any that  
20 they produce that are not steel belted, I don't think so.

21 MR. JOHNSON: There was a period in time probably  
22 ten or twelve years ago that there was some toying around  
23 with aramid fabric, different types of fabric, to the best  
24 of my knowledge that has kind of gone by the wayside and  
25 steel has become clearly the preferred and the vastly most

1 utilized component for belts. If there are any others, I  
2 don't know it. I don't know it.

3 MR. CANTRELL: Unfortunately I notice the lady  
4 who worked for Dupont passed away here this week that  
5 invented the aramid fiber or Kevlar, just as an interesting  
6 point of conversation. And also I noticed that about on  
7 the total imports of tires coming into the United States, it  
8 looks like about 80% are passenger tires and 20% are light  
9 truck tires and I want to fit both the total U.S. industry  
10 report saying China and it looks like you know the  
11 percentages are each about the same.

12 MR. STEWART: I think that's correct. We can  
13 confirm it in our post conference brief if that would be  
14 helpful.

15 MR. CANTRELL: And just fundamentally you see as  
16 the rim diameter of a tire increases of course it is  
17 intuitive that you have more materials involved in price  
18 increases.

19 MR. STEWART: That's generally true, that's  
20 correct.

21 MR. CANTRELL: Right, but you know I just  
22 wondered beyond that you don't see, you know the  
23 construction number applies, differences that may be in  
24 there, I mean could Chinese tires be lighter overall, fewer  
25 -- lower limited mileage warranties and things of that

1 nature.

2 MR. STEWART: It's always possible that you can  
3 have a mixed difference, but there are of course tires that  
4 goes near good, better, best and the construction makeup of  
5 the tires, the construction makeup of the tires tends to  
6 drive the price that you are trying to get for the tire and  
7 so you can certainly have differences in the mix.

8 It is the case, I'm not sure if we submitted it  
9 in the Petition, but for China, the Commerce Department's  
10 Census Bureau import statistics show vessel and air weight  
11 and so you can come up with an average weight per tire.  
12 You don't ask in your questionnaires for average weight per  
13 tire from domestic producers, but it is possible to get the  
14 information, at least on the imports to see, and my  
15 recollection is that it is not a big difference in weight,  
16 between countries where that information is available.

17 MR. CANTRELL: Okay thank you. Another question  
18 I have that I am curious about is in reading the federal  
19 regulations for light passenger radial tires, I mean there  
20 is a myriad of regulations and testing that appear to be  
21 involved in qualifying a tire through DOT, I just wondered  
22 and I am curious about these testing procedures. I mean  
23 there are multiple testing procedures required and are those  
24 subject to the domestic producers or importers themselves to  
25 be responsible for all the testing?

1           MR. JOHNSON: It is my understanding that every  
2 tire that is sold in the U.S. with a DOT code stamp which is  
3 I think required for every tire that is sold for passenger  
4 tire use or light truck use, is subject to the same rigorous  
5 testing and therefore competes in the same market, yes sir.

6           MR. STEWART: I don't think we know whether or  
7 not DOT permits those testings to be done in foreign  
8 facilities, I would assume so but presumably opposing  
9 counsel could provide you that information for that.

10          MR. CANTRELL: Anyway this would seem to be quite  
11 an expensive process to go through to qualify and retire  
12 through market. I guess each one would have to be as a  
13 tire producer is coming out with new models of tires, each  
14 one will have to go through this qualification procedure.

15          MR. STEWART: That's our understanding, that's  
16 correct.

17          MR. CANTRELL: And another thing I wanted to ask  
18 in the title 49 light vehicle specifications for DOT, they  
19 indicate a maximum loaded weight range of 10,000 pounds. I  
20 wonder if that is actually a firm standard within the  
21 industry or if a -- excuse me, or if a light truck tire  
22 especially could be for light truck tires or whatever, could  
23 be rated over 10,000 pounds?

24          MR. STEWART: We'll check and we will try to  
25 provide an answer in the post conference.

1           MR. CANTRELL:  Anyway I'm sure you are familiar  
2 with this, but the standard is title 49 part 571, 571.139.  
3 That seems to fit what we are dealing with here.

4           MS. DRAKE:  That's correct and that's the  
5 regulation that the Commission looked at in the 421  
6 investigation as well.

7           MR. CANTRELL:  Okay, I believe that's all I have,  
8 thank you very much for your responses.

9           MR. STEWART:  One clarification in your first  
10 question about technology and automation.  In our  
11 discussions with the plant managers yesterday, we do know  
12 that over recent years the entire building unit have gone  
13 from two piece or two step tire building equipment to kind  
14 of a uni-step tire building, so there is that technology  
15 which is out there and some of the investment that would go  
16 into plants going forward, certainly would be conversion  
17 from two step to one step.

18           MR. CANTRELL:  Thank you.

19           MS. DEFILIPPO:  Thank you Mr. Cantrell, we now  
20 turn to our Attorney Advisor Miss McNamara.

21           MS. MCNAMARA:  Thank you.  I also want to thank  
22 everyone for your participation today, we very much  
23 appreciate you being here and it's helpful to us.  My  
24 questions will primarily be directed to Mr. Stewart and Miss  
25 Drake but anyone else should feel free to jump in and

1 respond.

2           In the -- I recognize your testimony about there  
3 is a question or that you dispute the existence of the tiers  
4 but in the 421 investigation, the Commission found that the  
5 domestic industry sold primarily in the tier one area,  
6 followed by tier three, then tier two, so I guess that might  
7 translate into how you might characterize this primarily in  
8 the best market, followed by the good and the better.

9           Is that still the case, can you speak to that and  
10 tell me if that's something that you still see?

11           MR. STEWART: We know that our clients produced  
12 tires that go into all of those categories. Historically,  
13 what was viewed by tier three were private label. You  
14 heard from three of the locals that their plants produced  
15 private label tires in addition to branded tires. The  
16 companies typically view tier one as being the flagship.  
17 There are three flagships, Bridgestone, Goodyear and  
18 Michelin.

19           You have people from all of those companies and  
20 plants here and so they produce those so we know that tier  
21 one is still being produced. And tier two historically was  
22 viewed as the acquired brands so Firestone, BF Goodrich,  
23 Kelly, Dunlop would be viewed as by some as second tier  
24 tires. And people here produce a number of those so clearly  
25 our companies continue to produce on all three of those

1 tiers as we understand what the tier argument was.

2           If you do private somehow that makes you a tier  
3 three product regardless of the quality and regardless of  
4 the price point that you charge.

5           MS. MCNAMARA: Is there -- my question went to  
6 more where it was concentrated so the Commission had found  
7 that it was primarily concentrated on tier one, followed by  
8 tier three, then tier two, so I am trying to get a sense of  
9 just where in those segments --

10           MR. STEWART: I'm sure it is the case that if you  
11 looked at number of plants that produce product that bear  
12 Goodyear or that bear Bridgestone or that bear Michelin that  
13 it would continue to be the case that an awful lot of the  
14 tires produced by those three companies would be under the  
15 flagship name. As we showed in the slide, you could still  
16 have dramatic differences in products that bear the flagship  
17 brand Goodyear or flagship brand Michelin or flagship brand  
18 Bridgestone, but we wouldn't deny that for those three  
19 companies probably a significant part of their overall  
20 production is in the flagship brand name.

21           We don't have statistics on that so I can't  
22 confirm whether it's greater or smaller or the same as what  
23 you did in your supplemental questionnaire in the 421.

24           MS. MCNAMARA: Thank you. And you were just  
25 talking about the private label and one of the exhibits in

1 the Petition I saw that the man being interviewed, I believe  
2 he was from Del Nat, he said that at one point the domestic  
3 industry got out of private brand production and that's

4 MR. STEWART: That was the argument in the 421,  
5 it wasn't true then and it isn't true now whether they  
6 produced as many private brands as they did ten years ago or  
7 fifteen years ago really, it's much more a reflection of  
8 what you can get when you sell to somebody. If somebody  
9 says look I want a tire I'll pay you thirty dollars for it  
10 and you say well it cost me forty dollars to produce, I'm  
11 willing to sell it to you for forty-five, the answer is you  
12 probably aren't going to sell that thirty dollar tire under  
13 a private label.

14 And you had a lot of that that occurred in the  
15 2004-2008 period, but you still have private labels being  
16 produced by each of the major companies.

17 MS. MCNAMARA: So there was never a point when  
18 the domestic industry was not producing it?

19 MR. STEWART: There was never a point where the  
20 domestic industry stopped producing it, that was the claim  
21 that was made that was never proven and was never true as  
22 far as we knew and remains not true, either that or three of  
23 the gentlemen who testified today don't know what they  
24 produce in their plants.

25 MS. MCNAMARA: Thank you.

1 MS. DRAKE: I'm familiar with that statement that  
2 the Del Nat President made. Del Nat's own website also  
3 states that it provides private label tires produced by U.S.  
4 manufacturers and by manufacturers overseas, so I'm not  
5 quite sure why he made that statement since his own company  
6 claims that it sources private label tires from U.S.  
7 manufacturers.

8 MR. STEWART: And the other aspect of that is  
9 that in the Petition we included from Del Nat their product  
10 literature which shows which companies they source from.  
11 They have a company list in the legend, they don't do that  
12 by tire, but they do it at the front and a number -- most of  
13 the companies are Chinese that are listed but there are a  
14 couple like Cooper that obviously have U.S. facilities as  
15 well.

16 MS. MCNAMARA: In the 421 investigation the  
17 Commission also found that there was roughly an 80/20 split  
18 for the domestic industry between the OEM and the  
19 replacement market and a 95/5 split for the subject imports.  
20 Do you know if that is still the case, do you have any  
21 information on how that's broken down?

22 MR. STEWART: Well you have in the questionnaire  
23 responses, you have the domestic industry split and that is  
24 similar but not the same. You do have, I believe you asked  
25 the question from the foreign producers at least I don't

1 remember seeing it in the questionnaire so I don't know that  
2 there is record evidence as to the percentage of OEM that is  
3 accounted for by product from China. We believe it is  
4 higher but that basically pawn information that company x or  
5 company y has obtained a contract, we don't have any  
6 information that would tell us what percentage of OEM is now  
7 - is now Chinese.

8 MS. MCNAMARA: Thank you. Would you define the  
9 domestic industry as including all producers of tires?

10 MR. STEWART: Yes, we are not seeking to -- all  
11 producers of passenger car and light truck tires?

12 MS. MCNAMARA: Yes.

13 MR. STEWART: Yes. We are not seeking to  
14 exclude any of them.

15 MS. MCNAMARA: Okay if you could please in your  
16 post conference brief, if you could address any related  
17 party issues and explain why you believe that the Commission  
18 should not exclude any domestic producer that would be  
19 helpful. And could you -- now could you also tell us a  
20 little bit about non-subject imports in a PVLIT market and in  
21 particular do they compete across the board with  
22 domestically produced product and the subject imports?

23 MR. STEWART: Our understanding of the  
24 non-subject imports is, first of all they compete across the  
25 board. They tend to be much higher priced enhanced much

1 less disruptive in the market and put much less downward  
2 pressure on domestic producers. A certain percentage of  
3 those imports are from multi-national companies who are also  
4 producers here in the U.S. so presumably its line filling  
5 kinds of exercises, but as you see in many cases, so on the  
6 one hand there is a fair amount of imports that are from  
7 non-subjects which flow into the distribution systems for  
8 the big multi-national companies.

9           There are also a lot of imports that flow in from  
10 other companies into the market but they tend to be higher  
11 priced than imports from China but as far as we know they  
12 cover the whole spectrum. They are not targeted at the  
13 top, the middle or the bottom, you can find product at all  
14 ranges.

15           MS. MCNAMARA: Okay and I understand that you are  
16 stating now that they are generally priced higher but I did  
17 not that in Exhibit Roman number 126, there was some  
18 information on there that said that Taiwan, the prices for  
19 Taiwan imports were priced lower, if that's the case if you  
20 could just please address why you believe in your  
21 post-conference brief why you believe an injury is not  
22 attributable to non-subject imports, that would be helpful.

23           MR. STEWART: We'll do that.

24           MS. MCNAMARA: And so I just want to clarify and  
25 just double check, you believe that PLVT is interchangeable

1 no matter where it is produced?

2 MR. STEWART: Correct, um huh. It goes to the  
3 same thing you know, if you have a Ford Focus, your car is  
4 going to need a certain size tire. If there are -- if you  
5 are on some websites you can find as many as 250 tires that  
6 would fit your car, okay and they will come from U.S.  
7 producers, Chinese producers, foreign producers in a number  
8 of other countries. Within that tire range, the answer is  
9 those tires should be interchangeable.

10 Now you may be looking for a snow tire and a  
11 third of those may not be only a quarter may be snow tires  
12 and so you would shrink them out that way, but within the  
13 product specification, yes the tires are interchangeable.

14 MS. MCNAMARA: So how would you characterize the  
15 importance of price in purchasing decisions?

16 MR. STEWART: I think you don't need to look at  
17 our characterization of it, I believe if you look at the  
18 questionnaire responses you have received from both domestic  
19 producers and from importers that price is viewed as  
20 typically as important, very important. Can there be  
21 instances, it is also the case that there is a certain  
22 percentage of people if they have a high satisfaction level  
23 with their car, and it's a new car and they have a blowout  
24 because they hit a pot hole or something like that, but they  
25 otherwise have been very satisfied, they may go back in and

1 price may not be the issue.

2           They may say I want to get the exact tire that's  
3 on my car now because I'm very happy with it, but generally  
4 what you find and the questionnaires support this is that  
5 there is high interchangeability and that price is an  
6 important factor. Can there be other factors? Sometimes,  
7 and that's the same as it was back in the 421 investigation.

8           MS. MCNAMARA: On pages 1-37 through 1-40 you  
9 discuss the average unit value data for imports of PLVT from  
10 China. Are you aware of any product mix issues that might  
11 call into question PLVT data?

12           MR. STEWART: Well I think you have in the  
13 questionnaires for at least six products very specific  
14 information that should eliminate the question about whether  
15 or not there are mix issues. Import statistics in this  
16 industry are unusually specific, there are lots of cases  
17 over the years and it is very seldom that you have as many  
18 categories as you have each one broken down, single in size  
19 on passenger vehicle tire.

20           Are there mix differences on any given size? Of  
21 course because you can have a good, better, best mix and you  
22 could be shipping more good and more better or more best in  
23 any given year and there's no way that we could tell that  
24 from the import statistics. So the good news is that the  
25 statistics that you have -- or the questionnaire responses

1 that you have confirm without any question that underselling  
2 is a major issue in this sector and that the prices have  
3 declined.

4 MS. MCNAMARA: Thank you. Do you have any  
5 information on the consumption in the PLVT market in China?  
6 Any information on the home market there on how they are -  
7 ?

8 MR. STEWART: I forget if we had in the Petition.  
9 We came across for one of the major Chinese producers a  
10 presentation that they had made to a U.N. organization that  
11 had a lot of information that purported to identify the size  
12 of both the Chinese production and I believe the Chinese  
13 market that suggests to us that in fact the Chinese Tire  
14 Association maintains that information and they should be  
15 able to identify it and provide it to you as part of the  
16 post conference but we will flag it in our post conference  
17 brief, whatever it was that we had.

18 We have not found in the public domain  
19 information put out by the Chinese government or the Chinese  
20 industry on a regular basis other than the import/export  
21 statistics, but the industry association must collect that  
22 information because companies, Chinese companies, when they  
23 are elsewhere and making pitches about their industry are  
24 able to cite data as to how big the industry is or how fast  
25 it is growing, we don't have access to that.

1           MS. MCNAMARA: Are domestic producers able to  
2 supply the entire U.S. market for PVLTV?

3           MR. STEWART: Well since capacity has shrunk by a  
4 huge amount the answer is at present no. And I have never  
5 seen that to be an issue of relevance to a Commission's  
6 determination. There are industries where domestic  
7 industry can only supply 5 or 10% that doesn't prevent a  
8 case from going forward, but no we can't supply 100% at the  
9 present time.

10           If we were to add back all of the plants that  
11 closed since 2004 the answer might be yes we could and we  
12 would love a situation where that possibility arose.  
13 Certainly steel workers would look forward to talking to all  
14 of the companies about representing their workers.

15           MS. MCNAMARA: Thank you, in your post-conference  
16 brief, could you please discuss how the views of the  
17 domestic industry regarding the Petition should factor into  
18 our analysis?

19           MR. STEWART: We will be pleased to. I would  
20 like to make a couple of comments since it has been out in  
21 the media. You know when the Uruguay Round Agreements Act  
22 was enacted in 1994 Congress made clear that workers and  
23 management had equal voice. One of the interesting  
24 phenomenon looking at cases, I mean most of the time cases  
25 obviously get brought by management of the companies.

1           But workers are supposed to have equal say.  
2   Neither at the Commerce Department nor the at the Commission  
3   is there a way for you all to routinely go out and get  
4   information from the work force, all right.

5           You send a questionnaire to the companies which  
6   means to the management.   Nowhere in that is there a  
7   request that an affidavit be submitted by a work force or  
8   the leaders of the work force as to the position that they  
9   take.   So what we know, obviously is that we represent a  
10  large part of the workers in America who produce these tires  
11  at four major companies.

12           The fact that companies choose not to take a  
13  position publicly is neither surprising.   I have been in  
14  this business for a lot of years, and over those years  
15  companies who bring cases are often subject to retaliation  
16  by foreign producers, not just in China but in other  
17  countries and so companies have to consider whether or not  
18  taking a position will subject them to retaliation.

19           Companies often are not focused -- management is  
20  often not focused on the maintenance of the U.S. operations.

21   1958 I presented this in the 421 and in answer to  
22  Commissioner at the time, 1958 Chairman Mills gave the  
23  Commission subpoena power because the Commission would not  
24  commence a 201 case that had been brought by the workers  
25  because the workers couldn't supply the factual information

1 and Chairman Mills statement was -- well in 1958 I can  
2 imagine situations where management is more concerned about  
3 its foreign operations and is not all that concerned about  
4 domestic and I hear from lots of workers that they have been  
5 told they are losing a job because of imports.

6           Don't you think they ought to have an opportunity  
7 to have the facts determined and get relief, if relief  
8 should be provided? I was for a fair trading statute, and  
9 what has happened with Congress since is that every law has  
10 given workers the right to bring cases so the silence in  
11 this situation in my view is irrelevant. Domestic workers,  
12 I represent a large portion, you can see from the  
13 questionnaires whether anybody supports or opposes or takes  
14 no position on the domestic questionnaires and you have very  
15 real concerns about retaliation and you know you had an  
16 indictment that came down not long ago about cyber espionage  
17 from guess who?

18           Companies and the steel workers who bring cases  
19 to seek relief in the United States. So are there lots of  
20 reasons why somebody might choose to not be public with what  
21 their position is? Sure. If the Commission kind of goes  
22 off on a view that you have to have substantial support,  
23 which it never has, for there to be an evaluation of the  
24 underlying facts, then you will be basically encouraging  
25 countries that are subject to cases to intimidate companies

1 who control information that you need to get.

2 That can't possibly be the right outcome, but we  
3 will cover that in our post-hearing.

4 MS. MCNAMARA: Thank you. Okay and the last  
5 question -- I have heard the testimony and you were just  
6 speaking to it about the lost jobs and the lost production,  
7 but how do you reconcile that with Mr. Durling's opening  
8 statement where he said that the domestic industry had its  
9 best year in 2013?

10 MR. STEWART: You've had any number of cases  
11 where the factual situations are not terribly different from  
12 that. The statute says that no factor, no individual  
13 factor is outcome positive and I think if you -- we will  
14 post-conference brief, identify cases where profitability of  
15 the domestic industry during the period of investigation and  
16 the prelim is higher than the profitability that the staff  
17 report will likely show the industry to be operating at.

18 What is clear when you look at the questionnaire  
19 responses is that every other factor is down. You have a  
20 clear explanation for why profitability is not down, which  
21 is simply that you have declining import costs and declining  
22 import costs in a volatile market in a volatile raw material  
23 market is not a basis to deny an industry relief simply  
24 because the interim profitability hasn't crashed and we will  
25 go through that in our post-hearing conference,

1 post-conference submission.

2 MS. MCNAMARA: Okay thank you and I know that you  
3 covered the factors that the Commission traditionally looks  
4 out in determining threat and material injury, but if there  
5 is anything else that you can add in your post-conference  
6 brief, please be sure to do so, thank you very much.

7 MS. DEFILIPPO: Thank you Miss McNamara.  
8 Questions Miss Haines for the panel?

9 MS. HAINES: Thank you very much for the  
10 testimony. Two relatively short questions. One are there  
11 any trade remedies on third countries on Chinese tires?

12 MR. STEWARD: Yes there was a dumping order in  
13 place on passenger car tires in 2009, I believe that was  
14 extended in 2013. We identified in our Petition three or  
15 four countries where we don't believe that the order would  
16 cover light truck tires, but the HTS category was at the I  
17 think six digit level, where it would have picked up what we  
18 understand would include light truck tires even though it  
19 seemed to be a commercial truck application so those are all  
20 in the Petition, three or four of those.

21 MS. HAINES: Okay great. My other question is a  
22 little bit longer. In regards to inventories, what is sort  
23 of the shelf life of a new unused tire than once you sell  
24 it, what are your warranties that you offer for different  
25 tires and what is sort of the life expectancy of the tire in

1 use? And I know it can be a very broad answer, I  
2 apologize.

3 MR. JOHNSON: Warranties vary based upon  
4 construction of the tire, components within the tire and the  
5 makeup of the compounds within the tire, that would be based  
6 upon lug rate, tread wear rating, speed rating, et cetera.  
7 Most tires are sold with a mileage warrantee that says they  
8 are good for x number of miles, not for x number of months  
9 of years and that is typically pro-rated circumstance where  
10 it's a value rebated for failure to meet is less than the  
11 full price of the tire itself.

12 MS. HAINES: And then the first part was how long  
13 an unused tire, a new tire can sit before it would degrade  
14 in any way?

15 MR. JOHNSON: I don't think -- there has been  
16 much in the media lately I think about age of tires.

17 MS. HAINES: Yes.

18 MR. JOHNSON: And I think the industry would  
19 probably have to deal with that and I don't know that I  
20 would be in a position to state what that would be  
21 unequivocally.

22 MS. HAINES: But it's a long time.

23 MR. JOHNSON: A long time.

24 MS. HAINES: Yes.

25 MR. JOHNSON: Yes.

1 MS. HAINES: That's all I have thank you.

2 MS. DEFILIPPO: Thank you Miss Haines, in my role  
3 as clean up it's often hard to not have all of my questions  
4 asked, the staff did a good job today in covering the areas  
5 that I have questions on. But I did have one, just to  
6 clarify and it relates to one of the slides in your  
7 presentation. And I go back to a little bit about what Mr.  
8 Petronzio and Miss McNamara were asking about the tiers and  
9 I know it's difficult to define and there doesn't seem to be  
10 a consistent view on what is tier one versus tier two, tier  
11 three.

12 In the slide that you had where it is a quote  
13 from the Yokohama President, Chinese brands are coming into  
14 the U.S. market, the price level is coming down. Cheap  
15 tires are coming in and the tier two and tier three brands  
16 are reducing their prices to compete with the Chinese  
17 product. Then the tier two and tier one also have to adjust  
18 also.

19 If I read that I'm almost thinking hmm are the  
20 Chinese coming in in tier one, or is it coming in in tier  
21 two and tier three and then there's a spillover into  
22 domestic tier one. Am I reading that wrong?

23 MR. STEWART: I think you're reading that  
24 particular statement correctly. I think most people who  
25 try to create the tiers would probably say that Yokohama is

1 a tier two company because they are not Bridgestone or  
2 Michelin or Goodyear and whatever the quality that they can  
3 produce, Yokohama may not agree with that and may view  
4 themselves as a tier one company.

5           But certainly there is lots and lots of  
6 industries where if you destroy the pricing structure  
7 anywhere in the structure you would likely put pressure up  
8 and down and that's all that that statement suggests to me  
9 is going on, namely that all aspects of the market are being  
10 affected by the prices however you view the imports that are  
11 coming in from China and that's consistent with the  
12 statement -- the next statement that was on our slide  
13 presentation which was from Del Nat where they are a major  
14 importer of Chinese tires, they are also a major purchaser  
15 of tires from a company like Cooper and Cooper would  
16 probably also be viewed as a tier two company the way people  
17 talk about what tiers are.

18           You are either Bridgestone or Goodyear or  
19 Michelin or you are not tier one. I doubt anybody at  
20 Cooper views themselves as a tier two company and not  
21 competing with Bridgestone and Michelin and Goodyear, but  
22 you know.

23           MS. DEFILIPPO: So for those U.S. producers that  
24 are manufacturing a tire that sits or is a tier one tire,  
25 the brands you mentioned, are they facing direct competition

1 at the tier one level from Chinese imports, or is it more  
2 they---

3 MR. STEWART: Well it depends how you define tier  
4 one right. If you say there is no Chinese company that can  
5 be a tier one company because most of them happens to be  
6 import from Bridgestone or Michelin or Goodyear, then you  
7 have to find out the competition.

8 If the question is do imported Chinese tires  
9 compete with Goodyear, Michelin and Bridgestone, the answer  
10 is of course. Of course they do and you could find it at  
11 any dealership that you want to choose to go to. If you ask  
12 them for tires and ask them for competing tires you will  
13 find that there are Chinese tires that are available that  
14 they will offer as a high performance tire, if you are  
15 looking for a high performance tire or whatever the quality  
16 of tire you are looking at and they will offer that to you  
17 as well as they will offer Bridgestone or Goodyear or a  
18 Michelin tire.

19 MS. DRAKE: Maybe also the statements from the  
20 Chinese name brands that are seeking to establish themselves  
21 more in the U.S. market, you don't directly say we are going  
22 to compete with tier one and tier two tires. We are going  
23 to be that high performance premium tire so I do think that  
24 there and of course in the 421 the Commission found that  
25 there were Chinese tires in tier one however defined, so the

1 confusion over how to define the tiers and what they even  
2 mean continues and I think what the Commission found before  
3 continues to be true that there are no clear dividing lines.

4           You don't go into a tire store and say I want a  
5 tier one tire and that's the only one I am going to look at.  
6 You are going to look at all the tires that are available  
7 and compare them on price.

8           MS. DEFILIPPO: Fair enough, are there any  
9 consumer report studies that look at qualities of tires or  
10 risk points and is there a mixture, in terms of the ratings,  
11 are you seeing both U.S. and Chinese on those kinds of  
12 ratings?

13           MR. STEWART: I would say that the reports that  
14 we included in the Petition included the information out of  
15 the Highway -- National Highway Transportation analysis  
16 which rates all of the tires on the four key criteria and  
17 those four key criteria are available from distributors and  
18 from retailers to consumers so that you can evaluate the  
19 quality of the tire and then when the tire meets with your  
20 specification, I'm sure that there are consumer reports that  
21 have looked at some tires, I don't know that we had looked  
22 for those and I can tell you that if you want to find  
23 negative comments about any particular tire, there's  
24 probably a blog that will blast everybody.

25           MS. DEFILIPPO: I was going to say we can look on

1 the internet, I'll look to that exhibit in the Petition. I  
2 wouldn't have gotten through all that. I'm going to look  
3 up and down my table and claim it as mine, and any  
4 additional questions from staff? I'm not seeing any  
5 affirmatives on that so with that I will again thank you all  
6 very much for coming in and providing direct testimony and  
7 being patient and answering all of our questions, it's been  
8 very helpful. We'll just take a quick fifteen minute break  
9 to stretch our legs and get a snack. We'll be back at  
10 12:17ish.

11 (Brief recess taken.)

12 MS. DeFILIPPO: Mr. Secretary are we ready to  
13 begin?

14 MR. BISHOP: Yes, Madam Chairman. The panel on  
15 opposition to the imposition of Antidumping and  
16 Countervailing duties have been seated.

17 MS. DeFILIPPO: Welcome Mr. Porter and your  
18 panel. Please proceed when you're ready.

19 MR. PORTER: Thank you, Ms. DeFilippo, we're  
20 going to begin our presentation with a nonparty witness, Jem  
21 Atlas.

22 MR. ATLAS: Hello, everyone. I very much  
23 appreciate having the opportunity to speak here today. I'm  
24 Jem Atlas and I'm an analyst at Bloom Tree Partners where I  
25 cover the global tire industry.

1           Bloom Tree Partners is an investment firm based  
2 in New York City. Our company was founded in 2008 and we  
3 invest primarily in public securities globally.

4           I'm here today because we believe that the  
5 proposed tire tariff is inappropriate at this time. Shortly  
6 I'll walk you through the U.S. tire industry's increasingly  
7 high operating margins and walk you through some recent,  
8 very positive commentary by industry leaders on the outlook  
9 for the domestic industry. As such we believe the United  
10 Steel Workers' claims of material injury or threat of  
11 material injury to the overall U.S. domestic tire industry  
12 are difficult at best.

13           So before I get too far into this, because we're  
14 an investment firm, there are certain mandatory disclosures  
15 we must make. I'm not going to go through them right now,  
16 but I'll follow up with a presentation and you can read them  
17 accordingly.

18           So, as I walk you through this slide, you will  
19 see that operating margins in North America for Goodyear and  
20 Cooper are at historic highs. So each point in this chart  
21 represents the historical last 12 months North American  
22 operating margins for these two companies. I chose Goodyear  
23 and Cooper because they are North American companies that  
24 have a large portion of their operations in North America  
25 and sell within North America. They are also the only

1 public companies, which to my knowledge, actually discloses  
2 their North American operating margins.

3           That said, I believe that these companies are  
4 representative of the broader industry within the U.S. and  
5 my belief is that when you look at the broader information  
6 that you get when you do your questionnaires, you will see  
7 very similar trends.

8           So, just to begin, you will see that margins --  
9 my laser pointer doesn't seem to be working anymore. All  
10 right. But in any case, you'll see that margins pre-crisis  
11 from 2003 to 2007 were very low. For Cooper and Goodyear  
12 together margins were about 1 percent. This was pre-crisis,  
13 this was before there was any talk of Chinese competition  
14 being a big factor in the U.S. market.

15           Again, the margins were very low. During the  
16 crisis, you can see in 2008 and 2009, margins for these tire  
17 companies came down significantly. That's what prompted the  
18 safeguards tariff. Back then the world was a very different  
19 place. You can see that after the safeguards tariff the  
20 companies were able to get back on their feet, so to speak,  
21 and margins came up to about 4 percent for these two  
22 companies together.

23           Then following the expiration of the tariff, you  
24 can see that margins actually came up to 9 percent. So right  
25 now, if you look back ten years, margins for these two

1 companies, which I believe are reflective of the broader  
2 industry, are higher than they've basically ever been, at  
3 least over the last ten years.

4 I should also add, for Cooper, in 2013, they had  
5 several company-specific issues that if you go through their  
6 transcripts they talk about at length. But those two  
7 company-specific issues are one that they were running --  
8 and they were trying to implement an enterprise resource  
9 planning system. Basically, an upgraded IT system. That IT  
10 system did not work the way they had planned, and in the  
11 meantime they couldn't ship tires even if they were building  
12 these tires.

13 The other problem that they had was in that year  
14 they were going through a merger process that ultimately  
15 failed. That was a big distraction for them and that also  
16 cost them -- it was effectively a large cost for them. So  
17 that's part of the reason why you can see in 2013 Cooper's  
18 margins weren't as good as they would have otherwise been.  
19 But the trend is clear. These companies are doing very,  
20 very well right now; better than they've done in the past  
21 ten years otherwise in general.

22 So given that, I find it very hard to argue that  
23 the industry has been materially injured to date.

24 So then my next slide goes through some recent  
25 communications that management has made to investors. As an

1 investor I attend many of these conferences. If I don't  
2 attend the conferences, I read the transcripts afterwards.  
3 And generally management has been extremely positive.

4           So let's start with a quote from Laura Thompson  
5 who is the executive vice president and CFO of Goodyear  
6 Tire. And I quote, "Our first quarter continued to  
7 demonstrate the success of our strategy with record  
8 first-quarter North America earnings. At that first quarter  
9 earnings release call we also very importantly reaffirmed  
10 our 2014 to 2016 overall financial targets that include an  
11 annual 10 to 15 percent segment operating income growth  
12 through 2016." So which is very positive.

13           Cooper, just the same, at their last semester  
14 conference, last month on the 15th says -- this is Chris  
15 Ostrander, Cooper Tires President of their North America  
16 Tire Operations, so they should be pretty aware of what's  
17 happening in the U.S. They said, "We started off 2014  
18 extremely well from an operating profit standpoint. I'm  
19 extremely excited about the profitable growth opportunities  
20 that we have here in the North American business. We have  
21 really set a great foundation for us to now to be able to  
22 grow much further and much quicker in North America." And I  
23 should add, at that same conference, it's not on the slide,  
24 but their CEO, Roy Arms, also guided for 6 percent revenue  
25 growth or it's a cumulative average for the next six years

1 of 6 percent which is pretty positive.

2           If I go back to the last slide, you'll see what  
3 Cooper's margins are right now. Cooper in their latest  
4 guidance has guided for 8 to 10 percent margins for the next  
5 ten years. Granted, this is for the overall business. But  
6 a large portion of their business is in the United States  
7 and they were also hopeful that they would get above a 10  
8 percent margin. So they would even do better than they're  
9 doing right now.

10           So, given that, it's hard to argue, at least in  
11 my -- that the industry is likely to believe -- is likely to  
12 see material injury if you believe the management teams and  
13 what they're saying.

14           Basically, in summary, our view is that a tariff  
15 on Chinese passenger vehicle and light tire -- light trucks  
16 tires is not appropriate. Domestic manufacture margins  
17 appear to be at or near record levels. Industry leaders  
18 seem to be very positive in recent investor communications  
19 and were the proposed tariff to actually be implemented, it  
20 would at the very least support margins for domestic  
21 manufacturers when they're already at historic highs. So if  
22 they're not materially injured, I don't see the point of  
23 making the margins potentially higher. Granted, that is  
24 something that is in debate within the investor community,  
25 what would happen to margins, were there a tariff

1 implemented. But it's just -- worth noting there.

2           So, in any case, given high U.S. domestic  
3 manufacturer margins and the belief in the bright outlook by  
4 industry leaders, we believe that the proposed tariff should  
5 not be implemented at this time.

6           And that is my part of the presentation. Thank  
7 you.

8           MR. McCULLOUGH: For the record, my name is Matt  
9 McCullough of Curtis, Mallet-Prevost. I'm representing the  
10 Chinese producers in this proceeding.

11           I want to talk briefly about the conditions of  
12 competition in this market. You know, fortunately the  
13 Commission has the benefit of some hindsight here to better  
14 understand how this domestic industry with global assets has  
15 positioned itself in the market and redeployed assets in the  
16 United States to focus on premium brands and high  
17 value-added product.

18           This was, of course, what the Commission was told  
19 during its section 421 proceedings five years ago. And to be  
20 certain, this was structuring -- was a continuing phenomenon  
21 during and after the section 421 relief period and helps  
22 explain why the industry was so profitable over the period  
23 of investigation precisely when Chinese imports were at  
24 their highest.

25           But I think it's important to frame this

1 discussion with a quote that some of you may remember from  
2 the dissent in section 421, "Looking at the domestic  
3 industry in 2009 the dissent found as follows: Faced with  
4 continued poor performance in a reduced U.S. market for  
5 smaller-size and lower-value tires, the domestic producers  
6 made strategic decisions to rationalize their production.

7           The evidence demonstrates that U.S. producers  
8 which are global competitors decided to focus U.S.  
9 production on the premium flagship brand-named tires and  
10 higher-value premium tires that are at the leading edge of  
11 the U.S. market. This production shift to some degree  
12 followed the shift in demand by the automobile industry for  
13 larger-size tires and away from the smallest size tires even  
14 for the new small-size fuel efficient cars.

15           U.S. producers consolidated U.S. production by  
16 closing high-cost U.S. factories and factories that  
17 primarily focused on small-sized or low-value tires. The  
18 three U.S. plant closings in 2006 even the one in 2007 were  
19 not a response to increased subject imports as they occurred  
20 before the subject imports were a significant presence in  
21 the U.S. market as discussed above.

22           These closings were part of long-term business  
23 decisions by the domestic producers which began prior to  
24 2004 and prior to the increases in subject imports and were  
25 directly related to U.S. producers shifting U.S. production

1 to higher-value products to improve financial performance."

2 I don't think I could have said that better  
3 myself. And of course, this view of the domestic industry  
4 back then did not carry the day, in the section 421  
5 proceeding, but now the staff must ask itself what happened  
6 when the section 421 remedy was put in place? Did the  
7 remedy curtail imports of Chinese tires at the lower end of  
8 the value spectrum? And, of course, I think the answer is  
9 yes. But it only incentivized the same types of imports  
10 from other sources. I think the more important question is,  
11 did the remedy halt the closure of capacity focused on lower  
12 value-added segments or the emphasis on higher value-added  
13 production? The answer to that is, no. That transition  
14 continues to this day and has steadily shaped how this  
15 industry competes in this market.

16 So, talking about capacity, what has been the  
17 impact on domestic capacity and what the domestic industry  
18 produces? Well, the Petitioner has presented publicly  
19 available data in its petition for 2011 and 2014 to suggest  
20 a substantial retreat in capacity. But we now have  
21 tabulated data from the domestic industry itself that tells  
22 a very different story. And these are aggregated numbers  
23 that have been tabulated from all the questionnaire  
24 responses that have been received and under the  
25 circumstances can be treated as public.

1           So, in 2011 during the section 421 relief period,  
2 the domestic industry had a capacity of over 166 million  
3 units. In 2013, it had a capacity of over 162 million  
4 units. Now, we know from public announcements that the bulk  
5 of the drop can be attributed to the closure of Goodyear's  
6 tire plant in Union City, Tennessee in 2011. And by the  
7 company's own estimates, that closure eliminated 12 million  
8 units of capacity.

9           Now, I know questions were asked about this by  
10 Mr. Petronzio, I believe, about what was that capacity?  
11 What was that production? And what as going on there?  
12 Well, Goodyear specifically stated that the closure was part  
13 of its strategy to reduce high-cost manufacturing capacity  
14 globally and provide cost-effective high-value added  
15 products.

16           Goodyear's Chairman and CEO told the public that  
17 in closing the plant it was not sacrificing volume in  
18 segments that it was targeting. That is, their long-term  
19 strategic plan to target high value-added products. What  
20 the CEO said was that the market had moved beyond what that  
21 factory is able to build. In other words, Goodyear was just  
22 following through on plans that it already made with or  
23 without section 421 relief in place.

24           But here's an important takeaway. And the staff  
25 can do the math. If you take 12 million units out of 166

1 million units you do not end up with 162 million units.  
2 There's an 8 million unit difference there. That is because  
3 the industry is investing in new capacity as it redeploys  
4 assets towards higher value-added production. This  
5 investment occurred during the section 421 relief period and  
6 it continues to occur after the section 421 relief period.

7           So let's put this in perspective. This is not a  
8 shriveling industry. Now, I know Petitioner points out that  
9 1.4 billion has been invested in Chinese tire capacity in  
10 2013, some of it by U.S. domestic producers. But according  
11 to Talliesbytirebusiness.com, for the year ended August  
12 2012, tire makers earmarked 2.75 billion for expansion  
13 projects in North America. And in the following 12 months,  
14 and now its plan expenditures of 1.8 billion, the vast  
15 majority of which is focused on U.S. investments.

16           Now, let me take this back to Goodyear as a  
17 perfect example of continuing transition and retrenchment in  
18 U.S. capacity.

19           Yes, Goodyear shut down a large plant in  
20 Tennessee. But in the supposedly new and dire post-relief  
21 environment, Goodyear recorded record first quarter  
22 operating income in its North America segment and  
23 reallocated 1.1 billion from debt service to other capital  
24 allocation baskets.

25           In the last two months it has announced plans to

1 invest 350 million in existing American plants. That  
2 translates into 6 million new units in the 2014-2016 period  
3 while investing another 500 million in a new facility that  
4 will also account for 6 million units that is planning to  
5 serve the Americas.

6 Admittedly, the site for that location has not  
7 been announced, but there's a lot of speculation in the  
8 media that the new plant will be built in Chester County,  
9 South Carolina. And as you might guess, the production  
10 emphasis of this capacity will be on high value-added tires  
11 where the company sees both a shortage in capacity in the  
12 Americas and significant growth opportunities in sales,  
13 income and profit.

14 Other U.S. producers see similar opportunities.  
15 These are opportunities that fall right within the  
16 parameters of the industry's strategic plans over the past  
17 number of years.

18 So you're going to hear from Jim Durling in just  
19 a moment that Goodyear's strength and profitability is  
20 certainly not unique in this industry, but it's important to  
21 understand why. It's not about the presence or lack thereof  
22 of Chinese tires, it's about the industry sticking to its  
23 strategic plans.

24 The section 421 relief had little to do with  
25 those plans which were implemented before, during, and after

1 the relief period. But those same plans do explain why an  
2 increase in Chinese imports since the section 421 relief had  
3 little impact on the domestic industry's strong performance.

4 On this latter point, upon the conclusion of Mr.  
5 Durling's presentation, you will hear more from my  
6 colleague, Dan Porter, about why the emphasis on branding  
7 and high value-added production really limits the  
8 competition between U.S. production and Chinese imports  
9 placing the domestic industry in a strong market position.

10 And on that note, I will turn the presentation  
11 over to Mr. Durling.

12 MR. DURLING: For the record, I am Jim Durling  
13 with Curtis, Mallet-Prevost here on behalf of the Chinese  
14 exporters. As you hear in my opening remarks, and as my  
15 colleague Matt foreshadowed, it is our position that this  
16 domestic industry is not injured. The record is quite clear  
17 on that point.

18 And we've -- to kind of bring the discussion into  
19 sort of the more concrete facts of this particular record,  
20 we've put together some slides. I think everyone has a  
21 copy. And let me just walk you through what I think are the  
22 key takeaways from these different slides.

23 So starting with slide number two which is  
24 domestic capacity and utilization, the way we formatted  
25 these is we summarized the five years of the 421 record

1 before the Commission with the three full years of record  
2 evidence in this proceeding, and to make them comparable,  
3 some of the figures that were only quarterly we annualized,  
4 although in many instances the figure itself, like, capacity  
5 utilization percentage, didn't require an annualization.

6 I think this slide in very graphic terms tells  
7 the story that Matt just described qualitatively. When you  
8 look at the history over 421, you see a very sharp decline  
9 of about 40 million tires. But that was basically the  
10 domestic industry restructuring and getting rid of capacity  
11 that no longer made any sense for the business strategy the  
12 industry wanted to pursue.

13 That transition was substantially complete during  
14 this period because when we move into the more recent  
15 period, the period before the Commission in this case, you  
16 can see a very different trend. The industry has decided on  
17 an efficient scale for their U.S. operations and they've  
18 decided on an appropriate way to target those U.S.  
19 operations.

20 Unlike the decline in capacity from 2004 to 2008,  
21 you can see that from 2011 to 2013 capacity has had a much  
22 smaller adjustment and when you annualize the 2014 capacity  
23 which is showing some of this new investment, again, it's a  
24 very, very stable trend. And it's a stable trend with  
25 capacity utilization at very high rates with an overall

1 capacity utilization of approximately 90 percent. And with  
2 the 2014 capacity utilization being higher, 2014 being  
3 higher than 2013, 92 percent is very high capacity  
4 utilization.

5           Okay. And this is not the data for one plant.  
6 We fully recognize that at any one plant there may be less  
7 capacity utilization as the industry as a whole is trying to  
8 operate in the most rational efficient way possible. And  
9 there will be some plants that are shut down, other plants  
10 that are built, new investment. One plant may be in the  
11 process of phasing out, other plants are getting new capital  
12 investment.

13           For the industry as a whole, the most recent data  
14 you have is that the industry is at 92 percent capacity  
15 utilization. And I submit that that is a very high level of  
16 capacity utilization and I also would submit that the  
17 contrast between the beginning of the period with 93.6  
18 percent capacity utilization and the end of the period, 91.7  
19 percent capacity utilization, I'm sorry, but that's not well  
20 below. I mean, it may be a technically correct statement  
21 that it is lower, but I would not characterize that as well  
22 below. I would call this stable capacity utilization.

23           The next slide, number three, is a recap of  
24 domestic production. And you can see, again, a sharp drop  
25 in domestic production over the 421 period, and a

1 particularly sharp drop in 2008. Where between 2007 and  
2 2008 in that one year, production had dropped by 20 million  
3 tires. Okay. That was the record before the Commission the  
4 last time.

5 Contrast that with the record before the  
6 Commission here where you see generally stable trends over  
7 the full period there is somewhat of a drop off, but it's a  
8 generally stable trend. But, more importantly, you see in  
9 2014 the trend has reversed, and the most recent trend is  
10 for there to be an uptick and this is an uptick when the  
11 industry is already operating at pretty high rates of  
12 capacity utilization.

13 Next slide, number four, shows the same trends  
14 for shipments, again, similar to the story on production,  
15 sharp decline over the section 201 period, a much more  
16 moderate decline over the period of investigation currently  
17 before the Commission.

18 Okay. Note, although shipment quantities are  
19 down, the total sales revenue is up because the industry is  
20 doing a better job of selling higher-value tires that are  
21 generating more income, so that's one key point. The second  
22 key point is in 2013, shipment volume is down, but as we'll  
23 discuss in a moment, this was the year of record profits.  
24 In other words, the industry has in fact developed a  
25 strategy to basically optimize their ability to operate

1 profitably. And when you see fluctuations in the quantity  
2 from plan to plan, or even on an overall basis, you need to  
3 put it in the broader context of the industry's kind of  
4 overall strategy.

5           Okay. So, again, the contrast. In the 421  
6 period there was a big decline and shipment volume,  
7 especially at the end of the period, and then operating a  
8 loss. In 2008 the industry was losing money. Contrast that  
9 here where you see a much smaller drop off in shipments, and  
10 that's accompanied with record operating profits.

11           As we can see on slide 5, I think one of the  
12 reasons that the Commission -- Mr. Stewart is correct that  
13 under the statute the Commission is to consider all of the  
14 factors in evaluating the health of the industry. But I  
15 think we all know from many, many years of doing this that  
16 of all of the factors considered, one that receives  
17 particular attention in virtually every single Commission  
18 determination is the level of operating profit. Why?

19           Well, it's not that operating profit is getting  
20 some kind of special treatment, it's that operating profit  
21 does a very nice job of capturing, in a single metric, a lot  
22 of different things that are going on. Because the  
23 operating profit reflects the change in prices, the change  
24 in quantities, the change in costs, so it's a proxy for how  
25 all of these things are interrelating. And what does that

1 key proxy show for this case?

2           Again, here the contrast is even more stark.  
3 Because if you look at the five-year average profit during  
4 the 421 period about 1 percent, with two years of operating  
5 losses including the key year of 2008 where the industry had  
6 its worst performance ever. So anemic profits over a  
7 five-year period and a sharp drop in profits in 2008.  
8 Contrast that with the period of investigation currently  
9 before the Commission where you have ever single year being  
10 profitable; you have an increase in every single year; you  
11 have the most recent full year at record levels and you have  
12 the interim period at record levels.

13           Now, why is this happening? Okay. This is not  
14 an anomaly. If you turn to slide six, you can see exactly  
15 what is going on. During the 421 period, the problem was  
16 costs were going up; right? That's the line going up as  
17 opposed to the bars. I'm sorry, costs are going up for  
18 related to the bars. So you can see costs going up and the  
19 average unit sales value which is the line on top of the  
20 bars, you can see the classic price cost squeeze.

21           If you look at the jump in costs in 2006, and the  
22 jump in costs in 2008, in both instances increasing sales  
23 revenue could not keep up and that's why in 2006 and 2008,  
24 last time, the domestic industry was losing money.

25           But contrast that with the record before the

1 Commission now. We basically see over the full period,  
2 2011, '12, and '13, we actually see a very modest decline in  
3 costs. Okay. This is not a case where costs were sharply  
4 declining over the period, there's a little bit of a  
5 decline, but it's relatively modest.

6           In contrast, even in the face of moderately  
7 declining costs as measured by unit cost of goods sold, you  
8 can see that average revenue was actually moving up. So  
9 this is a positive trend which explains the improving  
10 profitability. Then what happens in 2014, there is sharper  
11 drop off in cost, that is true, but it is -- and that  
12 explains the drop in the prices. But even though costs are  
13 down, prices are not down by as much, which again explains  
14 why in 2014 on an interim basis the industry is making even  
15 more money than it was in 2013.

16           So, yes, there was a decline in prices. But if  
17 you take a cost price squeeze into account on the one side,  
18 you have to recognize the opposite of a price cost squeeze  
19 on the other side. In other words, declining prices because  
20 of declining costs, when the domestic industry is able to  
21 maintain prices at a high enough level to become more and  
22 more profitable, that is not an injurious price decline.

23           And what I think this slide also shows is that  
24 the declining costs do not explain why the industry was so  
25 profitable in 2013.

1           Profits have not been going up just because of  
2 cost trends, profits are very high in 2013 because the basic  
3 business model, the restructuring the domestic industry has  
4 been working on for many years, is in place and working.

5           And then finally, just to kind of reiterate a  
6 point from the opening. Slide seven is putting on the same  
7 graph, the trends in the domestic industry operating margin,  
8 and the increasing volume of subject imports.

9           And this is one of the most compelling examples  
10 of non-correlation that I've seen in many years of doing  
11 this work before the Commission. Because you see  
12 significant increases in volume, but you still see the  
13 domestic industry doing much better. Why? It's because the  
14 combination of the fact the Chinese are simply  
15 reestablishing a presence in the market that they had before  
16 the effective of the 421 tariffs. So it wasn't as if it was  
17 a new shock to the market. They were simply regaining a  
18 position that they had had to retreat because of the 421  
19 tariffs. But more importantly, the new restructured,  
20 rescaled domestic industry is specifically designed to  
21 complement import presence. The domestic industry can do  
22 quite well even with the presence of significant volumes of  
23 subject imports.

24           Just a few closing thoughts. You heard this  
25 morning a lot about shutdowns and as if the shutdown of any

1 plant is somehow indicia of injury. But with all due  
2 respect, it's more injurious to keep old capacity that no  
3 longer meets the market needs. The sign of a healthy  
4 domestic industry is precisely when you see old plants being  
5 shut down and new investments being made.

6           And as Matt described in his testimony, and as  
7 the record evidence you've collected confirms, this industry  
8 has been investing. They've been investing R&D, they've  
9 been investing in capital expenditures. This is an industry  
10 that is in the process of renewing itself. And so the  
11 shutdown of older plants and the replacing them with new,  
12 more efficient plants is a sign of strength and not a sign  
13 of weakness.

14           Now, I know this may be frustrating for the USW,  
15 but the record evidence shows that a smaller, more focused  
16 domestic industry can thrive and is thriving. So there's no  
17 basis to find that it has been injured.

18           My last comment is, for the record, I would like  
19 to note that I also have gone faster than 100, but only on  
20 the German Autobahn, never in the United States. Thank you.

21           MR. PORTER: For the record, my name is Daniel  
22 Porter, also with Curtis, Mallet-Prevost, Colt and Mosle.

23           You've heard and seen the U.S. producers are  
24 effectively making money hand over fist on their  
25 U.S.-produced tires in 2013 and in the first quarter of

1 2014, at the exact time that imports from China were at  
2 their highest volume.

3           Needless to say, such fact is rather inconvenient  
4 for Petitioners' case. And so the question is how? How can  
5 U.S. producers be so profitable on their U.S.-produced tires  
6 when the volume of tires from China has increased?

7           The simple answer is that U.S. produced tires and  
8 Chinese tires are not competing significantly against each  
9 other as they are serving very different market segments.

10           The fact that the U.S. tire market is made up of  
11 distinct segments should be no surprise to the Commission as  
12 they reached this very same factual conclusion in the 421  
13 case. There was substantial evidence in that case that the  
14 U.S. tire market had three distinct tiers. A tier one made  
15 up of the best-known premium brand tires Michelin, Goodyear  
16 and Bridgestone. A tier two made a branded tire from  
17 established brands such as Yokohama, Toyo, Cooper,  
18 Continental. And a tier three made up of effective all  
19 other tires, including lesser known brands and private  
20 label.

21           However, the fact of different segments servicing  
22 different needs of customers is also evident from our own  
23 real-world experience. We've all purchased tires at  
24 different points in our cars' lives. And so we all  
25 understand that a common progression is as follows. I'll

1 use myself as an example.

2 I buy a new car, say a Lincoln MKX for \$40,000.  
3 The new car comes with brand-new tires. These are referred  
4 to as OEM tires and it's virtually certain that these tires  
5 are U.S. produced from one of the top three brands. One  
6 year later I hit a pothole and need to replace one tire.  
7 Because the car still feel brand-new, I decide to replace a  
8 single tire with the exact same tire that was there before.  
9 And so I purchase a tier one tire.

10 Six years later my mechanic tells me that I  
11 really need to replace all four tires. Because replacing  
12 all four tires with the same brand that was on the new car  
13 will set me back a thousand dollars, I ask the mechanic, is  
14 there something else that will work. He suggest Yokahama  
15 tires for only total cost of about \$700. Yokahoma is a tier  
16 two tire. Three years later I'm already thinking about  
17 getting a new car when I discover I need two new tires.

18 I tell the mechanic that I'm not going to keep  
19 the car for more than a year, so he should get the cheapest  
20 tires that will work. And so the mechanic puts on a no-name  
21 brand, this will be a tier three tire.

22 As you can see, this very comment, "real world  
23 experience" demonstrates that the same person can decide to  
24 purchase all three tiers during the life of his or her car.  
25 The key takeaway, of course, is that the different segments

1 really do not compete.

2           The customer wanting to replace the pothole tire  
3 for his new car wants the same type of tire as was on his  
4 car and it not going to be swayed by a much cheaper value  
5 tire. Similarly, when the customer is going to get rid of  
6 his car in less than a year, he's not going to buy a tier  
7 one tire. He's just not.

8           Now, what do we know about the country of origin  
9 of these different segments? While we know for certain that  
10 the Chinese do not participate significantly in tier one.  
11 Notwithstanding opposing counsel's statements to the  
12 contrary, this fact is really not in dispute. And we also  
13 know there's not significant U.S.-produced tires in tier  
14 three. We know this because U.S. producers have publicly  
15 stated this. And so this explains how you can have both  
16 lower priced-Chinese tires and higher-priced U.S. tires  
17 co-existing in the same U.S. market. They are serving  
18 different needs of the consumer. This is also why  
19 increasing imports of Chinese tires had little effect on the  
20 profitability of the U.S. industry.

21           This also explains why the Chinese tires,  
22 although lower priced, are not significantly affecting U.S.  
23 selling prices. A cheaper tier three tire is not going to  
24 drive down the prices at tier one. This is why U.S. average  
25 prices held up quite well with a growing price gap and Mr.

1 Durling has explained between prices and costs.

2 We also submit that the overall effect of the  
3 tiers is greater now compared to the section 421 period.  
4 The U.S. producers have largely completed the transition  
5 away from tier one. This is why they dropped from 218  
6 million tires capacity to only 160 million from 2004 to  
7 2008, long before this investigation period. Now, during  
8 the transition there was still some impact or so the ITC  
9 found. Now that this transition is largely complete, the  
10 segment marketplace is giving the U.S. industry exactly what  
11 it had intended and planned for, highly segmented markets  
12 that attenuated competition and effectively insulate the  
13 domestic industry from the competition among import sources  
14 in tier three.

15 I'm sorry, to leave the transition away from tier  
16 three in my earlier statement.

17 Anyway, I think that gives a little bit of an  
18 explanation of why you are seeing this anomaly from a trade  
19 case standpoint. Over a three year period rapidly  
20 increasing imports from China but very strong profitability.

21 I will now turn the microphone over to my  
22 colleague Ross Bidlingmaier who will discuss the threat  
23 issues.

24 MR. BIDLINGMAIER: For the record, my name is  
25 Ross Bidlingmaier also of Curtis, Mallet-Prevost, Colt and

1 Mosle. Threat determinations require the Commission to  
2 determine what could happen to the domestic industry in the  
3 future. But the statute itself prohibits a threat  
4 determination from being based on mere conjecture or  
5 supposition. So in evaluating the possible threat to the  
6 domestic industry, we have to look at the present and recent  
7 facts that define the industry.

8           So what are the facts? The first fact is that  
9 the business strategy adopted by the domestic industry,  
10 which my colleague just discussed, is working. I will not  
11 repeat the points that have already been made, but the fact  
12 is that the domestic industry adopted a successful business  
13 strategy just prior to imposition of the safeguard duties.  
14 Since expiration of those duties the domestic industry is  
15 not only not injured, but it has a huge increasing gross  
16 profit and operating income every year over the period as  
17 the industry continues to target the high value market.

18           Looking at the most recent quarter, gross profit  
19 is a level even higher than achieved in the first quarter of  
20 2013. The domestic industry's focus on the high value  
21 market has allowed the industry to enjoy growing gross  
22 profit and operating income as subject imports reenter the  
23 market.

24           The second fact is that domestic industry is not  
25 acting like an industry facing eminent threat. Leaving

1 aside the domestic industry's noninvolvement in the  
2 petition, it is clear from recently completed and announced  
3 investment in the United States that the industry itself  
4 believes they will continue to be profitable under this  
5 business model.

6           Based on our review of press report, seven of the  
7 eight producers identified in the petition made substantial  
8 investments over the period to increase capacity and build  
9 new plants. The domestic industry is undertaking these  
10 projects as the safeguard duties have expired and subject  
11 imports have returned. The facts do not indicate an  
12 industry threatened by increased subject imports. Rather,  
13 the facts indicate an industry emboldened by the recent and  
14 continuing success of a business model that focuses on high  
15 value products.

16           The third fact is that U.S. demand is growing.  
17 The domestic industry is increasing capacity because of the  
18 consensus view that the demand for tires in the U.S. will  
19 continue to grow. The United States is a mature market and  
20 it is unlikely that demand for tires would surge. But the  
21 demand for new cars is growing as vehicles on the road reach  
22 a higher age a dynamic caused by the recession.

23           These newer cars will increase demand almost  
24 exclusively for the high-valued tires produced by the  
25 domestic industry.

1           The fourth fact is that although the volume of  
2 subject imports increased over the period, the domestic  
3 industry's position has not weakened. U.S. capacity  
4 utilization was high throughout the period such that the  
5 increased volume of subject imports is again filling a  
6 production void.

7           As I just discussed, the domestic industry's  
8 performance has improved each year since expiration of the  
9 safeguard duties. The logical assumption is that this trend  
10 will continue. There's no evidence to counter this  
11 assumption.

12           The last fact that I want to mention today is  
13 unanimous view that demand in China for tires will continue  
14 to surge as just one of many examples. And Michelin  
15 explained in 2013 that demand, quote "surged by a strong 15  
16 percent with new momentum in the final quarter of 21  
17 percent." This is consistent with studies showing that car  
18 production and sales in China are booming. Chinese tire  
19 producers, along with non-Chinese producers are increasing  
20 capacity in China in order to meet this massive demand. All  
21 the companies are investing to serve the rapidly growing  
22 market.

23           The domestic industry has adopted a business plan  
24 that is succeeding. The substantial investments being made  
25 by the industry and the United States made clear that the

1 industry believes that this plan is succeeding and that is  
2 not threatened with material injury. Under these facts, the  
3 Commission is not in a position to tell the industry that it  
4 is facing such a threat.

5 Thank you.

6 MR. PORTER: And that concludes our presentation.  
7 Thank you.

8 MS. DeFILIPPO: Thank you very much, Mr. Porter,  
9 and other members of your panel. We appreciate you being  
10 here today and providing us with information and answering  
11 what I'm sure will be questions from staff.

12 So I'll turn first to Mr. Petronzio.

13 MR. PETRONZIO: I'd like to welcome everyone here  
14 today. Ed Petronzio from investigations.

15 My first question is for Mr. Porter, in terms of  
16 what the -- and this was touched on by Mr. Durling, I  
17 believe, actually, with regard to the safeguard measures,  
18 what impact did those measures have on the Chinese market or  
19 the home market in China? I could imagine that the tariffs  
20 being put in place that there would be increased competition  
21 within China -- within the Chinese market and also markets  
22 other than the U.S. If you could speak a bit about that.

23 MR. DURLING: This is Jim Durling. The main  
24 effect was for it encouraged the Chinese producers to renew  
25 efforts and redouble efforts to explore other export

1 markets. And so what you see over that period is the  
2 exports from China into other markets increased and that's  
3 important for your case because essentially 421 pushed the  
4 Chinese to develop new export markets that are now part of  
5 the portfolio of markets they're serving and are there as an  
6 additional outlet for the increase in capacity in China.

7           So in other words, an industry that, you know,  
8 may be, you know, five years ago, ten years ago would have  
9 just been looking toward certain markets is now looking to a  
10 much broader range of markets largely because of the nudge  
11 that the 421 tariffs gave them to do that. You know, and at  
12 the same time, you know, markets react. You know, the other  
13 trend that was pretty apparent is that over the period of  
14 421 tariffs it didn't lead to a big surge in production of  
15 value tires by the U.S. Maybe at the margin they were  
16 producing a bit more, what it really led to was a  
17 significant increase in non-subject imports to serve the  
18 value segment of the market. And those producers have also  
19 not sort of lost site of the U.S. market. So they're kind  
20 of there too now.

21           MR. PETRONZIO: Okay. Thank you. And if you  
22 could respond to Mr. Stewart's points to that, you know,  
23 given this relationship when the tariffs come off, you would  
24 expect non-subject imports to increase when the tariffs --  
25 I'm sorry, when the tariffs are put in place, you would see

1 non-subject imports increase when the tariffs come off, then  
2 you'd see those non-subject imports go down. What we're  
3 seeing in the data is that that hasn't quite happened. Can  
4 you speak to volume trends and non-subject imports?

5 MR. DURLING: I think the non-subject imports  
6 having found a presence in the U.S. market are not anxious  
7 to kind of run away from that market presence. I think the  
8 trend of non-subject imports has flattened out. They  
9 perhaps were increasing more sharply during the period of  
10 the 421 tariffs and now that the tariffs have been lifted,  
11 the Chinese are returning to the market and this transition  
12 of the Chinese returning to the market probably is having  
13 the effect of limiting the growth opportunity for the  
14 non-subject imports. And so, ironically, it's probably  
15 having more of an impact on the non-subject import than it  
16 is on the U.S. industry. Because the U.S. industry was not  
17 focusing in that space in the market. Right.

18 The U.S. industry having built a strategy around  
19 different market segments is less affected by the changing  
20 competitive dynamics in tier three which is primarily the  
21 Chinese and non-subject imports.

22 MR. PETRONZIO: Okay. Would you say there's  
23 something specifically attractive about the U.S. market in  
24 itself, or is it because of this -- you know, the demand for  
25 these tier three tires that the Chinese producers are kind

1 of focused on?

2 MR. DURLING: I mean, I don't think there's  
3 anything particularly attractive about the U.S. market.  
4 It's a large market and it's on everyone's radar screen. I  
5 mean, all of the major suppliers in the world.

6 I think what's more important is kind of taking  
7 into account and appreciating the fact that the 421 tariffs  
8 did not completely eliminate Chinese from the market. Many  
9 Chinese producers stayed in the market, although the total  
10 Chinese presence was at a somewhat reduced level which was  
11 in that gap in the market was largely replaced by  
12 non-subject imports. We now have a situation where the  
13 tariffs have lifted. But honestly we only have one year of  
14 data that is 421 tariff free. 2011 the tariffs were still  
15 in place. 2011 is a hybrid year where part of the year they  
16 were in effect, part of the year they weren't in effect.  
17 And so we're still kind of going through this transition. I  
18 mean, right now the best evidence of kind of the trend is,  
19 yes, there was an increase in 2012 and 2013, but when you  
20 look at the level of 2014, it's pretty much at the 2013  
21 levels. So it would suggest the Chinese have returned to  
22 the market, but it's not as if they're kind of dramatically  
23 increasing beyond kind of where they were or kind of  
24 otherwise would have been, but for the 421 tariffs.

25 I mean, the 421 tariffs were a huge kind of

1 disruption, shock to the system and, you know, you need --  
2 at least for a time, then you need to take that into account  
3 when you're looking at this data.

4           In our view it would inappropriate just to kind  
5 of look at year over year trends like you would in any other  
6 case. It's a very important condition of competition that  
7 shapes how you look at the increase over this particular  
8 period.

9           MR. PETRONZIO: Okay. Thank you.

10           In terms of our foreign producer questionnaire  
11 coverage, I understand that you represent a good portion of  
12 the Chinese industry. But in terms of the questionnaires  
13 that we have received, in terms of what is still out there  
14 as far as even those firms that are just producing for the  
15 Chinese market or other export markets, are there a lot of  
16 firms out there that we have not heard from, from your  
17 knowledge of the industry?

18           MR. PORTER: From our knowledge of the industry  
19 is no. We represent the Chinese Rubber Association and the  
20 chamber -- the subcommittee of tire producers in the chamber  
21 which is like another industry association in China.

22           And we made it very clear that as soon as we were  
23 retained that every producer needed to complete a foreign  
24 producer questionnaire. And they passed that message on and  
25 I think actually for a prelim and the fact that we came back

1 with 44 completed foreign producer questionnaire responses I  
2 think is pretty good. And as I think was noted earlier,  
3 where coverage of foreign producer questionnaire responses  
4 are well over 90 percent of U.S. exports, that's pretty good  
5 for a prelim. So I think that you can use that data.

6 MR. DURLING: Chasing down 41 foreign producer  
7 questionnaire responses from the Chinese industry, I mean,  
8 you're all smiling because you've all been living the same  
9 reality that the rest of us have.

10 MR. PETRONZIO: Okay. Thanks. This was an issue  
11 in the 421, but with regard to American companies setting up  
12 joint ventures in China, are there any -- and I think Mr.  
13 Steward alluded to this earlier, are there requirements that  
14 these joint ventures, that there's a requirement to export  
15 to the United States over a certain period of time; do those  
16 agreements still exist? Are they pretty common whereby the  
17 company agrees that, you know, a certain portion or all of  
18 the products need to be exported during a certain period?

19 MR. PORTER: I'm afraid we cannot answer that.  
20 The way our clients are structured, I believe they are  
21 mostly just Chinese producers. And I think you can see that  
22 in our so-called group of, whatever it is, 43, 44, I believe  
23 it's what we call sort of a pure Chinese producer exporters.  
24 We do not represent the international companies with  
25 facilities in China. So I don't think it's going to be

1 difficult for us to figure out agreements that our sort of  
2 clients don't have.

3 MR. PETRONZIO: Okay. And my last question is,  
4 again, back to our favorite topic, the tiers. Do the tiers  
5 or this kind of sense of tiers exist --

6 MR. DURLING: Could bring us all to tears.

7 MR. PETRONZIO: Yes, exactly.

8 Does this exist in China? I mean, is there a  
9 market segmentation in the Chinese market where producers  
10 are kind of focused at a high value and a low value in terms  
11 of brand name and that sort of thing? Or is there any kind  
12 of segmentation?

13 MR. PORTER: That's something we're going to have  
14 to answer in post-conference. We don't have as good a feel  
15 for sort of the dynamics of sales in the Chinese market  
16 mainly because obviously what we're focused on is the U.S.  
17 market. And so when we talk to our clients about sort of  
18 competitive dynamics in the U.S. market, we can certainly  
19 attempt to get that information.

20 MR. DURLING: Jim Durling. The one thing that we  
21 can share today is that there's at least some of that.  
22 Because, for example, there are imports into the Chinese  
23 market. The reason there are imports into the Chinese  
24 market is there's a lot of foreign auto manufacturing. And  
25 if you're Mercedes Benz manufacturing a car in China, the

1 same kind of branding phenomena that goes on here is very  
2 much in effect.

3           A Mercedes Benz manufactured and sold in China  
4 has the same quality tires that a Mercedes Benz would have  
5 had it been manufactured in Germany. But similarly, the  
6 life cycle is probably, as my colleague, Mr. Porter,  
7 explained, that, you know, ten years down the road when  
8 they're getting ready to sell the Mercedes, they probably  
9 are not going to go back and pay the same premium price for  
10 a very, very high end European brand tire. But it's the  
11 life cycle.

12           MR. PETRONZIO: Okay. I guess that was the point  
13 I was kind of getting to, you know, what we see in the  
14 future that, you know, it's interesting that the Chinese  
15 haven't tried to get into this tier one market and that you  
16 would expect it naturally, eventually, to get there.

17           MR. PORTER: Let me address that because I think  
18 it's really important to understand what tier one means and  
19 what it does not. Opposing counsel made a big point of  
20 saying that the Chinese are capable of making all of these  
21 different, so-called, quality tires. That they make the  
22 winter tire and the racing tire, and so forth.

23           Tier one is not about physical characteristics  
24 solely. It's about brand. Michelin, Goodyear, and  
25 Bridgestone have invested billion dollars -- two things,

1 developing the brand and setting up a distribution system in  
2 the United States that you can get this tire very quickly.  
3 If you go to a dealer, okay, and he needs to order it, that  
4 Michelin tire arrives two or three days later. Many -- I  
5 don't have exact numbers, I'm trying to get them, but many  
6 of the Chinese tires are what's called container direct.  
7 You can only buy the tire if you buy an entire container.  
8 And that takes four months. So it requires a dealer to  
9 forecast his needs months down the road and then hold the  
10 inventory. That's the only way many Chinese producers are  
11 going to sell it.

12           So it's not about the physical characteristics,  
13 per se, it's about the brand. Okay. And there's a reason,  
14 okay, that Michelin, Goodyear and Bridgestone pay all these  
15 billions and do the marketing and have the TVs -- excuse me,  
16 the commercials on TV where the car stops and the little  
17 kids are in the back and everyone breaths a sign of relief  
18 because they know when you go and you want to replace a tire  
19 that's what they want you to be thinking about and they can  
20 command a premium value for that.

21           The Chinese are nowhere near being able to do  
22 that in the United States. So the idea that the Chinese are  
23 going to compete in tier one is absolutely ludicrous,  
24 regardless of whether they can make the physical product.  
25 It's not about the physical product, per se. It's about the

1 brand. And I would think that that's a very important thing  
2 to understand.

3           Now, there are physical attributes of the tire,  
4 but they're not in the sort of metrics that you see. Mr.  
5 Stewart is right, you can buy a Chinese tire to fit your  
6 car. Okay. But there are sort of other metrics, for  
7 example, how long it lasts. And there's a big thing now in  
8 tire tread design, the components of the rubber, that is,  
9 what goes into making it. That's all part of Michelin,  
10 Bridgestone, and Goodyear, they've invested billions of  
11 dollars in research and it all goes into the tire. Okay.  
12 And so tier one is just -- it's not just about do you meet  
13 the speed rating, the load rating, the rim diameter and so  
14 forth, it's much more than that.

15           MR. PETRONZIO: Okay. Thank you. And then one  
16 last question. This is -- I'm sorry?

17           MR. ATLAS: If I could add one more point to  
18 that. So when I've spoken with people in the industry,  
19 oftentimes they'd bucket the Chinese tires in the two  
20 different buckets. Basically tier three and tier four.

21           So there's tier three tires that basically are  
22 Chinese tires, but have American names. And then there's  
23 tier four tires which are companies typically the American  
24 hasn't heard of. So that's relevant for -- if you're  
25 thinking about why these -- at least in part why these tires

1 are able to come in at such low prices, they don't even try  
2 to market. They just bring in the tires here. They don't  
3 even have any sort of brand name whatsoever. So that's  
4 that.

5 MR. PETRONZIO: Okay.

6 MR. PORTER: We are not suggesting that you adopt  
7 four tiers. You know, we recognize the winding price line,  
8 but our point is that's not the issue. Okay.

9 The issue is, there is segmentation. And the  
10 question is, what degree of overlap do you have? I think  
11 quite honestly Ms. McNamara's question was very on point to  
12 Stewart which was artfully evaded. And he says, okay, sure,  
13 I know there is some -- but how meaningful is it? And  
14 that's the key issue for the Commission. Is the overlap so  
15 meaningful that in fact you can see that it's causing  
16 material injury? And I think the answer -- the data  
17 suggests that it's not. And so what we're trying to do here  
18 is to sort of explain all of the data. Okay.

19 Why is it that the domestic producers can make so  
20 much money with increasing imports of Chinese tires? It's  
21 because there are different segments. And I suggest that's  
22 the takeaway and not whether we call Continental tier two or  
23 tier one, you know, and so forth. It's that the fact that  
24 different segments exist.

25 MR. DURLING: This is Jim Durling. Again, just

1 bringing it back to the record. It also explains the other  
2 -- what might seem to be a conundrum -- but brand really  
3 does explain it. Why is it that when you look at the  
4 pricing products, you'll see that, you know, yes import  
5 prices may be going down, but domestic prices are holding  
6 up. The reason there is a significant margin of  
7 underselling is because products that don't have a brand  
8 premium are more responsive to raw material changes. When  
9 you have a brand, it insulates you and so costs go down and  
10 you're not facing the same pressure to bring your prices  
11 down.

12           And, I mean, we all have experiences with brands.  
13 I mean, just think about your own experience. When you go  
14 into the store, do you buy a branded or an unbranded  
15 product? You know, do you buy the CVS brand or do you buy  
16 the name brand that you recognize from the commercial  
17 advertising? Brands have a dramatic effect on price and for  
18 this particular product, the evidence before you is that the  
19 brand matters a lot. In fact, you can almost measure the  
20 brand premium by looking at your pricing data and just see  
21 how much higher domestic prices are precisely because they  
22 have the benefit of the brand that's allowing them to  
23 command a much higher price.

24           MR. PETRONZIO: Okay. Thank you for that. And  
25 that's all the questions I have, thank you.

1 MS. DeFILIPPO: Thank you, Mr. Petronzio.

2 I'll turn to Mr. Deese for questions.

3 MR. DEESE: Could you answer the same question I  
4 asked this morning about safety, if you have any information  
5 about safety issues, recalls, that type of thing with  
6 Chinese tires?

7 MR. PORTER: We would have to go back and check  
8 on that. Apologize.

9 MR. DEESE: Okay. I've glanced briefly at the  
10 questionnaire data that said this is not a final tally of  
11 what they say, but it looked like that imports were selling  
12 more to the OEM market. I mean, still it's the majority of  
13 replacement market, but the proportion going to the OEM  
14 market is higher now than it was during the 421 period. Do  
15 you have any information about that? Are there some large  
16 contracts that were perhaps made to OEMs during the past few  
17 years?

18 MR. PORTER: I don't. We'll go back and look at  
19 that data. And I guess I would just say, we need to see if  
20 we can, which producer in China is doing that. As we know,  
21 all of the tier one U.S. producers have either affiliated or  
22 purchased something from China. So that to me is a factor  
23 and we'll look at that and address that in post-conference.

24 MR. DEESE: Thank you.

25 I have no further questions. Thanks.

1 MS. DeFILIPPO: Thank you, Mr. Deese.

2 Mr. Boyland, any questions for this panel?

3 MR. BOYLAND: Thank you for your testimony. I  
4 have no questions. Thank you.

5 MS. DeFILIPPO: We'll move around the corner to  
6 Mr. Cantrell.

7 MR. CANTRELL: Ray Cantrell. Welcome today.  
8 Appreciate your testimony, comments.

9 Could you contrast for me the Chinese tire  
10 production process as compared to the U.S. production  
11 process?

12 MR. PORTER: I'm afraid we can't do that. That's  
13 again, we'll have to go back and talk with our clients. But  
14 what I can say is that there's been, you know, sort of, like  
15 the United States, there's been some new investment in China  
16 and so I guess you're going to have some differences among  
17 the newer plants as opposed to the older plants.

18 MR. CANTRELL: In Petitioner's testimony this  
19 morning, they indicated that the Chinese tiers encompassed  
20 the complete range of quality, from tier one to -- I hate to  
21 use that word, but, you know, from the quality standpoint,  
22 from the high performance to say a lower mileage warranty  
23 tire. But what I'm trying to get at is, what is your  
24 estimated percent of the tires produced in China say that  
25 would be 30,000 mile warranty or something that you would

1 call a tier three?

2 MR. PORTER: Again, apologize. This time we have  
3 no data or information to answer that question. We will  
4 attempt to discuss both with our clients, but also our  
5 clients' customers who are actually selling the tires in the  
6 United States and try to get that information to you.

7 MR. CANTRELL: I wanted to add to that though  
8 because I think it's important to reiterate again that  
9 conversation that was had, it crossed over; right? The  
10 terminology changed. The discussion was about product  
11 specifications and the like. So the physical aspects and  
12 performance aspects of the tire. I don't think we're  
13 disputing that a Chinese tire can come in with the same  
14 numerical designations and specifications as a U.S. tire,  
15 but that's not really a conversation about what is perceived  
16 as quality in the market. That gets into the other issues  
17 in terms of image and branding and R&D and the kind of  
18 investment that goes on with U.S. producers. It's not the  
19 same thing, right, to have, yeah, that both tires have the  
20 same speed rating. That doesn't mean they're the same  
21 quality tire and they're not perceived that way in the  
22 market.

23 MR. PORTER: Precisely why you asked about the  
24 warranty and the life span of the tire. Again, I don't know  
25 of any data that exists that measures that, but we will

1 endeavor to find that for you.

2 MR. CANTRELL: Okay. And the last thing I would  
3 like to ask about is the tire -- the designations on the  
4 sidewall of the tires, you know, there are federal  
5 regulations that require -- I mean, there are multiples of  
6 designations on the sidewalls that are required. And I  
7 think one mention was that during the testimony that there  
8 were no brand names on some of the tires. And I believe  
9 that's a requirement.

10 I mean, could you give me any sense of what --  
11 what we might expect to see on an imported Chinese tire wall  
12 as far as designations? I mean, they do have to follow the  
13 Department of Transportation federal guidelines, I assume.

14 MR. PORTER: Again, I know of nothing that would  
15 suggest that our clients are not complying with all federal  
16 regulations in terms of exporting their tires to the United  
17 States.

18 That stated, I have to confess, I'm not much of  
19 an expert on those regulations and what they require, and so  
20 I will need to sort of discuss with the clients your  
21 question. I think your question framed is, is there a  
22 requirement that some brand be listed on the tire. And I  
23 don't know the answer to that.

24 MR. DURLING: As I understand the requirement,  
25 it's not -- it's kind of the name of the manufacturer,

1 right? It's for identification. It's for product  
2 identification purposes; right. So you -- because the name  
3 of the manufacturer and the brand under which it's sold  
4 aren't necessarily the same thing; right?

5 In my understanding of the reg is that it's the  
6 name of the manufacturer for identity of the manufacturing  
7 process. So it may be sold under a different brand, or --  
8 so that's what we'll have to check, the name of the  
9 manufacturer on the tire wall.

10 MR. CANTRELL: Anyway, you know, there are --  
11 there are federal guidelines that are very specific. So I  
12 have to assume that the Chinese tires coming in follow those  
13 guidelines and that the testing is either done, I would  
14 assume by the producer -- individual producer or contracted  
15 laboratory.

16 One other question that I'm curious about. I  
17 assume the Chinese are building their own brands of  
18 automobiles?

19 MR. PORTER: That's our understanding as well;  
20 yes.

21 MR. DURLING: The Chinese auto manufacturing is  
22 both of Chinese brand automobiles, but also -- yeah, that  
23 it's both Chinese brands, but also there are a lot of  
24 foreign auto brands being manufactured in China, including a  
25 lot of U.S. brands.

1           MR. CANTRELL:  Would the Chinese vehicles be  
2 fitted with OE tires made and manufactured in China?  
3 Chinese tires?

4           MR. DURLING:  Some would, some wouldn't.  I was  
5 just in China having conversations and that's when they  
6 explained to me that sort of the reason for historical  
7 import volumes into China is that for certain OEM  
8 manufacturing in China, a foreign auto company will want to  
9 bring in tires from its home country to basically ensure  
10 that it's the -- kind of the product has the total product  
11 integrity.  So I think Mercedes is a good example of that.  
12 I'm not saying that every single foreign manufacturer  
13 necessarily imports tires.  I think many of the foreign  
14 manufacturers may find that they can use Chinese tires.  But  
15 for more details we would have to go back and get that  
16 information.

17           MR. CANTRELL:  Okay.  Thank you very much.

18           MS. DeFILIPPO:  Thank you, Mr. Cantrell.

19           I'll turn to Ms. McNamara.

20           MS. McNAMARA:  Thank you.  Courtney McNamara,  
21 Office of General Counsel.

22           I'm going to go back to the tier issue, if we  
23 can.  Now, I understand that you all have been talking about  
24 how the domestic industry had in place this strategy, this  
25 long-term strategy of abandoning essentially the tier three

1 market. But in the 421 investigation the Commission found  
2 that the domestic industry sold primarily in tier one,  
3 followed by tier three. So has something changed or --

4 MR. DURLING: This is Jim Durling. It's not that  
5 they've abandoned tier three, it's where they focus their  
6 efforts. So their priority is producing as much as possible  
7 at the higher value segments of the market.

8 Part of the problem is, as my colleague, Mr.  
9 Porter, explained, tier three is kind of the default  
10 category. Right. It's everything that's not tier one and  
11 tier two. And so there is some domestic production in tier  
12 three, it's a question of where they focus their efforts.  
13 So it's not, you know, sort of -- it's probably impossible  
14 to quantify exactly how much participation in each of the  
15 three tiers precisely because the tiers are a very kind of  
16 loose construct. And the challenges in the 421 case were  
17 that when you asked a question, well, do you sell, tier one,  
18 tier two or tier three, people self-identify differently.  
19 There are people who the market may think of as a tier three  
20 player who they may self-identify as tier two. And so you  
21 just get a lot of overlap. It's very hard to get hard data  
22 tier by tier. So that's hard. But what's clear is the  
23 strategy of emphasizing the highest value tire they can.

24 I mean, honestly, it's just common sense; right?  
25 If you think about, if you have a choice between selling --

1 using your productive assets to produce a tire that is  
2 capable of being sold for \$100 a tire or \$200 a tire, why  
3 would you not, as much as you possibly can, focus on that as  
4 opposed to producing a tire that can only be sold for 50.  
5 Both tires will work on the car. Both tires meet U.S.  
6 Department of Transportation safety regulations for being  
7 used on the car, but one can get a price of \$200 and one can  
8 only get a price of 50. To the extent you can, you focus on  
9 the \$200 tire.

10 MS. McNAMARA: So do you agree that there's no  
11 clear dividing lines between the three tiers?

12 MR. DURLING: No, I guess the way I would clarify  
13 is, there are clear distinctions, but it's very difficult to  
14 collect accurate data on the percentage in each segment. So  
15 these are not hermetically sealed boxes. And I think  
16 everyone in the industry would agree that there is a really  
17 big difference between a tier one branded tire and a tier  
18 three value tire. And particularly a tier three tire from a  
19 manufacturer who no one recognized their name where there's  
20 absolutely no brand premium at all. So there would be a  
21 huge difference between those two tires. And honestly  
22 that's a problem that exists in both the AUV data, you know,  
23 the import AUV data, but also it exists in your pricing  
24 product data. There is nothing in your pricing product  
25 description that distinguishes a tire that otherwise meets a

1 certain physical specification. Your pricing products do  
2 not distinguish the \$200 branded tire from a much lower  
3 value unbranded tire because that's just not part of the  
4 product definition.

5           So to the extent -- you know, earlier this  
6 morning you heard testimony that, oh, well, the AUVs have  
7 this kind of product mix issue. Honestly the AUV data and  
8 the pricing product data has the same issue.

9           MS. McNAMARA: Do you have any suggestions as to  
10 how we could capture information on that?

11           MR. PORTER: Obviously for the future, yes.  
12 Okay. You could put brand in your product description. But  
13 I do want to get back to a point that I was trying to make  
14 earlier in discussion with Mr. Petronzio, and that is, we  
15 need to sort of adopt when we say "tiers" what we are  
16 talking about. Okay. Because unfortunately it seems that  
17 there's a little bit of disagreement about what are we  
18 talking about? And what -- there's a tension between are we  
19 talking about physical characteristics or are we talking  
20 about brand? Okay.

21           Mr. Stewart is right, if you define tier one as  
22 only these three brands, which by the way the industry does,  
23 then, of course the Chinese are not in tier one. Well, that  
24 is the way the industry does it. Okay. Tier one is three  
25 brands. Okay. And so that is the way the industry does it,

1 and it doesn't matter the fact that the Chinese can or  
2 cannot produce the same tire with the physical dimensions.  
3 They're not in tier one. Okay.

4 And, again, we want to just go back to we're not  
5 saying that there's zero U.S. production of their three.  
6 It's a matter of emphasis. Okay. And it's a matter of  
7 where they are directing their efforts. And we would submit  
8 there are more -- much more U.S. produced tires in tier one  
9 than the Chinese. So already you have something that you  
10 don't already have. You have a market segment that is by  
11 and large insulated from Chinese tire competition. Okay.  
12 And it all fits together.

13 One of the things that Mr. Stewart did not do is  
14 he did not explain how his legal argument fits economic  
15 theory. Okay. His legal argument is these increasing  
16 imports are affecting prices and are harming the U.S.  
17 industry. But you look at the data and that's not true. So  
18 something else must be explaining what's going on. We have  
19 posited this idea of segments which the Commission already  
20 adopted recognition that there are segments. And I submit  
21 to you that you have less of a need to carefully measure how  
22 many tires are in here, how many tires are in there when you  
23 just look at -- obviously there are segments going on,  
24 otherwise you wouldn't be seeing the anomalous situation of  
25 increasing tires and no effect on domestic prices.

1           MR. DURLING: This is Jim Durling. And, again,  
2 it comes back to the brand because it's not just physical  
3 differences, it's the brand. That's why Bridgestone,  
4 Michelin, Goodyear are able to maintain premium prices even  
5 in the face of domestic tier two competition. Think about  
6 it. What other explanation is there? You have U.S.  
7 companies, right? So it's not a U.S. versus foreign. You  
8 have U.S. companies, but because the company has not  
9 invested decades and billions of dollars in building a brand  
10 premium, they get a lower price. And that price gap has  
11 been pretty robust over time. I mean, the big three  
12 continue to maintain a price premium over the others. I  
13 mean, there's no other explanation for that.

14           Now, whether philosophically it makes sense,  
15 should consumers pay so much attention to advertising and  
16 the brand premium? I mean, that's not really relevant. The  
17 economic reality is that it is in fact what's driving prices  
18 in this particular market for this particular product.

19           MS. McNAMARA: Okay. Are you all arguing for a  
20 different definition of the domestic-like product? Do you  
21 agree with Petitioners' definition of the domestic industry?

22           MR. PORTER: I understand Petitioners and  
23 Respondents both agree, all U.S. producers should be part of  
24 the domestic industry to be examined.

25           MS. McNAMARA: Okay. In your post-conference

1 brief if you could just address any related party issues and  
2 explain why you don't think the Commission --

3 MR. PORTER: Happy to do so.

4 MS. McNAMARA: Thank you.

5 Now, Mr. Petronzio talked about the official  
6 statistics. And I know that you said that you think that  
7 there's good coverage with the questionnaire responses.  
8 But, can you speak to how you -- do you have any concerns  
9 about their official statistics? I know that there was some  
10 issue about some inclusion in some of the HTS categories of  
11 out of scope product?

12 MR. PORTER: Our position on this particular  
13 point is the same as Petitioners' counsel. We use our own  
14 analysis to prepare for this hearing. Those are essentially  
15 the HTS data that was in the petition. And we have no sort  
16 of qualms with respect to the volume of imports if you use  
17 just sort of the HTS data set forth in the petition and I  
18 think there are sort of at the ten digit level, there's  
19 somewhere around ten different HTS numbers. And we use  
20 that, Petitioners use that, so we have no qualms. As a  
21 proxy in case you thought that the importer questionnaire  
22 responses may not have as good of coverage and so we don't  
23 have an issue with that.

24 MS. McNAMARA: Thank you. Now, I know you all  
25 have spoken a little bit about non-subject imports, but do

1 you have any information on how they compare pricewise with  
2 subject imports and the domestic-like product?

3 MR. PORTER: Unfortunately all we have is the  
4 AUV. We looked -- I don't believe the importer  
5 questionnaire asked for pricing products of non-subject  
6 imports. And so should this case go forward, we would sort  
7 of ask the Commission staff to think about doing that for  
8 the final. So right now with respect to comparing prices  
9 among countries, all we have is the individual ten-digit HTS  
10 AUV.

11 MS. McNAMARA: Okay. If you could in your  
12 post-conference if you could address if there's any issue  
13 where you think that some of the injury that the domestic  
14 industry is claiming is attributable to non-subject imports,  
15 if you could address that, that would be helpful.

16 MR. PORTER: We can, but it's going to be hard  
17 since we don't believe they're injured. But we'll give it  
18 our best shot.

19 (Laughter.)

20 MR. DURLING: That actually is an interesting  
21 conundrum.

22 (Laughter.)

23 MR. DURLING: So would they have been even more  
24 profitable --

25 (Simultaneous conversation.)

1 MS. McNAMARA: And I know you all have spoken a  
2 little bit about the whole market for POV TD in China, but  
3 in the petition Petitioners cited to a couple of instances  
4 where there was reports of expansion. And they talked about  
5 -- and if you look at the exhibits, they talked about how  
6 the expansion was to address whole market growth. But  
7 Petitioners have also said in the petition that they thought  
8 that -- or that that's a long-term strategy and in the near  
9 future they will be consuming that. Can you speak to that  
10 or do you have any information on it?

11 MR. DURLING: We will address this as much as we  
12 can in the post hearing. But what we do know is that  
13 there's been a very sharp growth in auto production in  
14 China, both OEM production of automobiles, but also they're  
15 building up a stock so car ownership in China has been  
16 increasing over the past several years. And the thing to  
17 remember about a car is that it's -- you have an OEM need  
18 for tires when you build the car, but then you have an  
19 aftermarket need for tires over time. And so especially in  
20 a country like China where, you know, ten years ago, 15  
21 years ago, car ownership was unusual. As the Chinese middle  
22 class has been expanding, there's been a dramatic expansion  
23 in car ownership, so the stock of cars in China unlike a  
24 mature market like the United States where the stock of cars  
25 is relatively stable, so you don't see the same degree of

1 after-market growth. In China you're seeing a growth both  
2 for OEM, but also for the aftermarket because of the  
3 increasing percentage of the Chinese population that can now  
4 afford automobiles.

5 So, I mean, that's all consistent with kind of  
6 the qualitative explanation of the articles that these  
7 expansions are, you know, primarily focused on the Chinese  
8 market.

9 MS. McNAMARA: Thank you. In your  
10 post-conference brief, could you also please discuss how you  
11 think the Commission should factor the views of the domestic  
12 industry regarding the petition into our analysis?

13 And I know you've talked about threat, but if you  
14 could also address the threat factors, be sure to address  
15 that in the post-conference. That would be very helpful as  
16 well.

17 MR. PORTER: Be happy to do so.

18 MS. McNAMARA: And if I can just, before I turn  
19 this over, if I could just ask the Petitioners, we've heard  
20 a lot of testimony about the branding and the price premium  
21 for that, if you all could address that in your  
22 post-conference brief, please, that would be helpful. Thank  
23 you.

24 MR. DURLING: I just want to take a position on  
25 the driving war at 100 miles an hour --

1 (Laughter.)

2 MS. McNAMARA: No comment.

3 MS. DeFILIPPO: I'm impressed that Mr. Porter  
4 gets six years out of a set of tires. I don't know, I have  
5 not been able to get that long of a life.

6 MS. Haines, do you have any questions?

7 Actually, my main question had been about sort of  
8 the branding -- the tiers and was it a physical or -- you  
9 know, based on physical characteristics and I think you  
10 explained that well, so I'm satisfied on that.

11 One housekeeping item for Mr. Atlas. I don't  
12 know if you had hard copies of the slide, but if you could  
13 get them to the --

14 MR. ATLAS: I'll be mailing them.

15 MS. DeFILIPPO: Perfect, because that way we can  
16 put them on the record. I think we have your testimony, but  
17 seeing the graphs would be helpful to have that on the  
18 record also.

19 Looking around, I don't see any additional  
20 questions. So with that, I thank you all very much.

21 We'll take a five-minute break and we'll look at  
22 counsel and see if that works for you guys to do five  
23 minutes to get reading for closing statements.

24 Okay. Thank you.

25 (Brief recess taken.)

1 MS. DEFILIPPO: We will move to closing remarks,  
2 welcome back and please proceed.

3 MS. DRAKE: Thank you Miss DeFelippo. My name is  
4 Elizabeth Drake and I'm here from Stewart and Stewart on  
5 behalf of the Petitioner. The presentation we just saw  
6 from opposing counsel demonstrates that the foreign  
7 producers are apparently in a state of denial about what has  
8 happened in the U.S. market since 2011.

9 From 2011 to 2013 there wasn't a huge boom in  
10 U.S. demand. Instead demand only rose by 13 million tires,  
11 or 5%. During that same period, imports of Chinese tires  
12 rose by twice as much, by 26 million tires, by more than  
13 100%. Who did this other 13 million tires come out of?  
14 Who gave up that volume? We did. The domestic producers  
15 did.

16 That is the clearest, most direct evidence you  
17 could have of direct competition between Chinese tires and  
18 U.S. tires.

19 Respondents claim that this wasn't taken from the  
20 U.S. industry by Chinese imports but that it was voluntarily  
21 surrendered by the domestic industry as part of their  
22 business strategy. They seek to re-litigate what was  
23 already determined in the original 421 investigation.

24 There, a majority of the Commission considered  
25 similar arguments about abandonment and found we cannot

1 agree if a domestic producer has voluntarily abandoned the  
2 lower price part of the U.S. market and that subject imports  
3 simply just filled the void left by their departure.

4 Imports from China were already increasing before  
5 domestic producers announced plant closings. The three  
6 companies confirmed in statements issued at the time of the  
7 announcements that low priced competition from Asia,  
8 including China, was an important part of their decision.

9 Low priced competition from China continues to be  
10 the reason that the domestic industry is suffering injury  
11 today. Every single indicator that has been reviewed for  
12 the domestic industry, with the exception of operating  
13 income has declined since 2011.

14 We have seen a decline in capacity. We have  
15 seen a decline in capacity utilization. We have seen a  
16 decline in production. A decline in shipments, a decline  
17 in employment, a decline in hours worked and a decline in  
18 wages. This is a very strong record demonstrating the  
19 material injury that subject imports are causing and these  
20 are not insignificant declines, in many cases they are  
21 declines by 10% or more.

22 The Respondents say well the decline isn't as bad  
23 as it was during the 421 period. That's not the standard  
24 that the Commission has before it. Whether or not the  
25 injury is as bad as it was before, the question is whether

1 or not there is a reasonable indication that material injury  
2 or threat of material injury in these broad based declines  
3 across almost every factor we think strongly supports an  
4 affirmative preliminary determination.

5            Respondents also claim that prices -- the only  
6 reason that prices have been declining for domestic  
7 producers is because of declining raw material prices. The  
8 record does not support that causation theory with  
9 aggressive underselling by Chinese producers across a broad  
10 range of products at very significant margins and with price  
11 depression in imports driving price depression in the  
12 domestic industry.

13            The reason prices have been going down isn't  
14 solely because there has been a temporary period of relief  
15 in terms of raw material costs and there is no indication  
16 that that price depression is going to stop any time soon  
17 therefore when raw material costs bottom out or start to  
18 increase as we believe the data will show is likely to occur  
19 in the imminent future, it only takes a very small  
20 additional price decline to very quickly turn the existing  
21 profits of the industry into very low profits or even into a  
22 loss and we will submit more detailed information providing  
23 that analysis with our post-conference brief.

24            And this is also consistent with the way the  
25 Commission has looked at preliminary injury determinations

1 in prior cases. In the oil country tubular goods case, in  
2 the drill pipe and collars case, the domestic industry had  
3 high and even rising profitability over the period  
4 investigated but they had sharp declines in other factors,  
5 particularly loss in market share like we have seen here and  
6 the Commission reached affirmative determinations and the  
7 Commission should do the same in this case.

8 As to our -- one more point on the abandonment of  
9 the market. If the domestic producers had a conscious  
10 strategy of abandoning the market it is not clear why they  
11 would increase production with the relief in place that was  
12 the market they abandoned.

13 Once the Chinese products disappear they regain,  
14 start to regain a little bit of market share, why would they  
15 do that if they abandoned that market and once the Chinese  
16 imports come back into the market suddenly we lose  
17 production, so that's not consistent with this theory of  
18 abandonment.

19 The testimony we heard this morning that Goodyear  
20 is seeking to add new product lines precisely in the  
21 mid-level of the market also contradicts this theory of  
22 abandonment. The data clearly show that the causation is  
23 rising imports causing injury to the domestic industry, not  
24 abandonment.

25 All of our witnesses this morning talked about

1 the OEM products they make, the replacement products they  
2 make, the branded products, the associated brandings, the  
3 private label brands that they make, they are present  
4 throughout the market and they are feeling injury throughout  
5 that market because they face competition from China in  
6 every segment of the market, just as they did in the 421  
7 investigation.

8           The theory of tiers continues to be a difficult  
9 one to maintain. We personally heard that there was a very  
10 clear rock solid segmentation between the tiers that  
11 everyone in the industry agrees on. Then we heard that  
12 tiers are a loose construct and that there is overlap and  
13 that you could not really quantify which tires go into which  
14 tiers because of self-identification, so we continue to have  
15 the confusion that we had in the 421 investigation.

16           We had a suggestion that there are four tiers and  
17 not three tiers, but then someone tried to say no there's  
18 only three, so the tiers continue to be a marketing theory  
19 not an economic reality of how the market works.

20           We saw statements from Chinese producers this  
21 morning that they are competing in tier one and tier two.  
22 We had statements this morning that our domestic producers  
23 are competing in tiers one, two and three even as they  
24 define them when they can agree on what that definition  
25 should be.

1           As to the question of whether even if there are  
2 tiers that they don't compete, Mr. Porter told a story about  
3 how he purchases tires. What we should look at is the  
4 record evidence of what actually happens in the market and  
5 how the tiers compete with each other.

6           We also heard a suggestion that brand insulates  
7 these tier one producers from injury. If that were the  
8 case we wouldn't have seen the massive bleeding in the  
9 industry during the 421 period. They had brands back then,  
10 if they hadn't been investing in those brands for decades  
11 back then and yet they saw massive losses.

12           And we've seen continued deterioration now that  
13 the relief has expired in every indicator except for  
14 operating income, which we are afraid could very quickly  
15 disappear if unfair trade is allowed to continue at current  
16 levels, if underselling continues at current levels and if  
17 price depression continues at current levels.

18           With regard to threat I would just like to make a  
19 couple of points. We agree in terms of foreign producer  
20 coverage, we agree that the coverage of the actual data and  
21 exports to the U.S. may be sufficient, we are not convinced  
22 that we have coverage of the entire domestic Chinese  
23 industry, including those who may not be exporting to the  
24 U.S. at this point and of course we disagree with the  
25 projections that are in those questionnaire responses.

1           The theory that the Chinese have developed third  
2 country export markets so now the U.S. market is not  
3 threatened with further injury as we reviewed in our  
4 Petition, Chinese exports to the U.S. went up from 20% of  
5 total world exports to 32% of total world exports from 2011  
6 to 2013.

7           Basically every other country was flat, all of  
8 the increase came to the U.S. so if that's not an indication  
9 of an attractive market, at imminent threat in the near  
10 future, I don't know what will be.

11           I will end there and we do believe that the  
12 record strongly supports preliminary relief in this case.  
13 We believe there is head-to-head competition across the  
14 market, across any sizes, any types of tires, any styles of  
15 tires and across quality and performance standards and you  
16 can even see the same tire marketed under the same brand  
17 being available from both the U.S. and China, those examples  
18 are in Exhibit I-19 of our Petition.

19           So this idea of a brand premium, again, is a  
20 theory but doesn't hold up under further examination.  
21 Obviously the volume of subject imports is significant under  
22 any measure absolute or relative. The evidence of  
23 significant adverse price is extremely strong and in terms  
24 of underselling and price depression, the supposed brand  
25 premium, we look forward to putting in further information

1 that the underselling is not merely a reflection of a brand  
2 premium, but is a reflection of the unfairly traded prices  
3 at which China is aggressively targeting our market.

4 And the record establishes the numerous ways the  
5 industry has suffered as a result of these imports since  
6 2011. Rising imports have captured domestic market share.  
7 The increase in subject import market share is almost  
8 exactly equal to the decrease in domestic market share.

9 As our witnesses testified this morning, each of  
10 their plants, exactly when the safeguard tariff expired,  
11 their production went down. Their hours went down, people  
12 were laid off, compensation went down, attrition happened  
13 without any replacements. Each of our witnesses testified  
14 to that and correlated it exactly to the determination of  
15 the relief and the increase in imports, all of this -- this  
16 is further confirmed in the questionnaire data, these aren't  
17 just individual stories, this is confirmed in all of the  
18 deteriorating indicators in the questionnaire data.

19 And finally we are threatened with further injury  
20 by a higher export oriented highly subsidized foreign  
21 industry. While demand in China has grown in the past as a  
22 result of a growing auto sector that is beginning to slow in  
23 terms of the rate of growth, and we've put information on  
24 the record saying there is no way that Chinese producers are  
25 going to be able to absorb all of their additional new

1 production and new capacity any time soon so it needs to  
2 find a market and the U.S. is the market of choice.

3           Finally as our witnesses testified today, if  
4 imports do increase at the current rates, we could see  
5 another 10 million Chinese tires in the U.S. market this  
6 year alone, enough to lead to further lay-offs and  
7 potentially even the closure of a U.S. plant which for USW  
8 members in the industry is injury, thank you.

9           MS. DEFILIPPO: Thank you Miss Drake. We will  
10 now have closing remarks from Respondents, Mr. McCullough  
11 please join us and welcome back and begin when you are  
12 ready.

13           MR. McCULLOUGH: Thank you very much. You know  
14 some times you get up here and you know exactly what you are  
15 going to say. Other times you don't really know and other  
16 times you write a bunch of notes on paper and discover you  
17 can't read what you wrote.

18           So I am going to work through this a little bit  
19 and try to respond to what we just heard. At the outset,  
20 look rarely does the Commission see a case like this, when  
21 you have this kind of profitability. I know there have  
22 been comparisons offered by the opposing counsel that well  
23 you have seen cases like OCTG where you have seen similar  
24 levels of profitability but it is not just the  
25 profitability, it's the stability of this industry, it is

1 their production, it is their capacity, is their capacity  
2 utilization rates, all which distinguish this case from  
3 cases like OCTG.

4           This is a very strongly performing industry and  
5 so we can sit here and we can talk about trends and Chinese  
6 imports, whether its volumes or prices. We can talk about  
7 efforts of the Chinese producers to compete against U.S.  
8 product at this tier or that tier, but where is the  
9 connection with this discussion and the performance of the  
10 domestic industry?

11           We have the tabulated questionnaire data you know  
12 and I sat here today and I was waiting for the Petitioners  
13 to actually get at that data. They can tabulate it and to  
14 relate really what are sort of more a collection of  
15 anecdotes and isolated discussions of this experience or  
16 that experience and relate it to the industry as a whole and  
17 what you see in the questionnaire data, it never happened.

18           So I realize it's easy to throw quotes from  
19 domestic producers describing you know how challenging the  
20 market is, but look at the data. I like this one in  
21 particular, I like this quote from Michelin, this is a  
22 material injury exhibit. Michelin explained it's 2013  
23 collective bargaining agreement which was reached in a very  
24 cost competitive and challenging environment.

25           Well I'm not sure what the expectation was in the

1 middle of labor negotiations that they were going to say we  
2 just made boat loads of money and we should be in a position  
3 to be you know, exceeding generous to the unions. No, of  
4 course, this is about labor negotiations. Look at the  
5 data, look what the industry did in terms of profitability.

6           Look at their shipments, consider the context of  
7 what they have done over the time from the 421 relief, from  
8 before the 421 relief forward the kind of performance they  
9 have had and does it match what they said they were going to  
10 do? I believe it does.

11           There has got to be a reality check. So we know  
12 this industry has been very profitable, we know that it is  
13 running at a high capacity utilization rate. By the way  
14 these rates that we presented are probably concerted because  
15 if you look at the questionnaire data, I think you are going  
16 to see discrepancy about how they reported capacity because  
17 they have got equipment, there are running both subject and  
18 non-subject on and then they dump that same total capacity  
19 number down to the other table. I think actually they are  
20 running at a higher capacity utilization rate than what we  
21 presented.

22           They have got sustained levels of production and  
23 sustained levels of shipments, it's stable, it's consistent  
24 over the period and again they are making lots of money.

25           So the staff I think you have to ask yourself

1 what explanation makes sense here. Is it the one that  
2 suggests you know that you know we are in a period of dire  
3 competitive environment and it seems completely disconnected  
4 with what the questionnaire data says or are you going to  
5 look at the explanation that lays out the confirmed industry  
6 plans over the past decade that continue.

7           The confirmed capacity investment in this market,  
8 that continues right, we have new announcements of  
9 investments from companies like Goodyear, from companies  
10 like GT that's going to get into the market here, Kumho,  
11 look they are not announcing these investments because they  
12 think this is a bad market to be in, they want to be here in  
13 market and sell their tires and produce tires in this  
14 market.

15           The confirmed emphasis on high value added tires,  
16 you look repeatedly at investor presentations by these  
17 companies whether it is Goodyear, whether it is Michelin,  
18 this is their emphasis, in black and white that's what they  
19 are saying and it does go to the issue of tiers, it does go  
20 to the issue of branding. These things do exist in the  
21 market. I heard well it's you know, it really doesn't work  
22 that way, well God someone needs to tell Goodyear that  
23 because Goodyear has been operating that way for the last  
24 six years and emphasizing that to its investors and  
25 integrating that in their business plans and guess what,

1 they have been quite successful.

2           So again it all goes back to the data which I  
3 don't think Petitioners addressed at all really in their  
4 presentation today and honestly when you, when a case like  
5 this comes and you have that kind of performance by the  
6 industry, it's not just about profitability, it's about the  
7 stability of the time, scene and so forth.

8           I think even at this preliminary stage you know  
9 that factual reality, the burden has to increase, I think  
10 Petitioners have to address that data head-on and we are  
11 looking forward to them doing that in their post-conference.  
12       Because I don't think they did it here.

13           We heard something about abandoning the market,  
14 well obviously again the domestic industry is not abandoning  
15 the market. We talked today about the billions of dollars  
16 in investment in capacity that continues to be made in this  
17 market, that is hardly abandoning this market, they are  
18 actually expanding capacity in this market.

19           They are re-allocating the capacity to where they  
20 want to be in the market, where they want to be in the  
21 market is where it is most profitable and you see that in  
22 the data over time. As they have transitioned they have  
23 made more and more money, even as Chinese imports increase.

24           So on the basis of this I am actually just going  
25 to end it there. I want you guys, you know hopefully, you

1 will look at the record, look at the explanations that have  
2 been offered. Which one makes sense when you look at the  
3 trends, okay. Which ones are documented in detail? And I  
4 think when you do you are going to find first of all this  
5 industry is not injured and second I think you are going to  
6 find that this industry is not threatened with material  
7 injury and on that I will close, thank you very much.

8 MS. DEFILIPPO: Thank you very much. On behalf  
9 of the Commission and the staff, I would like to thank the  
10 witnesses who came here today as well as counsel for helping  
11 us gain a better understanding of the product and the  
12 conditions of competition in the passenger vehicle and light  
13 truck tire industry.

14 Before concluding please let me mention a few  
15 dates to keep in mind. The deadline for submission of  
16 corrections to the transcript and for submission of  
17 post-conference briefs is Friday, June 27th. If briefs  
18 contain business proprietary information, the public version  
19 is due on Monday, June 30th.

20 The Commission has scheduled, tentatively  
21 scheduled its vote on these investigations for Tuesday, July  
22 22 and it will reports its determination to the Secretary of  
23 the Department of Commerce on Friday, August 1st.

24 Commissioners' opinions will be issued on August  
25 5th, again thank you all for coming, this conference is

1 adjourned.

2 (Whereupon conference adjourned at 2:07 p.m.)

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