UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	)	
	)	Investigation Nos.:
CERTAIN OFF-THE-ROAD	)	701-TA-448 and 731-TA-1117
TIRES FROM CHINA	)	(Preliminary)

REVISED AND CORRECTED COPY

Pages: 1 through 239

Place: Washington, D.C.

Date: July 9, 2007

HERITAGE REPORTING CORPORATION
Official Reporters
1220 L Street, N.W., Suite 600
Washington, D.C. 20005
(202) 628-4888

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Monday,
July 9, 2007

Room No. 101
U.S. International
Trade Commission
500 E Street, S.W.
Washington, D.C.

The preliminary conference commenced, pursuant to Notice, at 9:32 a.m., at the United States International Trade Commission, ROBERT CARPENTER, Director of Investigations, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Staff:

ROBERT CARPENTER, DIRECTOR OF INVESTIGATIONS
DIANE MAZUR, SUPERVISORY INVESTIGATOR
JOANNA LO, INVESTIGATOR
RHONDA HUGHES, ATTORNEY/ADVISOR
CLARK WORKMAN, ECONOMIST
DAVID BOYLAND, AUDITOR
RAY CANTRELL, INDUSTRY ANALYST

APPEARANCES: (cont'd.)

In Support of the Imposition of Countervailing and Antidumping Duties:

On behalf of Titan Tire Corporation and United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Works International Union, AFL-CIO-CLC (USW):

JEFF M. VASICHEK, Vice President, Titan Marketing Service
PAUL HAWKINS, Vice President, Operations, Titan Tire Corporation
JEFFREY J. KRAMER, Operations Manager, Titan Tire Corporation
DANIEL STELTMANN, Research and Development, Titan Tire Corporation
RICHARD HOFMASTER, USW Local 745, Freeport, Illinois
SANFORD PENSLER, Chairman, Denman Tire Corporation

TERENCE P. STEWART, Esquire
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Stewart & Stewart, LLP
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On behalf of Bridgestone Americas Holding, Inc.:

RALPH BURCHFIELD, President, Off-Road Products, Bridgestone Firestone North America Tire

JOSEPH W. DORN, Esquire
King & Spalding, LLP
Washington, D.C.

APPEARANCES: (Cont'd.)

In Opposition to the Imposition of Countervailing and Antidumping Duties:

On behalf of GPX International Tire Corporation, Inc.:

BRIAN GANZ, Chairman, GPX International Tire Corporation, Inc.
JACK FENNER, Vice President of Sales and Marketing, American Pacific Industries
NED EDWARDS Owner, Star Tire Company
DAN DENIS, Director of Commercial Sales, VIF Quick Tire
CHARLES ANDERSON, Principal, Capital Trade, Inc.
ANDY SZAMOSSZEGI, Managing Consultant, Capital Trade, Inc.

FRANCIS J. SAILER, Esquire
NED H. MARSHAK, Esquire
Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt, LLP
Washington, D.C.

APPEARANCES: (Cont'd.)

In Opposition to the Imposition of Countervailing and Antidumping Duties:

On behalf of Aeolus Tyre Co., Ltd.; Guizhou Tyre Co., Ltd.; Hangzhou Zhongce Rubber Co., Ltd.; Jiangsu Feichi Co., Ltd.; Laizhou Xiongying Rubber Industry Co., Ltd.; Shangdong Jinya Tyre Co., Ltd.; Shangdong Linglong Rubber Co., Ltd.; Shangdong Taishan Tyre Co., Ltd.; Shangdon Xingyuan International Trading Co., Ltd.; Shangdong Wanda Doto Tyre Co., Ltd.; Shifeng Double Star Tyre Co., Ltd.; Tianjin United Tire & Rubber International Co., Ltd.; Wendeng Sanfeng Tyre Co., Ltd.; Xuzbou Midland Specialty Tyre Co., Ltd.; and Xuzbou Xugong Tyre Co., Ltd.:

JOHN REILLY, Economist, Nathan Associates, Inc.

T. CLARK WEYMOUTH, Esquire
CRAIG A. LEWIS, Esquire
JONATHAN T. STOEL, Esquire
Hogan & Hartson, LLP
Washington, D.C.

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P R O C E E D I N G S

(9:32 a.m.)

MR. CARPENTER: Good morning and welcome to the United States International Trade Commission's conference in connection with the preliminary phase of countervailing duty and antidumping investigation Nos. 701-TA-448 and 731-TA-1117 concerning Imports of Certain Off-the-Road Tires From China.

My name is Robert Carpenter. I'm the Commission's Director of Investigations, and I will preside at this conference. Among those present from the Commission staff are, from my far right, Diane Mazur, the supervisory investigator; Joanna Lo, the investigator; on my left, Rhonda Hughes, the attorney/advisor; Clark Workman, the economist; David Boyland, the auditor; and Ray Cantrell, the industry analyst.

I understand the parties are aware of the time allocations. I would remind speakers not to refer in your remarks to business proprietary information and to speak directly into the microphones. We also ask that you state your name and affiliation for the record before beginning your presentation.

Are there any questions?

(No response.)

MR. CARPENTER: If not, welcome, Mr. Stewart. Please proceed with your opening statement.

MR. STEWART: Thank you very much. Good morning, Mr. Carpenter, members of the Commission's investigative staff. For the record, I am Terence Stewart, managing partner of Stewart & Stewart representing the Petitioners, Titan Tire Corporation and the United Steelworkers.

We are here today because the domestic industry and its workers producing certain off-the-road tires that compete with imports from China is under siege from Chinese imports that need to be both dumped and subsidized.

We believe that all of the statutory criteria are met in this case. First, import statistics show large increases in subject imports over the last three full years on both a volume and value basis. Such increases are significant. Moreover, China's export statistics show an increasing reliance on exports into the United States over that same time period.

U.S. producers of certain OTR tires produce a large number of different models or stock keeping units of tires. As is so often the case where foreign industry decides to seize significant market share in

the United States, Chinese producers have penetrated the U.S. market by first going after high volume OTR tires, an activity which has had significant adverse consequences on U.S. manufacturers, as testimony this morning will describe.

As has been seen in so many other cases, imports, having secured a sizeable volume base, have expanded into all areas of the market, whether the end use be for agricultural applications, industrial or construction applications.

The Chinese OTR tire industry is large, consisting of more than 100 producers based on the information we provided in the petition. Every indication that Petitioners have is that the trend of the past will continue unless import relief is provided.

Second, subject imports are underselling domestic OTR tires by significant margins, imposing severe pricing pressures on domestic producers at a time of rapidly rising production cost. Domestic producers are consequently forced to choose between two equally undesirable options: Setting prices in an effort to keep their customers' business or raising prices and yet ceding market share.

From information supplied by Titan in the

petition and in its questionnaire response, you will see that they have tried both approaches with predictable results: Reduced production and shipments.

Some longstanding domestic producers such as Goodyear and Continental have chosen yet a third option, which is to exit the market in whole or in part by selling off some or all of their U.S. OTR assets.

Finally, the large increases in subject imports at dumped and subsidized prices are having significant adverse effects on the domestic industry. While there is limited public data available at this point on the domestic operations of U.S. companies producing OTR tires that compete with the subject imports, Titan's producer questionnaire and the petition show plainly the harmful effects that subject imports are having on its operations.

You will hear testimony this morning that Titan is not alone in that regard. Bridgestone Firestone and Denman Tire Corporation likewise are experiencing many of the same difficulties that Titan is experiencing.

USW is a co-Petitioner exactly because of its concern about the adverse effects on the companies

and its members producing OTR tires in the U.S., workers at Titan, Bridgestone Firestone, Denman and Goodyear.

It is also the case that the harm that subject imports are causing to the domestic industry comes at a time when demand for OTR tires is growing. Sales of machinery and equipment in the agriculture, construction and mining sectors are up sharply from cyclical lows or troughs a few years back. However, the domestic OTR tire industry is not benefiting from that growth.

This is the testimony you will hear this morning from at least two of the very large U.S. producers. Hence the jobs of tire plant workers such as those represented by Mr. Richard Hofmaster from the United Steelworkers are in jeopardy at the very time when higher employment and extra overtime should be available.

We believe that when you've completed your collection and compilation of the data from the questionnaire responses and other sources your report to the Commission will unmistakably demonstrate that imports of Chinese OTR tires are growing quickly and substantially, that they are significantly underselling domestic OTR tire producers and are

having adverse price effects.

In short, we are confident that the record you are compiling will confirm what the Petitioners and those testifying in support of the petition know today. The domestic industry is in fact materially injured now and is threatened with additional material injury by reason of dumped and subsidized imports of certain OTR tires from China flooding the U.S. market.

In such a situation, certainly the reasonable indication standard of a preliminary injury investigation should be found to be met by the Commission.

Thank you very much.

MR. CARPENTER: Thank you, Mr. Stewart.

Mr. Sailer?

MR. SAILER: As we mentioned to Ms. Lo on the phone before the conference, Mr. Weymouth of Hogan & Hartson and I are splitting the time on our opening statement.

Good morning to you and to the other members of the Commission staff. My name is Frank Sailer of Grunfeld Desiderio appearing on behalf of GPX International Tire Corporation.

It seems that you've been getting a bit of a workout on these preliminary conferences over the last

month or so. Particularly since the filing of Title VII cases has fallen off so dramatically in the last few years, it's probably not surprising that this spate of cases would occur.

What is surprising is how in a case like this one could possibly ever see the light of day. Using skewed import statistics and voodoo math, Titan Tire has turned itself from the poster child of Wall Street into a battered remnant of international competition before this Commission.

While the law standard for a preliminary injury case is admittedly low, the case before you clearly and unambiguously fails to meet even that low statutory threshold.

This case has been filed in the midst of a period of severe product shortages and, what Mr. Stewart said, in a period of unprecedented global demand. The U.S. industry has benefitted tremendously from growth in agricultural, construction and mining activity in large part driven by China's rapid economic development.

The petition was brought by a single U.S. producer, Titan Tire, whose stock over the past four years has been the third best performer on the New York Stock Exchange. Titan is the most significant

pure player in terms of U.S. production of certain OTR tires.

According to Titan's own statements to the Securities and Exchange Commission and those of its CEO, Mr. Taylor, in other fora, the company faces formidable competitors, many threats, including increases in raw material costs, exchange fluctuations and product liability issues, but not once in any of its SEC filings or other public pronouncements has Titan ever mentioned China as a competitor or Chinese imports as a material risk to its investors. Not once.

Yet here before a different Commission out of the supposed earshot of those investors, Mr. Taylor and his company are suddenly not Titans, but the Titanic, looking for a lifeboat.

Why are we here? I think at the end of the day you will all be asking yourself, if you aren't already, that very question. Somebody is playing fast and loose with the facts. There's simply no way that the story of a shooting star stock can be squared with a shipwreck or even a shipwreck waiting to happen.

We have assembled a very impressive group of OTR tire industry people who are going to tell you exactly what the real story is without the apparent

shenanigans and distortions, a story that goes something like this.

MR. WEYMOUTH: Thanks, Frank, and good morning all. My name is T. Clark Weymouth, and I'm with Hogan & Hartson. I'm joined by my colleague Craig Lewis and also John Reilly of Nathan Associates. We represent 15 Chinese producers of the products under investigation. I will refer to those producers in my statements as the Chinese Respondents.

In brief, we believe the record clearly establishes that there is no reasonable indication that subject imports have caused injury to the domestic industry. As Mr. Sailer noted, Titan's position in this case is fundamentally at odds with its statements to and actions in the market.

The domestic industry is financially strong, with Titan adding production facilities and capacity indicating optimism about future U.S. demand and its competitive position in the market. In this regard, Titan's 2006 annual report states that, "2006 was the beginning of a march to a record year in 2007." Its most recent 10-Q notes growth and strength in the nonagricultural segments of the OTR tire market.

Spurred by robust demand, Titan recently acquired OTR assets of Goodyear and Continental and,

due to capacity constraints at its Bryan facility, has added capacity at its Freeport and Des Moines facilities. Domestic producers have realigned their business to focus on the more profitable radial tire business, which we believe is a sign of the industry's current and future strengths.

Other than in connection with their request for relief in this proceeding, neither Titan nor, to the best of our knowledge, any other domestic producer has complained about unfair competition from subject imports.

On the demand side, overall U.S. demand for OTR tires is at a record high and expected to remain strong. In this regard, Shawn Rasey, Executive Director of North American Sales and Marketing for Bridgestone Firestone Offroad Tire, recently stated that the domestic OTR industry is experiencing "the greatest explosion of product demand in the industry's history."

This explosive demand has led to shortages, and subject imports have increased principally because of the inability of U.S. consumers to obtain adequate supplies from domestic sources. Moreover, demand for extensive radial tires is expected to continue increasing due to favorable life cycle costs and other

considerations.

Let me speak just briefly about --

MR. CARPENTER: Mr. Weymouth, your time is up. If you could just summarize in a minute, please?

MR. WEYMOUTH: Yes. Thank you. Again, the record shows that there's no reasonable indication that subject Chinese imports threaten material injury to the domestic industry. As we will explain in our testimony, the petition vastly overstates the volume and value of subject imports.

Furthermore, the Chinese Respondents' questionnaire responses constitute a sizeable portion of the Chinese industry are operating effectively at full capacity and are principally focused on markets other than the United States.

Finally, other factors such as the recent repeal of the Chinese VAT rebate and recent appreciation of the RMB make the U.S. market less attractive to Chinese exporters.

That concludes our opening statement.

MR. CARPENTER: Thank you, Mr. Sailer and Mr. Weymouth.

Mr. Stewart, please bring your panel up at this time.

(Pause.)

MR. CARPENTER: Please begin whenever you're ready.

MR. STEWART: Thank you, Mr. Carpenter. We will start with Jeff Vasichek.

MR. VASICHEK: Thank you. Good morning, Mr. Carpenter and Commission staff. I am Jeff Vasichek, Vice President for Sales and Marketing for Titan Marketing Services, part of Titan Tire Corporation.

I joined Titan in January of 2006 following Titan's acquisition of Goodyear Tire & Rubber Company's tire plant in Freeport, Illinois, and other Goodyear assets related to the production and sales of off-the-road or off-highway tires for the agricultural sector. Prior to joining Titan I worked for Goodyear for 20 years where I was the General Manager for Agricultural Tires before leaving.

As you know, the petitions filed in these cases cover certain off-the-road tires which are used for both agricultural and off-the-road applications. The scope of the case is reviewed in the petition. For the sake of simplicity, I and my colleagues from Titan will refer to our company's data that is comparable to the scope of the petition as simply OTR tires.

The domestic OTR tire industry is facing

substantial difficulties from increasing imports of dumped and subsidized tires from China as a review of the statutory factors the Commission must consider makes clear.

Consider the following facts: First, with respect to the volume of subject imports, imports of OTR tires from China have increased 33 percent by volume and more than 130 percent by value from 2004 through 2006.

In 2004, China's share of all these imports was 76 percent. In 2006, that share increased to 83 percent. By value, China's share of all OTR imports was 27 percent in 2004, and by 2006 it was 38 percent.

Further, while subject imports clearly have increased in absolute terms, they have also increased relative to domestic production. In that regard I would ask you to compare these import trends to Titan's production data set forth in our producer questionnaire response.

Not surprisingly, Chinese export statistics make clear that the United States is far and away the largest export market for Chinese OTR tires. In 2004, China's exports to the U.S. accounted for 21 percent of total exports. By 2006, that share increased to 31 percent.

China's exports to the U.S. have surged particularly when compared to their exports to all other countries. From 2004 to 2006, by volume their exports have outpaced the other countries by a four to one ratio. By value, their exports to the U.S. during that period grew by a two to one ratio increase in all other markets.

It is also the case that, having saturated the agricultural sector for OTR tires, Chinese exports are expanding rapidly into the construction and industrial sector as well as the export statistics demonstrate.

Second, with regard to underselling and price depression and suppression, Chinese OTR tires undersell U.S. tires by significant margins. In our experience, Chinese tires undersell Titan tires by an average of between 25 and 35 percent.

As the slide shows, Titan has encountered underselling margins as high as 50 percent in some instances. We are encountering these kinds of underselling in both the OEM and replacement markets for these tires.

Titan's response to this unfair competition has been to work harder to provide our customers with the best quality and best value tires. However, we

have ultimately had to cede some market share because Titan cannot match the low Chinese prices.

To the contrary, due to rising raw material and energy costs we have had to pass price increases to cover those cost increases to our customers, which have made our tires even more vulnerable to the low-priced Chinese competition.

As detailed in our petition and our questionnaire response, we have experienced significant declines in our production and sale of smaller sized OTR tires where the Chinese presence currently is at its largest. Many of our best and longstanding customers have shifted to sourcing these tires from China because of the low prices they're able to offer.

As to whether the subject imports are having an adverse impact on the domestic industry, there is no question from Titan's perspective that the answer is yes. Because we believe that Titan is now one of the largest U.S. producers of OTR tires, we also believe that our experience is representative of the rest of the domestic industry.

As set forth in our producer questionnaire response, virtually every relevant factor indicates that subject imports are in fact having a significant

adverse effect on Titan.

Let me hasten to add that Titan is not alone in experiencing adverse effects from the increasing imports from China. Since 2005, two significant producers of these tires, Goodyear and Continental, both sold off most or all of their U.S. OTR and agricultural business to Titan.

Both of these plants have been producing OTR and agricultural tires since the mid 1960s. I'll guarantee you, I'm no high-powered financial analyst, but a guy from a real small town in North Dakota. Nevertheless, it's very obvious to me that companies do not normally sell off assets that are generating profits.

Indeed, as part of Titan's acquisition of Goodyear's Freeport tire plant, a lot of Goodyear's farm tire business was performed. In the last decade, Goodyear lost millions in its North American farm tire business according to the audit.

Last November Trelleborg announced that it was transferring its industrial OTR tire operations offshore to Sri Lanka beginning in 2008, and it will phase out its production operations in Hartville, Ohio, in 2009.

The Commission should also be clear that the

industry's difficulties are not due to weakening demand. If anything, demand for OTR tires is strong and growing. In our petition we highlight Bureau of the Census data which shows that shipments of agricultural implement equipment and farm machinery have increased more than 20 percent by value between 2004 and 2006.

Construction machinery equipment shipments have increased more than 50 percent by value. These include shipments of vehicles and equipment that use these tires. With demand for these products growing so sharply, one would expect demand for U.S. produced tires to be increasing as well, yet as the data in our questionnaire response makes clear that is not the case for Titan.

Instead, much of this increase in demand is being filled by imports of dumped and subsidized OTR tires from China rather than OTR tires produced in the United States.

As I mentioned earlier, Titan is working hard to present the challenge presented by increasing imports of Chinese OTR tires. Titan is developing new products designed to serve our customers' needs more effectively and to provide better value.

We have also shifted our production mix to

producing larger sized tires where pricing pressures from Chinese tires are less intense than the smaller ones. However, this is really just a stop gap strategy at best.

Imports of larger sized OTR tires from China are among the most rapidly growing of all Chinese imports today. There's no question in my mind that without relief from dumped and subsidized imports Titan and other domestic producers will be pushed out of these categories in the near future.

Thank you very much for your time.

MR. STEWART: Paul?

MR. HAWKINS: Good morning, Mr. Carpenter and Commission staff. My name is Paul Hawkins. I'm the Vice President of Operations for Titan Tire Company. I joined Titan in September of 2006 when Titan acquired Continental Tire's U.S. OTR operations in Bryan, Ohio.

Prior to that I worked at Continental Tire for 32 years where my last position was Vice President of the OTR Business Unit. As such, I was responsible for Continental's worldwide manufacturing and sale of OTR tires.

Following the acquisition of Goodyear's Freeport facility and Continental's Bryan facility,

Titan today is one of the largest U.S. producers of OTR tires. Indeed, unlike most of the other tire manufacturers, OTR tires are far and away Titan's principal product. That is why Titan, working together with the USW, has brought these cases.

Titan has made investments in the Freeport and Bryan facilities because we believe the U.S. OTR market presents great opportunities and potential for U.S. manufacturing, but these opportunities cannot be realized in the face of increasing imports of dumped and subsidized OTR tires from China.

Titan's OTR product line includes over 3,000 SKUs for fitment on a wide variety of vehicles and equipment. This equipment falls into three general categories: Agricultural, earthmoving and construction and industrial. Let me take a few moments and give you some examples of each category.

Agricultural OTR tires or farm tires such as those on the top row of this slide range in size from eight to 72 inches in rim diameter. They are used on a wide variety of agricultural vehicles and equipment. This equipment includes tractors, combine harvesters, high clearance sprayers, agricultural implements and log skidders.

Earthmoving tires such as those seen on the

second row of this slide are used in articulated dump trucks, rigid frame haul trucks, front end loaders, lift trucks, straddle carriers, graders and mobile cranes.

Construction and industrial tires, such as those seen on the bottom row of this slide, are used in a variety of industrial equipment, including counterbalance lift trucks, industrial and mining equipment, and skid steer mini-loaders.

Some specific examples of this equipment and the Titan products used for them are this is a Kubota utility tractor that would use an 18.434 Titan high traction lug ag tire. The next piece of equipment is a John Deere field cultivator which uses an 11L-15 Goodyear branded Titan farm utility ag tire.

The next piece of equipment is a Caterpillar 772 haul truck that would use a 2435 general branded CM-150 earthmover tire. The next piece of equipment is a Caterpillar 769 loader that would use a 35-65-35 general LD-250 earthmover tire. Finally, a Caterpillar 226 skid steer loader that would use a Titan brand 12-16-5 HD-2002 construction tire.

What all of these vehicles and equipment generally have in common is they are used in the hauling, towing, lifting and loading of a wide variety

of materials in agriculture, earthmoving, construction and industrial settings.

Mr. Vasichek has already reviewed with you the evidence showing that subject Chinese OTR tires are entering the U.S. market in volumes and at prices that are doing significant injury to the domestic OTR tire industry.

I would like to take a few minutes to review one aspect of the domestic OTR market that has enabled the Chinese to penetrate the market rapidly and wildly. That aspect is the replacement distribution channel for OTR tires.

It is important to understand at the outset that the market for OTR tires, the replacement market, is by far the dominant part of the OTR market. *Modern Tire Dealer*, which tracks and reports on domestic shipments of different types of tires, reported that in 2005 shipments of OTR tires to the replacement market accounted for 66 percent of the total OTR market.

There are numerous distributors of tires in the replacement market in the United States ranging in size from small local distributors to larger regional distributors and finally to the largest distributors that have outlets nationwide. Indeed, the top 25

commercial tire dealers in the United States according to *Modern Tire Dealer* have over 1,000 stores and outlets covering every corner of the United States.

Examples would include Les Schwab, a large regional distributor which has 400 stores in the western United States; Dunlop & Kyle, a regional distributor in the southeast and midwestern United States; and Bauer Built, a regional distributor headquartered in Durand, Wisconsin, with 27 outlets.

The replacement sales channel for OTR tires is vast and reaches into every corner of the country. Once Chinese OTR tires enter this channel they can easily reach any customer in the United States who's shopping for an OTR tire.

The China Manufacturers Alliance, also known as CMA, produces and exports OTR tires under the brand name Double Coin to the United States. Its website lists 101 pages of United States dealers that sell their product. Each page has eight or nine dealer locations, which would mean CMA has over 800 locations to sell its tires throughout the United States.

Importantly, many of our distributor customers tell us they would prefer to continue sourcing their OTR tires from Titan or other domestic producers. However, in order for them to remain

competitive in their businesses they are compelled to purchase cheap Chinese OTR tires because other distributors are doing so.

Chinese OTR tires are also prevalent in the OEM sales channel. For example, GPX International imports OTR tires for OEM customers under the Galaxy and Primex brand names. The GPX website advertises that they can provide resources for production capacity, on-time delivery, quality assurance, service and support and, of course, competitive prices.

Titan has seen numerous of its OEM customers shift to Chinese OTR tires because of lower prices. One example in the irrigation business, an area where we have lost several OEM customers to subsidized Chinese competition. Exhibit 16 in our petition lists other examples of OEM customers who have shifted their sourcing for the OTR tires from Titan to Chinese products.

We believe that Titan produces the best quality OTR tires and offers them to our customers at reasonable prices that provide a good value proposition for those customers. Titan will match its tire against any other OTR producer's tires, whether domestic or foreign, so long as the prices we're competing against are fair, but Titan cannot compete

for long against Chinese imports that are being sold at dumped and subsidized prices, often below our cost of production.

In closing, there should be no doubt that Chinese producers are intent on capturing virtually all the U.S. OTR tire market. Indeed, at numerous trade shows Titan has been approached by Chinese producers with offers to move all of our production to China. They have even copied some of our mold designs and sent us sample tires priced at below our cost of production.

The threat to the entire U.S. OTR tire industry for Chinese exports is real and growing. Thank you for your attention.

MR. KRAMER: Good morning, Mr. Carpenter and Commission staff. I am Jeff Kramer, Operations Manager of Titan Tire Corporation's tire plant in Des Moines, Iowa.

I've been with Titan for 12 years. Prior to that I worked for 10 years at Bridgestone Firestone's OTR Division in Des Moines. At Titan my responsibilities include overseeing the production of OTR tires that are the subject of these investigations.

This morning I will talk about the

production process for certain OTR tires at Titan. There are several stages in the production of OTR tires. The initial stage is the receiving and testing of various raw materials. These include natural and synthetic rubbers, textiles, carbon black, steel wires and other rubber processing chemicals, including antioxidants, plasticizers, sulfurs, oils and resins.

The rubber preparation stage involves the mixing of the various rubbers and raw materials into specific compounds for the formulation of a specific mix. The materials are placed into a Banbury mixer where they are broken down and thoroughly mixed. After this they are milled into slab form for use in the factory. This process may involve several steps before the final mix is obtained.

During the mixing process heat and friction are applied to soften the rubber. After the rubber mixing is complete, we now use the rubber for one of three reasons: First, a type of rubber designed to hold air on the inside of the tire; second, a type of rubber designed to adhere to wire and fabric used to make the casing; or, third, a type of rubber designed for the outside of the tire for a tread or sidewall.

Now that we have completed the testing of all the raw materials and mixed stock, we enter the

component preparation stage. We use large machines called calendars to sheet out interliner rubber for the use on the inside of the tire to allow the tire to hold air and also put a rubber coating on the fabric or wire for use in the body of the tire which carries the weight of the vehicle.

We also use machines called wire winders, which apply a rubber coating to the bead wire and wrap it into an exact dimension needed to hold the tire securely to the wheel.

We use machines called extruders to make tread and sidewall for use on the outside of the tire, and finally we use machines called banners to cut the fabric into the exact dimension for the over 3,000 different types of tires that we produce.

With all of the components now in hand we move to the tire assembly process. During this stage all the previously mentioned components are assembled to a built-in drum on the tire assembly machine. The assembly process begins by wrapping rubber interliner on the drum. Then we add plies of fabric to the drum of the tire building machine.

The plies are then joined and the bead bundle is added. After the bead bundle is added additional plies may be used to lock the bead into

place. Many types of tires also have wire or textile belt material under the tread area for impact resistance.

After this the sidewalls and tread are added to the body of the tire, the body and bead combination, forming what we call the uncured green tire. The next phase involves placing the green tire into the mold inside of the curing press, which forms the tire into the finished product with heat and pressure.

A curing press is a large, circular machine which contains a bladder. The green tire is placed into the mold over the bladder, and as the press closes the bladder fills with steam, expanding the bladder, which forces the green tire against the inner wall of the mold into the shape of the final tire.

The curing process can take several hours, depending on the size and characteristics of each tire. Each tire model requires its own mold. The final step of the manufacturing process involves visual and x-ray inspection of the finished product. After inspection, the tire is moved to a warehouse.

At Des Moines, Titan produces OTR tires for agricultural, construction, earthmover and industrial applications on the same production line. Titan can

shift its production from one type of OTR tire to another in response to changes in market condition, customer orders or the time of year. These range in size from eight to 72½ inches in rim diameter.

The larger tires used for the agricultural part of the market are included in the scope and like product definition. Titan also produces agricultural OTR tires in Freeport, and we have begun to produce more construction tires there as well.

At Bryan, Titan produces only construction and earthmoving tires from 25 inches in rim diameter on up. The Bryan plant has a production line that is specifically dedicated to producing construction and earthmover tires with a rim diameter of 39 inches or more, which are properly known as giant earthmoving or mining tires. These tires are not included in the scope or like product.

Finally, Titan produces certain OTR tires for consumer applications such as all-terrain vehicles at Des Moines. However, our questionnaire response indicates consumer tires account for a very small share of Titan's overall production. Consumer tires are not included in either the scope or the domestic like product definition.

Since the Chinese keep buying up more and

more of our market share with cheap subsidized tires, our factories have been forced to run at significantly reduced capacity, which makes it even more difficult to be competitive and cover our fixed costs.

Another difficulty has been the significant increase in the size changeovers we were forced to make to control our inventory levels. For example, a popular ag tire is an 11L-15 tube type, which is used for a free rolling axle alternate tractor or cultivator.

A few years ago a typical run of this would have been between 2,000 and 4,000 units at a time. Today, because of the large amount of Chinese tires, our product run for this same model is no more than 200 to 400 units at a time.

We are losing significant production time to size changeovers. We also have been forced to use extended factory shutdowns to help manage inventory levels. As our production level continues to fall, our price per tire continues to rise.

Because of large increases in Chinese imports of OTR tires for agricultural vehicles and equipment, Titan has shifted to producing more construction and industrial tires to fill our underutilized capacity.

Titan has made large financial investments in new equipment and spent years streamlining and reducing factory costs in order to try to compete with Chinese imports. Through innovation and automation we have been able to produce higher levels of output with fewer man hours than ever before, but we have come to realize that no matter how far we cut our costs Chinese imports continue to undercut our prices due to dumped and subsidized prices.

To sum up Titan's testimony this morning, first, Chinese OTR tire imports are growing rapidly. Second, Chinese OTR tires are underselling Titan by a significant margin. Third, virtually every relevant factor shows Chinese imports are adversely affecting Titan's OTR tire operation despite our best efforts to remain competitive.

Thank you for listening.

MR. HOFMASTER: Good morning, Mr. Carpenter and members of the Commission staff. I am Rich Hofmaster, here to speak on behalf of the Petitioners in this case, the United Steelworkers.

I started working at the Freeport, Illinois, production facility right out of high school, and I've been there for 34 years. I am a former union president of Local 745, and I've also worked about 80

percent of the jobs at the plant so I'm pretty familiar with the operation and what goes on there.

I'm here this morning to share my perspective on the impact of increasing Chinese OTR tire imports. These imports are a constant topic of discussion with management, always under pressure to cut costs.

When Goodyear operated our facility they repeatedly tried to move our production line overseas in order to reduce costs and remain competitive, but clearly we wanted to keep the jobs in the U.S. and fought to keep the production lines here.

Management has specifically told the union that China is a big concern. We are constantly being told that we need to keep costs down and lower costs further in order to compete with increased imports.

Another change that we are seeing at our facility as a result of increasing Chinese imports is that we are undergoing some capacity reconfiguration. In order to remain efficient, the plants have to operate at a certain level of capacity utilization, but recently our production levels have been dropping off.

We simply can't compete with the low-priced imports of the smaller agricultural and farm tires, so

we are reconfiguring that plant to try and increase production of larger industrial tires where the Chinese imports are not as intense.

Now, I realize that this investigation only dates back to 2004, but there is some information that predates that period which is relevant to the current labor situation at Freeport.

In 1999, Goodyear laid off a number of workers when the company sent some production offshore. Many of those laid off workers remain on a recall list and are waiting to be reinstated. I believe there are actually about 200 people who are still on the recall list.

However, pricing pressures from imports are prohibiting the OTR tire companies, first Goodyear and now Titan, from making the necessary investments that will sustain additional employees and allow us to bring some of the people off that list.

Clearly, low-priced imports are already affecting U.S. workers. Domestic tire companies such as Titan and others remain under severe pricing pressure and cannot reach a level of profitability necessary to bring these employees back on. Allowing such imports to continue without any sort of trade remedy will only make this hard situation even worse.

Another thing that really concerns me about these increased imports from China is the fact that future generations will never have the same opportunity I've had. I truly feel like this job provided me a golden opportunity. I started working right out of high school, and I've had a successful and prosperous career. To me, that's the American dream that everyone talks about. I've worked my way up, and I've been able to put my three children through college.

But the dynamics of this industry have changed, and we really have to fight just to keep decent jobs here, and they certainly don't have the security that they used to have. Low-priced imports from China are putting a very real strain on the domestic tire industry, and I'm concerned about what the future holds for our workers.

I appreciate that you have taken the time to listen to my perspective. Thank you for your attention, and I'd be pleased to answer any questions.

MR. BURCHFIELD: Good morning. My name is Ralph Burchfield. I'm the president of the Off-Road Products Division for Bridgestone Firestone North American Tire, which I will refer to in this brief as BFNT, Bridgestone Firestone North American Tire.

I joined Firestone as a management trainee in 1971. I've been working for Firestone and BFNT for the past 36 years, including foreign assignments living overseas from 1977 to 1994.

I have been involved in the OTR business since 1994 upon returning to the United States. I became president of Firestone Agricultural Tire in 2000 and president of BFNT's Off-Road Products Division in 2003. BFNT strongly supports the antidumping and countervailing duty petition against OTR tires from China.

Our company has more than a century of experience in the tire industry. The Firestone Rubber & Tire Company began operations in 1900 to supply tires to Henry Ford's first automobiles.

Over the past 100 years, Firestone has been an innovator in the development of new tire designs and application. This is specifically true for agricultural products. Harvey Firestone invented the farm tire in 1933, and we've been consistently working on those products.

Bridgestone began operations over 70 years ago in Japan. In 1988, Bridgestone Corporation acquired Firestone and established its North American headquarters in Nashville, Tennessee.

BFNT produces tires covered by this investigation at plants also located in Des Moines, Iowa, plus Bloomington, Illinois. We employ approximately 2,000 workers at these two plants. We produce the full range of OTR tires covered by the petition.

In fact, our Des Moines facility is one of the largest agricultural tire plants in the world. It is dedicated 100 percent to agriculture, forestry and industrial tires. All of the OTR tires produced in Des Moines are sold under the Firestone brand. OTR tires made in Bloomington are sold under both the Firestone and the Bridgestone brands.

We have invested tens of millions of dollars in recent years to improve our cost structure and productivity and lower our conversion cost to drive cost down in producing OTR tires. Millions of dollars. In fact, almost hundreds of millions.

We have also been aggressive in developing new product designs. We introduce a new design in OTR at least one a year. Demand for OTR tires is cyclical and normally tracks trends in U.S. farming and mining sectors with sales increasing as farm economy and commodity prices increase.

Since 2004, demand for OTR tires has been

strong due to rising farm income and high commodity prices for oil, copper, iron, gold and silver. However, BFNT has not enjoyed increasing sales of OTR tires during this period of strong demand. Instead, we have experienced declining sales and production in a growing U.S. market due to the adverse impact of dumped and subsidized OTR tires from China.

Increasing imports of low-priced tires from China have fundamentally changed the U.S. OTR tire market and threaten our continued ability to manufacture OTR tires in the United States.

The Chinese producers have penetrated our market by targeting the highest volume tires that have been our bread and butter. They have not penetrated the U.S. market by offering new and better tire designs. Instead, they have offered comparable tires at much lower prices. Generally the Chinese tires undersell domestic tires by as much as 30 percent or more.

The tires imported from China are in many cases copies from proprietary designs developed by Firestone and other U.S. producers. Chinese manufacturers are copying both our tire designs and our marketing materials in order to take advantage of Firestone's reputation in the marketplace.

This activity enables Chinese producers to market and sell imported tires in direct competition with U.S. produced tires. For the highest volume in the most competitive segment, Chinese manufacturers are claiming to offer identical products at significantly lower prices.

Here are some of the examples that I gave you: Exhibit 1 shows a standard traction field and road Firestone bias farm tire.

Exhibit 2 is a U.S. dealer price sheet offering a Chinese tire that looks like Firestone traction field and road, printed advertising. A very bold statement is very accurate.

Exhibit 3 is a picture of a Chinese tire that copies the tread design of our traction field and road farm tire. The picture was taken at our Columbiana test center.

Finally, Exhibit 4 is a larger shipper data sheet which displays a Chinese copy of our Firestone traction field and road and identifies the Firestone traction field and road as a comparable brand. The data sheet also copies word for word off our website our marketing brief.

As a result of the low-priced imports from China, we have experienced substantial off sales to

original equipment manufacturers and the replacement market. We see customers making their purchasing decisions based on price, and it is impossible for us to meet the price levels of imports from China.

I have seen Chinese copies of our tires stacked at the sites of our customer locations. Our sales data show that these customers are increasingly replacing our product with imports from China. More detailed information is provided in our response to the domestic producers' questionnaire.

As a result of these lost sales, BFNT has been forced to cut production of many of our high volume tire models. For example, we have been forced to sharply reduce our production of small-bias farm tires, including the examples I showed you.

As a consequence of reducing production runs in these high volume tires, our costs have increased significantly as we are forced to allocate cost over smaller and smaller production runs. In addition, our low capacity utilization results in higher per unit fixed cost on all tires we produce.

At our Des Moines plant, we normally shut down for maintenance two weeks per year. Due to the lack of demand and increase in inventories, we were forced to shut down for an additional 14 production

days in 2006 and for an extra six production days in January of this year.

These unscheduled shutdowns were only necessary because we lost substantial sales to Chinese imports. Each day of unscheduled shutdown costs us hundreds of thousands of dollars.

Up to this point, BFNT has maintained its policy of not laying off workers, given the difficulty of preserving the skilled labor force at our plant locations in Des Moines and Bloomington. Instead, we have used normal attrition to reduce employment in line with decreasing production.

This important policy is under serious threat as a result of unfair imports from China. In any event -- in any event -- we should be adding employment at these two facilities given the recent period of strong demand.

The unfair low prices from China have caused us to suffer lost sales, market share and production. It has also forced us to reduce prices and to forego price increases to cover the increasing cost of raw materials. Not labor costs. Raw materials.

Since 2004, we have experienced a 40 percent increase in raw material and energy costs, not counting 2007. BFNT sources its raw materials

globally and can leverage its buying power to obtain the lowest prices available anywhere in the world.

Chinese manufacturers obtain their raw materials from the same global sources, but they do not raise their prices to account for increases in material costs. They clearly do not price their tires based on raw material costs in market economy countries. In fact, I have seen Chinese copies of our tires sold for less than our cost of manufacturing.

The combination of the adverse impact of lost sales and output and the inability to raise prices to cover high material cost has had a serious negative impact on our bottom line. In essence, we have been faced with two choices: Raise your prices and lose sales to the cheaper Chinese tires or forego price increases to avoid losing more sales to the Chinese tires. We have been forced to do both. The adverse impact on our profits is reflected in our response in our questionnaire.

In conclusion, dumped and subsidized imports from China have substantially harmed U.S. OTR operations. We have spent tens of millions of dollars to increase our productivity, to lower our cost of production. We have been leaders in product innovation and design. We have state-of-the-art

manufacturing facilities and a highly skilled labor force, but we cannot compete with unfairly priced imports from China.

I urge the Commission to remedy these unfair trade practices to help save our U.S. plants and thousands of jobs in Iowa and Illinois.

Thank you.

MR. PENSLER: Good morning. My name is Sandy Pensler, and I'm the chairman and majority owner of Denman Tire.

Denman Tire is a U.S. manufacturer of OTR tires, as well as other specialty tires. It has been in existence for approximately 90 years. During that time we have learned and built OTR tires of a variety of types and gone down the learning curve and produced them quite efficiently.

Over the last five years, however, Denman has lost substantial amounts of business and market share in the OTR arena primarily to Chinese tires. Our prices with all our major OTR customers have been dropped dramatically to meet Chinese pricing, almost to a customer. Our pricing is now at negative margins. Positive contribution margins or else we would not keep it, but at negative margins in the OTR area.

The result of this shift over the last five years has led us to a variety of actions. First, we laid off a variety of a fair amount of our workers, like an entire shift of our workers at the Denman plant.

Second, we did a restructuring with the union of our costs. We recently had to reopen our contract because of losses and change our union and employee benefit costs.

While we continue to invest in new lines, we have reduced investment from the amount which we would do if the pricing from Chinese tires was not depressing the marketplace, particularly in the OTR arena.

For example, the other strategy that we have done is if you can't beat them, sometimes join them, so we have begun to import tires from China as well in the OTR arena. Why? Because we cannot manufacture them, even spreading our fixed costs over the existing base, at the same price that we can purchase them from China.

We have begun to bring in a variety of OTR tires, again because we cannot manufacture them -- I think it's an important point -- with a positive contribution margin at all at the prices that we buy

them. Sometimes we receive pricing that is below our material cost from the Chinese producers landed at our warehouse in Ohio.

We were on both sides, as I've told you. We've begun to import. I think that's true of even the Petitioner who imports some specialty trailer tires. We'd like to argue here and ask you to enlarge the scope to a like tire, specialty trailer tires, made in the same plants as the agricultural equipment, the same physical characteristics, same processes, same channels of distribution, same customers.

In fact, many of the specialty trailer tires go on farm implements. This weekend I was at a farm and saw our specialty trailer tires which had substituted for some free-rolling wagons carrying hay and had been placed on those tires, so I think it's in the same usage.

They're in the same plants and suffering from all the same economic characteristics that are bringing the Petitioner and others here to support it. It is fairly narrow and a small group of specialty trailer tires, but it is not small to Denman, and it has been severely impacted by subsidized and low-priced Chinese products.

Again, we are looking at importing those.

We have received pricing at below our material cost. It's the best economic move for us to continue to manufacture them at Denman. We are considering that. That largely depends somewhat on the outcome here.

We have shrunk Denman. We do not wish to continue to lose jobs at Denman. We have second and third generation hardworking people at Denman. We would like to keep the jobs there.

In summary, Denman had been a financially strong company during the 10 years of my ownership. The last couple of years, primarily because of these pricing points, it has lost its profitability and gone into losses.

We have received new financing, but we have not been able to do the investments and expansion here in the United States that we would like to do because of the competitive situation.

I'd be happy to answer questions subsequently in the hearing. Thank you.

MR. DORN: Mr. Carpenter, Joe Dorn with King & Spalding. I'll just ask that the four exhibits referred to by Mr. Burchfield in his testimony be attached to the transcript as hearing exhibits.

MR. CARPENTER: Yes, Mr. Dorn. As a matter of fact, we will attach Titan's slides and Firestone's

slides as Exhibits 1 and 2 to the transcript.

MR. STEWART: Mr. Carpenter, that completes our direct testimony this morning.

MR. CARPENTER: Okay. Thank you very much.

I just wanted to start by going back to something you mentioned, Mr. Pensler. If I heard you correctly, you were talking about the specialty trailer tires that you wanted to expand the scope to include those tires.

MR. PENSLER: Yes, sir. We believe they are like tires as the definition that I read in the petition, that they are used frequently on the farms on hay wagons and other free rolling wagons, and we believe that those should be included in the petition as well.

MR. CARPENTER: Okay. I'll ask counsel to help out here. Have you made that request to the Department of Commerce?

MR. PENSLER: No.

MR. STEWART: It has not been made to the Department of Commerce. This is Mr. Pensler's view as to what he would prefer to see the petition cover. It's not what the petition covers and it's not --

MR. PENSLER: This is not a request of the Petitioner.

MR. CARPENTER: Okay. I see.

MR. PENSLER: The Petitioner imports those from China.

MR. CARPENTER: Okay.

MR. DORN: And Bridgestone Firestone would disagree with that suggestion.

MR. CARPENTER: Okay.

MR. DORN: We would keep the scope as is and the like product as defined by the Petitioner.

MR. CARPENTER: Okay. I think there may be more questions along those lines, but we'll leave it at that for right now.

Okay. Thank you very much, gentlemen, for your testimony. It was very helpful.

I think we'll begin the questions this morning with Ms. Lo, the investigator.

MS. LO: Hello. Thank you for coming. I am hoping to understand the bigger picture of the tire market starting with approximately how much the OTR tires account for in the overall tire market and then specifically how much subject tires are part of the overall tire market.

MR. STEWART: We can ask the witnesses if they know.

I think part of the issue in terms of the

size of the OTR market is that the information is not the type of information that you would have seen in the petition which comes from the tire dealer, but perhaps the folks from Bridgestone Firestone, since they're in both the overall market, as well as in the OTR market, may have a view as to what the size is.

We'd be happy to supply that in a posthearing brief, but the OTR and certain portions of OTR, certain OTR, is a significant piece of OTR. It's a small piece of the overall tire business based on passenger tires, truck tires, et cetera.

MR. BURCHFIELD: It's a very good question, and a very difficult question. Our company represents roughly, including the products that are not included in the petition in a dollar sense, and it's hard to compare units because the industry goes from a 15 pound tire to a 15,000 pound tire so it's very difficult to compare units, but in dollar terms we would be 10 to 12 percent of our company's business, okay?

Now, we would be a very strong player in that business. So maybe the industry for this product for all of tires in the United States would be reflective of that 10 to 12 percent. We can give you more exact information in the unit and dollar basis.

I do feel that dollars have more relevance in some cases than units.

So we're not talking necessarily about a very large segment like the truck tire business, but what you're talking about is a very specific niche business that has come down to a minority of players left in the United States. There was a time when I started in this career before I went overseas where we had multiple producers of agricultural tires.

Every one of the existing companies are out of business except for Titan, Denman, us, our friends in Pennsylvania, the small players, so there's very few of us that are left in manufacturing. The range and scope of the product is very unique as well. It goes from a trailer tire all the way up to a giant loader tire that's used in a mining or a quarry application or to broad point farming for the midwest.

So we could give you exact information, but I would guess it's going to be anywhere between 12 and 15 percent of the domestic market.

MR. VASICHEK: I'll agree with Ralph on that. Certainly with my history back with the Goodyear Tire & Rubber Company it was actually even less than that, so I would say roughly in the 10 percent range of the overall market.

MS. LO: And that's OTR tires alone?

MR. VASICHEK: Yes. Correct.

MS. LO: In terms of subject OTR tires could you give me a little bit of --

MR. VASICHEK: I'm actually talking to the subject OTR tires, but my experience in my previous employment had both the agricultural and the off road tires or total off road tire segment, and that segment within that business with the North America tire ran roughly between eight to 10 percent of the business. Within the large manufacturers, and as Ralph said OTR tires are really a niche business, within Goodyear or Firestone they are one of the smaller portions of it.

It's really a niche. To his point, I started with Goodyear 20 years ago and I go back even before that. My family farmed and still farms, and 20 odd years ago there were many domestic producers in agricultural and specialty tires in the United States and off road tires, and now it's really just coming down to a handful. The pressures are mounting every day.

MR. PENSLER: I'm sorry, Joanna. Were you asking what percentage of OTR tires are in the subject category?

MS. LO: Exactly. And related to that I

think it might be helpful -- Mr. Hawkins had testified that Titan offers over 3,000 SKUs of OTR tires and those go up to 72 inches in diameter, correct? So out of that, since this book only covers up to 52 there's no way to --

MR. STEWART: The petition covers all sizes in the Ag. It is only in what we call the supersized earth moving tires that they are excluded after 39 and above. You had asked two questions. One question was what percent do OTR account of total tires, and the answers that you have heard from the gentlemen go to that, somewhere between 8 and 12 percent.

The second question is what percentage certain OTRs, and from a SKU basis, I believe it's fair to say that the vast majority of the SKUs that Titan produces, probably north of 90 percent are certain OTRs, so there's a very small group of SKUs that are not covered if you will. In terms of volume between certain OTRs and total OTRs, your estimate for the industry might be welcome.

MR. BURCHFIELD: We would only be excluding maybe 3 percent, and again, on dollar basis, and those dollars would be very large, so they represent more in dollars than in actual units. So earthmover tires above 39 inch that are excluded would represent

probably three percent of our sales.

MR. VASICHEK: I'd agree with Mr. Burchfield.

MS. LO: Thank you. Well, related to that Mr. Pensler had mentioned that specialty trailer tires are not part of the scope. Are there any other OTR tires that are not part of the scope that are commonly sold in the market and also imported?

MR. STEWART: Well, the petition identifies what is excluded. There are a range of products which are not included including all terrain vehicle tires, lawn and garden tires and the very large earth moving tires. Those categories were all excluded from the scope as were the tires that Mr. Pensler described.

MS. LO: That's part of my question. If a tire is categorized as farming or agricultural but then it's also categorized as, for example, ATV but it can be used for both.

MR. STEWART: Well, customs rulings in the categories that we have, there are customs rulings that exclude both ATV and lawn and garden from the Ag and forestry categories that are there. The lawn and garden are not viewed as agricultural tires, and the ATV tires, at least the rulings we've seen, have been classified more as passenger car tires based on use,

but those tires are excluded from the scope that's in front of the Commerce Department.

Commerce of course has not yet initiated, but assuming they initiate along the scope that's been identified I believe those are the categories that are excluded. That would be considered off the road, which I understood to be your question.

MS. LO: I have another question on a different topic. You touched upon how quality standards may vary between imported tires versus domestically produced tires. Could you explain how quality standards are determined in this market? Are there different grades for the same tire? Any kind of distinctions?

MR. VASICHEK: I could answer the quality issues. Each company, each manufacturer, has set quality standards that they have for replacement and OEM customers. Also, they have to be ISO-certified. The standards of our product we feel are the finest in the industry along with as far as our domestic competitors also make a fine quality product, and I appreciate them being here.

The product that does come over from China at the rapid pace that it has been moving in there, it is perceived to have quality, but if you look at

prices and you look at a copy of a product that's being sold as a same product referencing another brand at a much depressed price it makes it very difficult to grow the business.

MS. LO: Okay. Thank you.

MR. BURCHFIELD: Just a quick comment. The utilization or the application of the product is not similar to a passenger car that has heat, speed and handling characteristic of a product. We're not talking about a car, we're talking on a skid steer that is a piece of equipment used at a landscaper, or a farm, or in construction that literally scrubs off its tread, okay? So the usage is quick.

The other issue would be on a farm where the hours at an average farm is anywhere between 300 and 500 hours. California might be 2,000 hours because of the type of application. These products mainly move slowly and they're used, and when they fail they usually fail either very quickly or they fail in about three years, okay?

So we're not saying that the quality of the product of the Chinese importer is a quality definition. It's not. Because I have to make a choice of putting something on a tractor that I'm not going to use everyday. And we're not talking about a

giant tire used at a quarry here, we're talking about I have to make a purchase decision based upon I know that this tractor, I'm only going to use it in Kentucky for 200 hours a year.

So that is a price decision more than a quality decision.

MS. LO: Thank you very much. I just have one more question on the change over of sizes that Mr. Kramer had touched upon in the plant production. If somebody could explain how long it takes to change from sizes to sizes, if it uses the same equipment and labor?

MR. KRAMER: Yes. Size change, it depends on which part of the factory you're trying to change, whether you're trying to change the molding area or the tire building area. The tire building area typically will change over quicker than the molding area depending on the size of the tire, but you can talk anywhere from four to eight hours just for a single size change from one size to another. Not uncommon at all in the industry.

MS. LO: So typically about four to eight hours?

MR. KRAMER: On the bigger sizes. I mean, you can do it in a couple of hours on the smaller

sizes.

MS. LO: So same equipment, same --

MR. KRAMER: Yes, and instead of people, you know, producing product you've got people dedicated to indirect labor that's not making any dollars for you. When you're forced to do a lot of that change over it's very inefficient for the factory. Well, we ran a record number last month of SKUs in Des Moines. I'm wondering how we did it, but we did.

MS. LO: Thank you.

MR. BURCHFIELD: I'll add something on capacities. You have a plant that has been historically making a product range, now, we've been adding products and taking products out, all right, so 65 percent of our plants' capacity are in the segment of bias tires, not radials, so sometimes it's impossible to change your capacity or make your changes.

For instance, if a tire is a tire that's aimed at a curing press at 45 inches and you want more 100 inch curing items, if you don't have more 100 inch curing presses and you have idle equipment in 45 inch capacity you can't convert it, you make it idle. You take those people, either lay them off or attrition that whole segment of business.

So what I'm saying is that there's 60 percent of the market that we need to preserve because we're not going to be like Europe and be a 90 percent radial market because historically the products that we use are aimed at the North American farm market, and their utilization and their application.

So when we lose long runs we have to go in and make size changes if possible or exit that business. That's the only choices we have.

MR. PENSLER: A little more elaboration on the change over cost. As Jeff said when you have a change over you're changing out a mold. You've got idle machinery plus you've got direct labor and indirect labor depending on how the plant's set up that is going to the change over that is an extra cost, so you are trying to always if possible it is much more efficient to do long runs.

As your share declines the cost per unit goes up because you have to change from SKU to SKU more frequently, so that's where the hit comes is it increases your costs through both the capital cost if you have any left on your equipment as well as indirect and direct labor from the increased change overs.

MR. HOFMASTER: If I could add a little bit

from the perspective of a worker in the plant. One of the best examples I have is what's referred to as an R-1050 tire. It's a skid steer tire that's covered under the scope of this proceeding. We used to run 12 molds of that code in the tire plant and 12 molds takes so much of each equipment behind that process to supply that green tire that mold.

You have as you've seen in the presentation many different categories in the plant, Banbury mixing, pounder, and when we were running 12 molds we had two tire machines designated to build that tire. We would run bands where the production process builds the bands for that, and you would have large runs of 80 to 120 bands at a time.

During those runs there's no down time, no change overs taking place. So when we took 12 molds out -- we took 10 molds out, we're down to two molds of that tire right now. We took 10 molds out. Those two tire machines that were designated for that code now have three or four different tires running on it, so they might run six hours, change over, and that tire machine takes two hours to change over.

Band tables now have 30 bands runs. So it affects the process from one end to the other which obviously affects majorly the labor cost. One other

detriment to many change overs like that is in material costs and scrap costs because whenever you change over a process that does create some complications and adjustments to be made for it to run properly, so it not only adds to labor costs but material costs.

That 1070, that tire that I was talking about, was our bread and butter of the plant. Where we've lost that tire it totally affects the process and the earning ability of that company.

MS. LO: Thank you. That's very helpful. I'm done with questions for now. Thank you.

MR. CARPENTER: Rhonda Hughes, the attorney advisor.

MS. HUGHES: Good morning. Let me first state, and this applies to the Respondents as well, that I haven't seen the questionnaire responses, so please bear with me if I ask you something you've already provided, and just tell me that you've done that and I'll move on. I have no idea what these various tires are, and I'm assuming that most of the Commission probably doesn't either.

The pictures that were supplied with the slides I think are very helpful to me and would probably be so to the Commission as well. The second

supplemental questionnaire document referred to different types of the equipment such as the skid steer, mini loaders, you've talked about the counterbalance lift trucks, et cetera.

To the extent that we don't have these pictures in the slides could you provide them as an attachment or something to your brief?

MR. STEWART: Of course. We'd be pleased to do that.

MS. HUGHES: Maybe the tires like you had with the slides. I think that would be very helpful. Certainly it's going to get me into the next topic, which is the like product, and trying to get a handle on that because obviously there's this big universe of these tires out here, and it's more than a little confusing.

In the amended scope that you provided we've got some discussion of agricultural. It seemed to me there were maybe three general breakdowns, agricultural, construction and industrial, but they seem to have gotten messed a little bit with today's presentation, maybe agricultural, I think construction was also with /industrial or something like that, and maybe these categories aren't as well-defined as maybe I think they are.

Then there's a mention of earth moving, which I don't know if that's just agricultural or whatever. Could somebody explain this a little bit more for me?

MR. HAWKINS: The off the road tires we're including here are if we break them down by category agricultural type things I think are probably readily apparent. It's things that are used on farm equipment, both implement and sort of tractor type applications. Earth mover is sort of a category within the industry.

The RMA, Rubber Manufacturers Association, breaks it down by earth movers. Basically it's the very large loaders and haul trucks that you might see at mine sites, or building roads, or building dams. Very large haul trucks, and the loaders that take the dirt and put them in the haul trucks and the haul trucks that haul it away.

Probably the last category is a little more confusing. It's sort of the industrial construction category. That's really a universe of just about all the other special pieces of equipment that you might find in an industrial setting. It would include things like tow motors that you might see in a warehouse, the equipment at a port that will move the

containers off a ship and then load them onto the trucks.

It would include bobcats, you know, that you'll see at just about any kind of local construction site. The small things that you'll see around Washington where they're moving the sand to make concrete on a construction site. So it's kind of a catch all of all the other things. What they kind of all have in common is you will see them, they're used in an off road application which means you won't see them on a highway like a car or a truck tire.

They're used to move and haul materials around all these various sites. Is that somehow helpful I hope?

MS. HUGHES: Yes, it is. Being that the tires go from eight inches to 54 inches, is there any size breakdown within these categories? Are the agricultural tires, for instance, just within one subset in terms of size, or would they run the gamut? Is there any overlap between these categories?

MR. HAWKINS: That's kind of a rough category, but the agricultural probably runs the widest gamut as far as rim diameters, eight inches to 72 I think is the widest. I think the earth movers would probably be the next widest maybe starting at 20

inch up to a 39, and then the industrial are more I think focused on the smaller 20 inch rim diameters and so forth.

I think we could probably provide, you know, if you wanted to see it a pretty detailed breakdown of all of the rim diameters available.

MR. STEWART: The testimony also I believe shows us that within these categories what is covered in the petition to the extent that there are sizes for industrial, or construction, or earth moving, or agriculture that they can be made interchangeably in the plants on the equipment. The reason for the exclusion of the super large earth moving tires, mining tires, is that's not true for them.

That's where there have been significant shortages in the marketplace that you'll undoubtedly hear about this afternoon. That's exactly because you can't simply shift them on to the other equipment to have that. So the coverage is intended to deal with the products that are made in the same facilities that move through the same channels. Within any of these categories if you have the same or similar size ranges then you will have substantial overlap.

That is the case. The scope indicates that most tires are in the eight to 54, which is a number

you use, but the scope language doesn't exclude farm tires that are above 54. As the testimony this morning went through, at least in Titan's case, they produce up to 72 inch with regard to their Ag tires.

MS. HUGHES: Okay. The scope also excludes the tires used for mining and construction that are, what, 39 to 54 inches in size. Can you explain why that particular type of tire is left out?

MR. STELTMANN: Dan Steltmann of Titan Tire. Yes. The tires that are 39 inches and above on the earth mover side of this are outside the scope because they do require special equipment to build them first in the building machine, but also, especially in the curing equipment. They can no longer fit in the 100 inch press and require special pot heaters. There's a distinct line there.

MS. HUGHES: So they're made in different manufacturing facilities than the others?

MR. STELTMANN: Well, we've got 100 inch presses in all three of our manufacturing facilities, but only one of these manufacturing facilities have the giant pot heaters which are required to build these large tires. Of course their sizes are a lot larger than the cured tires that are included, but it is really the curing and the building machinery that

is required that makes them different.

MS. HUGHES: Is there keen Chinese competition with those tires?

MR. STELTMANN: They do import all the way up through the 57 inch in the earth moving but haven't affected the market as it is in the smaller sizes.

MS. HUGHES: Okay. Well, let me ask counsel, how would you have the Commission determine which is the like product or like products?

MR. STEWART: Well, as the Commission staff normally do you start with the scope and look to see what is identical or similar. There are identical products to what is included in the scope. There are reasons for why Product A, or Product B, or Product C was not included in the scope, but your starting point obviously is what the scope is and what the domestic industry produces, whether it produces the same item.

Because as you go through the criteria, whether it's the physical characteristics, whether it's the plants, and equipment and the workers, whether it's the channel of distribution, whether it's the relative price, all of the items that are covered in the scope are viewed by Petitioners as a single like product.

While there is a continuum of sizes from

small to large it is also true that for any particular size if there is an industrial, construction, earthmoving, farm application, you will have products that are similar in design. In fact, they may have the same casing with simply a different tread design on that, I think that's correct, and so we believe that there is a single like product.

And while we're pleased and happy to go through any of the like product issues here in more detail, we're also happy to address them step by step in postconference briefing.

MS. HUGHES: Well, I just mainly wanted to get it out today whether you thought there was one like product, and apparently it's on the basis of the continuum.

Now, Mr. Pensler, was it who had said if I understand you don't want to amend the scope, you just want the Commission to include as like product the specialty trailer tires. Is that correct?

MR. PENSLER: Correct.

MS. HUGHES: Okay. Well, before you go on could I get Mr. Stewart's opinion on --

MR. STEWART: Just so I think the Commission staff is clear I believe Mr. Pensler is hoping that the scope of the petition would be modified, which it

is not going to be modified by the Petitioners. I'm not sure he understands the ramifications if it's included. Like products are not included in the scope.

MS. HUGHES: Okay.

MR. STEWART: His desire is to see it part of the scope. You've heard both from us and from other domestics that there's not that support to do that. I'm happy to have him answer in terms of what he would like to see, but it's not part of the scope and it's not going to be part of the scope at least in terms of what the Petitioners put forward.

MS. HUGHES: Okay. Would you have the Commission determine that it should expand the definition of a like product to include those specialty tires?

MR. STEWART: We don't believe that any of the items that are excluded should be included as to the like product. As Mr. Pensler indicated, it is not a large category, so the reality would be it would make very little difference one way or the other in terms of the Commission's analysis at the end of the day.

We will present in our postconference brief our analysis of the six factors, but we don't believe

it or any of the other excluded items should be considered part of the like product for purposes of this preliminary determination.

MS. HUGHES: Okay. Great. Thanks.

Mr. Pensler, to the extent that you believe to the contrary in your postconference brief if you could explain using the Commission's six factors why you believe that the Commission should do that?

MR. PENSLER: Yes. Thank you.

MS. HUGHES: Thank you. Okay. There is some talk of the OEM market versus the replacement market, and obviously, they operate at least a little differently. Are the tires manufactured for the OEM market actually different than the tires manufactured for the replacement market? Not the same tires? Okay.

MR. STEWART: You would appreciate, Ms. Hughes, that in the type of equipment you're talking about, particularly whether it be on farms or factories, that the equipment lasts a long time.

MS. HUGHES: Yes.

MR. STEWART: And so not surprisingly there is a significant size of replacement market versus the OEM market, and so the two-thirds figure that came out of *Tire Dealer* magazine for the 2005 time period is I

believe a reasonable rule of thumb as to the split. For an OEM producer or a replacement producer you're shooting for the same market. You produce the item to inventory and sell to both.

MS. HUGHES: Okay. Great. In your postconference brief could you also explain what you believe to be the pertinent conditions of competition relevant to the industry, or you could state so here if it's easier.

MR. STEWART: Pleased to do it in postconference, ma'am.

MS. HUGHES: All right. Is there any business cycle? Understandably, I get that depending how the farm sector is doing there might be more purchase of equipment and thus tires, but beyond that, you know, maybe if there's more construction is that a high or something like that? Is that the way the cycle works?

MR. HAWKINS: Yes, there's definitely a cycle to the business. I think Mr. Burchfield mentioned it with respect to Bridgestone, and I think we would have to agree. The last high point in the cycle was 1999. The business was kind of on a downward trend through 2003, then somewhere in the late summer of 2003 the cycle has changed and we've

been on an up cycle pretty much since then.

It's pretty much tied to the agricultural and the commodity cycles.

MS. HUGHES: Okay. Thank you. It's obvious from your testimony that you maintain the U.S. is an increasingly attractive market for China. Why is that?

MR. HAWKINS: In my opinion there's a couple of things. Several of our competitors have production capacity in Europe and Asia and there are strong markets there, I think especially in Asia in the mining business. I think a fair amount of their tires go there, which I think made the U.S. market somewhat attracted to Chinese people here.

MR. VASICHEK: Let me add to that, Paul. Certainly on some of the items that we were talking about with our bread and butter like Mr. Burchfield talked about and the small cross-section bias, that's been part of the family farms for 60, 70 years where there's a high population of replacement product out there. That's what was attacked at first, the 11-L-15s, 12-424s, those types of sizes, and so that population was there for excess.

MR. BURCHFIELD: The world's largest agricultural market is the United States, second in

North America would be Canada, so North America is the world's largest agricultural market in sizes of units, and sizes of farms and number of pieces of equipment. It's not uncommon for one farm to have 13 pieces of equipment. So you have a multiplexity within your facilities to support those products.

The products last forever, and the equipment lasts forever and your product SKUs get bigger and bigger as you try to keep at base. So it is the most attractive market to come after. The Europeans produce more radials than bias, so for them to come over here they don't have the product range. So it's quite easy to attack 10 to 20 sizes in this market and get a foothold without supporting the whole industry.

MS. HUGHES: Okay. What about the industrial aspect of the market? Does the U.S. have the edge in that as well?

MR. VASICHEK: I can certainly answer that, too, as far as when it goes to up. I'll call them skid steers but everybody thinks of Bobcat since Bobcat is really the one that started the whole system, but if you look on the industrial side with skid steer motors with the boom of construction, which has gone back somewhat, but those tires all are predominantly bias.

They're predominantly two sizes, 10-16-512, 16-5. Very easy to manufacture, can do very long runs on it. If anything, we've probably felt that pressure on that segment as strongly as we have on all parts of the OTR business.

MS. HUGHES: Okay. There's been mention that raw material costs are increasing. This is something that I suspect that you probably are providing in the questionnaire responses. Have you broken down like which raw material costs are increasing and to what extent, over what period of time? Okay. All right. Thanks.

MR. DORN: I believe there is a line item in the financial section of the questionnaire for raw material costs, and of course we provided that.

MS. HUGHES: Okay. I'm thinking more of a breakdown since there obviously is more than just rubber involved. I don't know how detailed the questionnaire asked for the information. If you don't have it you don't have it, but if you could just give us some kind of overall idea of which costs are increasing more.

MR. BURCHFIELD: I can give you the trend by every type of material for the last 10 years if you want it. I live this every day, all right? In fact,

I'm afraid to open up a newspaper to see what the trends are these days, but yes, we have that in it. Material cost is now for the agricultural segment alone not counting the Bloomington plant roughly approaching 58 percent of our total cost.

Labor cost now in our facility is down to 25 percent.

MS. HUGHES: Okay. Would this be typical of the industry? Yes? Okay.

MR. SALONEN: Yes, and we can also address that in further detail in the postconference.

MS. HUGHES: Okay. Thank you. There was also a mention that there are a number of customers that are shifting purchases to China. If you could just give us an idea in the postconference brief just how extensive that is if you haven't already done that in the questionnaires as well.

MR. SALONEN: We actually provided a fairly detailed list in Exhibit 16 to the petition.

MS. HUGHES: Okay. I don't recall, did that have dollar amounts attached to it as well as names?

MR. SALONEN: I have to go back and recheck.

MS. HUGHES: Okay. All right. There was a statement that the imports of the larger size tires are among the most rapidly growing. Which sizes are

we talking about there?

MR. STEWART: The import category does it for 25 inch and above. That's the break point in import statistics. That would include product both that's covered, and it would include product that is excluded since there is only a single category for the industrial run large size tires. So we don't have from import statistics a breakout of which portion of those would be excluded. But that's the size break on the import stats.

MS. HUGHES: Okay. Thanks. Now Mr. Burchfield I think had mentioned unscheduled shutdowns that had occurred tacked onto your maintenance times. Have any other members of your industry experienced the same sort of thing?

MALE VOICE: Yes, we have.

MS. HUGHES: Okay. Could you explain further in the postconference brief to what extent you've experienced that?

And is this just this year, Mr. Burchfield, or over the last year, or is it something that's been recurring and is becoming common?

MR. BURCHFIELD: Let's hope it's not common. 1999, 2000, the industry suffered a recession, and we had to lay off roughly about 250 employees. So that

was more dramatic than just taking weekends out and days out. The 16 days did not reflect the reduction of the production, it just reflected the fact that we took production down completely to zero, okay?

We probably should add to you how much we took production down to keep people employed. That's important because once we lay off somebody they'll stay on a list, but in Des Moines and Bloomington they might get a job someplace, in some cases they won't, because if they're a skilled tire person there isn't a skill set that they can take that skill set to, especially if they're a tire builder. There's nothing they can do.

They can paint houses. But we need them, so we train them, develop them, educate them. We have to keep them. We just can't afford to lose them. You either have to exit the business or you have to keep the employee there.

MS. HUGHES: Okay. Thank you.

MR. HOFMASTER: In 1999 we also realized a lay off where 750 people were laid off. We were at 750 employment then it was down to 1,000 then after that lay off. Several of our members through the Trade Act received some training, got into some other opportunities. Currently we still have 200 on lay

off, and that's not to say that we've called back 550.

The number is probably about 200, maybe 250, because about 50 percent realize other opportunities and know that the recall may be up and down and may come back for four months, which has been the practice. Four or five months they give us a job that they acquired, come back to work and then go back out and don't have that job.

So some of them have not returned, but we still have 200 on lay off. So it started in 1999 and progressed since then.

MR. HAWKINS: I think it's kind of important to note that in 1999 through 2003 we were kind of on a down cycle down in the industry. I mean, these lay offs were caused by conditions in the industry generally. Right now what you're seeing is even though the market's fair price is pretty strong you're having lay offs. I think that's kind of a result of the increased tires coming in and not the economic conditions.

MS. HUGHES: Okay. Thank you. Mr. Pensler had mentioned that he's importing subject merchandise basically. Is this sort of a business decision that it's just going to go on until whenever? Until the situation changes?

MR. PENSLER: In business to make money. We couldn't make money with those tires when we manufactured them, we could make money by importing them. If we could make more -- every tire that we import at the moment we would prefer to manufacture internally to them.

MS. HUGHES: And you're capable of manufacturing them?

MR. PENSLER: We have capabilities to manufacture. There is a new line we are bringing in that we did not go ahead with the capital plan, but we would have needed to add it and we will bringing that line in as well.

MS. HUGHES: Okay. So this isn't just a one time decision to satisfy a particular customer or anything? It's ongoing?

MR. PENSLER: No, this is not to satisfy a single customer. This is an observation of the market and a reaction to where it sits at the moment.

MS. HUGHES: Okay. Are other producers experiencing the same situation? To the extent you need to provide this in the postconference, please do so and elaborate.

MR. STEWART: We have information in the questionnaire to begin with, and if it's not covered

there we'll be happy to deal with it postconference.

MS. HUGHES: Okay. Thank you. Relative to Mr. Burchfield's comment that there wasn't a quality decision made with respect to certain tires is quality not a very important factor in purchasing decisions to the extent you know?

MR. BURCHFIELD: No. I would have to say that was not my intention.

MS. HUGHES: Okay.

MR. BURCHFIELD: For our brand we have a very strong reputation for quality, and we charge a premium for our product. That is not a problem. We're not saying that we won't continue to charge a premium. But when the differential is up to 50 percent between your product and another product the quality perception of the product is only one purchase issue, if the cheaper product is okay for the use it's going to be going on, and at that price a dealer cannot afford not to buy it.

The point that was being made is that in a distributor's network a distributor will say I'll buy this tire because Joe distributor in my same area may buy that product. So, yes, Firestone will sell you at a premium brand, and by the way, when someone calls in at a dealership going to a distributor saying now I've

got the Chinese product for *X* and I've got Firestone at 2X, the guy says give me the Chinese tire.

MS. HUGHES: Okay. All right.

MR. PENSLER: And I would say frankly that Denman is probably hurt more by that than Firestone even. We would get replaced as being a nonslags carrier. Denman has a good brand and a good reputation for quality, but the brand is not nearly as strong as Goodyear or Firestone, and we would frequently be replaced by the Chinese product.

There is variability I would say in quality, also. There was a sense that all the Chinese quality is good. Not the case. Some is, and some of the people that bring in good quality are here, some is not. So there is some meaningful variability coming from the facilities in China.

MS. HUGHES: Okay. Do the nonsubject tires measure up more in terms of quality than the Chinese tires? No.

MR. PENSLER: No.

MR. STEWART: I'm not sure they understand the question, Ms. Hughes. You're talking about nonsubject being tires that might come in from Japan --

MS. HUGHES: From Japan, France or wherever,

yes.

MR. STEWART: The answer there would be yes because in many cases they are the big international brands, and so they are high quality products from operation Michelin out of France, Michelin out of Canada, Michelin --

MR. PENSLER: I'm sorry, I thought you were referring to the larger sizes where there's typically more problems.

MS. HUGHES: No. Different countries. Okay. All right. Mr. Burchfield also was explaining that it's not easy to change over in terms of production. In the postconference brief I guess if you could give, the various producers, more detailed information as to exactly what's involved in a change over in terms of the mechanics of it, the time, the costs, and changing back.

Maybe it's just the same costs again and the time, I don't know, maybe not. So if you could explain that a little better I'd appreciate it. Of course, if you could help the Commission by explaining what your take on the volume price and impact factors are it needs to consider in your postconference brief we'd appreciate that.

Also, analyze the threat factors that the

Commission has to consider. Believe it or not I have just one more question, and it's about the Bratsk v. Aluminum Smelter v. United States case. Well, two part question. Do you believe the OTR tires to be a commodity product?

MR. STEWART: The basic answer would be no.

MS. HUGHES: Okay. All right. So then you would take the Bratsk test not to apply I assume?

MR. STEWART: I think it doesn't apply both because the product itself is not a commodity and second, the nonsubject imports are not competitively priced vis-à-vis the Chinese for the exact reason we went through, that you have the large international global brands occupying the main positions, and they are priced comparably to where U.S. product would be.

There would be no incentive to shift from there as opposed to produce here for those types of products.

MS. HUGHES: Okay. Thank you very much, everybody.

MR. CARPENTER: Clark Workman.

MR. WORKMAN: Yes. I had a few questions. Now, if I understand rightly the Chinese product competes more heavily in the replacement market than the original equipment market. Is that correct?

MR. STEWART: That was not the testimony, Mr. Workman. It is certainly the case that they have gotten a large foothold in distribution and distribution for replacement is two-thirds of the market, but I believe in the case certainly of Titan and I believe also of Bridgestone Firestone there was indication that there was substantial loss on the upside as well.

MR. WORKMAN: I see. Well, are there some product areas where the Chinese product does not compete at the present time?

MR. STEWART: The answer to that would be sure. With 3,000 SKUs on a Pareto distribution analysis you would see that a handful of SKUs would account for the lion's share of the volume. That's true in OTR tires as it is true for almost any other product. The Chinese have come in after that. So there would undoubtedly be SKUs up and down the range that are small volume where there hasn't been significant competition.

MR. WORKMAN: Well, they tend to compete more in smaller tires, though, than in the larger tires. Is that correct? I know there has been some movement in the direction of the larger tires you said.

MR. STEWART: When you talk smaller tires you're basically talking tires that are under 25 inches in the frame, and the volume of tires that are consumed above that are also a much smaller number, so they've grown very rapidly in the other segment. They have perhaps less of a market share in that segment. They've been growing very rapidly there as well.

MR. WORKMAN: I wondered about pricing. You said the Chinese tires are quite a lot cheaper. Do tire warranties matter in this business? That is, are there cheaper tires that have shorter warranty periods or longer --

MR. VASICHEK: I think I can answer that one from the sales and marketing side. The warranties do matter. I would hope that the other manufacturers with me understand the competitive nature of the warranties. There are some warranties that I've read of, some Chinese exported product to the United States, that run a lifetime warranty as long as it has useable tread above 2/32nds.

Typically, the majors all run off either a year in tread depth warranty. After a certain period that warranty will expire. You'd be surprised that even on your car you've probably got a longer warranty on your tires on your car than the car itself.

MR. WORKMAN: Yes. Well, so there is some difference in the warranties?

MR. VASICHEK: Yes. Warranties are determined by each manufacturer.

MR. WORKMAN: Right. There's no difference really, though, in terms of it being shorter or longer, right?

MR. VASICHEK: It all depends on how they want to market it, but there are some manufacturers that will market a lifetime warranty as long as there's useable tread on that tire.

MR. WORKMAN: Okay. One other thing you were talking about, are there price points in this business? I know there are some domestic companies, you could just talk about the domestic companies, that are high end and then sort of a medium and lower cost. Is that really true?

MR. VASICHEK: That's true. Even in the OTR business and overall tire business there will be price points. There will be a one, two or maybe even third tier product. Certainly on some of the products we offer we have a tiered level form depending on the application and the customer that we're targeting, but there are some of these items that we're seeing that are coming in that as Mr. Pensler and Mr. Burchfield

have said are coming in below even our raw material costs.

I can't put that into a tier because I've got no idea what the hell I'd put it. That's the kind of pressure that we're hitting.

MR. BURCHFIELD: From another price point when the product that's coming in looks exactly like your product, in fact, you know, they've had to taken one of our existing products and remolded off of that and then sold it as our product and it said in places outside United States where we do compete saying that this is Firestone's Chinese brand.

It looked like your historical brand that you've been selling for 20 years. So we have to compete not only with the people across the room here, but we have to compete with our own product and it's sometimes 40 or 50 percent under our price. So, yes, there is a price point, but the price point is it doesn't do you any good to set a premium price if you can't even get the lowest price.

We have to live in this market. We set a premium price, we don't get it, we have to come back down. I have a plant to run. So even when we move down to those prices, like I said in my brief, even if we come down in price to keep from losing the share we

just lose more money.

MR. WORKMAN: Okay. One other thing. You were saying you have no serious price competition from any other source other than China, right? Japan or any of these others, they're not a problem, none of the other import sources? Okay. I have no other questions.

MR. CARPENTER: David Boyland, the auditor.

MR. BOYLAND: Good morning. Just a general question. In terms of manufacturing OTR tires is there a difference in the level of labor intensiveness as the size of the OTR tire increases?

MR. STELTMANN: Certainly. As the size of the OTR tire increases you generally will go from a single bead, to a twin bead, to a three bead construction or even to a four bead construction, all of which creates more processes internal to the plant both in the making bands component, making beads, as well as assembling them, as well as the curing of these tires will be dramatically longer.

It takes that much longer to heat a tire that's 12 inches thick versus three. So the costs will increase dramatically as the size goes up.

MR. BOYLAND: So in addition to the volume change overs it would be the case that in addition to

shorter production runs you also have actual higher costs with a tire?

MR. KRAMER: Yes. The size change over is one of the bigger issues that an off the road tire company is going to contend with versus say a passenger car that's going to make the same thing, you know, endlessly. When you're moving your direct labor to indirect processes, which is tooling issues, changing over from one size to another, you're spending that labor on things that really don't produce product and your costs really escalate when you start funneling more and more manpower into those.

Then as you size change you always have quality issues that you need to deal with as you're kind of getting it going so to speak.

MR. BOYLAND: In terms of the level of automation within each manufacturing facility is it generally the same for any diameter, it's just a matter of this issue of adding beads and higher direct labor costs? Is the process essentially the same for all diameters?

MR. STELTMANN: Not when you compare tires that are in the scope to tires that are out of the scope.

MR. BOYLAND: Okay. So that gets to this

other issue of a whole other process or facility?

MR. STELTMANN: Right. The tires that are outside of the scope will of course I mentioned require the additional curing equipment, the large pot heaters that aren't in our other three facilities or I believe in the Firestone plant in Des Moines. But the major differences are just the machinery required to support a tire that weighs 4,000 pounds as opposed to a tire that weighs let's say 1,200 pounds, you know, the bearings are bigger, the shafts are bigger.

Yes, you can use the large equipment to build a small tire but very inefficiently because it's got dedicated equipment.

MR. BOYLAND: And in terms of OTR within the scope do the U.S. production facilities all use the same manufacturing process or is there some differences in terms of the level of automation?

MR. BURCHFIELD: There are inherent differences based on culture, based on your technology, but overall the process is like we showed up there. It comes out of the, you know, Tire 101. Within that there's many different scopes. Our chemistry is very different than their chemistry, for instance, in the manufacturing of materials.

We have tire assembly equipment strategies

that are different, we build our bias tires differently to a point than they do, we build our radial tires differently but to a point than they do, and at the end of the day it comes out a bias tire and it comes out a radial tier, okay?

MR. BOYLAND: Okay. Do those differences relate to the level of automation or capital equipment? I mean, are there fundamental differences?

MR. BURCHFIELD: Let's just talk bias real quickly. Bias, what we have been doing as an industry, and that's probably why we're still in business, is we've been driving technology in an older segment of business to drive costs down. So we have done what they told you not to do at business school, do not capitalize in dead end markets, but when the market is 60 percent of your business you have no choice.

We've got a professor here. So the point is we have capitalized in these segments of business to drive down costs because if you don't address costs long-term you're out of business anyway. So we have done that, and I know Titan has done the same.

MR. BOYLAND: So within the industry when I'm looking at average costs I have to keep in mind that each company has differences in terms of the

automation level, of capital intensiveness? I mean, is that a fair statement to a point?

MR. PENSLER: Yes. I don't think the spread is the same as if, for example, if you were to look at a passenger tire where you could go into a passenger tire plant and see nobody touch it from the front until basically when it's coming off. All of us that are doing the OTR at least around this table, when you walk through the plant you would notices differences, but they would be smaller than huge qualitative changes.

It wouldn't be order of magnitude where one was all the way automated all the way through. There would be some pieces that were different, but if you walked into a passenger tire plant you'd go wow, this is different. It would not be that kind of qualitative difference.

MR. BOYLAND: Okay.

MR. STEWART: If I could just add one additional comment, Mr. Boyland, since your questions seem to go to what you would expect to see in questionnaire responses. As companies have evolved differently there also can be different cost structures because of those evolutions. The Commission has done lots of cases in steel, and

obviously when assets are coughed up either because companies are getting out of businesses where they go through bankruptcy you can change the structure of your costs by the acquisition of those types of assets, something that somebody who has been in the business and hasn't gone through that would not have reflected on their books and records.

MR. BOYLAND: Thank you very much. I have no further questions.

MR. CARPENTER: Ray Cantrell, the industry analyst.

MR. CANTRELL: Good morning. Thank you all for your testimony. I hope the corn is growing rapidly in Des Moines and other parts of the cornbelt. Good for Ag business I assume with record planted acreages. My job as the industry analyst is more technically-oriented, and my colleagues have asked a number of questions that I had intended to address.

Mine primarily start with the raw materials which I understand are pretty well-documented and addressed. I haven't seen the questionnaire responses, but it sounded like you've got a good breakdown of your raw materials. I just assume that there's more natural rubber going into the OTR tires than say passenger tires or perhaps truck and bus

tires?

MR. BURCHFIELD: For our chemistry, off-the-road products probably have twice as much of a percentage as a passenger tire. Passenger tires require certain heat differences and handling differences, wet weather traction, and they are very complicated product lines in the sense of compounding, whereas an off-road tire, like a giant tire or a tire that's used in Bloomington and in our ag. tires probably have a significant portion of natural rubber versus synthetic. We use both, of course.

MR. CANTRELL: And I believe the natural rubber is more expensive than --

MR. BURCHFIELD: -- it is today.

MR. CANTRELL: -- the synthetic.

MR. BURCHFIELD: Yes. It's gold.

MR. CANTRELL: Okay. So I think that probably takes care of the raw materials. Of course, I know you've got a lot of the covering black in there. You've got steel. On the radial side, do you have any steel plies in there, or is it --

MR. STELTMANN: -- or is it nylon? Most of the agricultural-type tires in the scope are nylon-ply tires, whereas the smaller, earth-moving tires, the 25-inch tires, would have a steel carcass ply.

MR. CANTRELL: Do you have steel belts in those tires?

MR. STELTMANN: We have steel belts in both ag. and the earth-moving tires, yes.

MR. CANTRELL: Okay. I also am required to do a description and uses, and I understand you mentioned the term "SKUs," which I take to be the number of different models and types of tires.

MR. STELTMANN: Yes. "Stock-keeping unit."

MR. CANTRELL: I wouldn't venture to guess how many, but there are several different models of tires. I think someone mentioned thousands of units, different types.

MR. STELTMANN: If you strictly talk size, yes, probably, but within internal to each size, you would have different ply ratings, the different carrying capacities. You can also have different options, as far as the tread compounding for certain applications, so the amount of SKUs goes up dramatically once you start making those differences.

MR. KRAMER: If you want to address that, what we're referring to is the number of catalog numbers that you would see in a combination of Titan, General, and Goodyear brands. There's going to be 3,000-plus different catalog numbers you could order,

and, as he said, one catalog number may be the same size as another one, just a higher ply rating.

MR. CANTRELL: Our time is limited, so anything that I bring up that you can address in post-conference, you know, if you could break these down into more simplistic categories. You mentioned there are probably a few major categories with subcategories.

MR. STEWART: We would be pleased to do that, Mr. Cantrell.

MR. CANTRELL: Okay. I see, as far as the production process, you gave us a nice diagram, which I hadn't seen, and it was referred to, I think, as "Production 101" on these tires. But I was just curious, if you go into a Titan plant or other plants, I mean, I guess you're looking at a number of production lines.

MR. KRAMER: Yes. I may be the unique one in the room, as I've had the privilege of working for 10 years for the competition, literally, at Bridgestone/Firestone, so I'm familiar with what they were doing 10 years ago, anyway.

Coming over to Titan, I know their processes, and then, further, we purchase Goodyear, so now I've seen all of the facilities, and they are all

very similar in the basic -- that diagram you have there would work for any of the facilities. You can get into all kinds of specialties and little quirks, but that flow diagram works very well for all.

MR. CANTRELL: Okay. You know, any additional detail you could give me in post-conference on the production process, I would be most appreciative because I'm required to describe that.

In the OTR manufacturing process, if you broke down, like, totally automated processes to semi-automated processes, I would assume you've got both, depending on the type of tire you're producing.

MR. KRAMER: In our industry, it's extremely difficult to automate completely because of the size changes. As you mentioned earlier, it's hard to get one machine to do everything, although we've done a very good job of a lot of the semi-automation, and I know that Firestone has as well. There are portions of it that you can get some labor out of, but it's not going to look anything like a passenger plant.

MR. CANTRELL: Uh-huh. Okay. So would this require more personnel, then?

MR. KRAMER: When we give plant tours, one thing that's very striking to most people is the amount of labor it takes to build big, off-road tires.

MR. CANTRELL: Uh-huh. Also, it's been mentioned that you're producing more bias tires than radial tires, which is counter to the passenger tire industry. What are the advantages of the bias tire in the OTR realm versus the radial?

MR. STELTMANN: The bias tires and radial tires are both designed to the same standard, as far as size. They are interchangeable, and the manufacturing process, at least in the case of Titan, is very similar. The first stage is you start building the tires. All of the processes upstream are all the same. There is only one additional stage that is used when you produce a radial tire.

But the biggest difference between a bias and a radial is the radial is just deemed to be superior in the customers' minds. They think they get better traction, which they do get better traction, but it's just a quality purchase and, therefore, can demand a higher price. The tires are very similar and very interchangeable.

MR. CANTRELL: Okay. I noticed, I think, I saw something in Rubber and Plastics News about Michelin going to more radial ag. tires.

MR. PENSLER: You might not have uniformity in belief of the similarity there. There is a fairly

different amount of capital involved to move from bias to radial. You need some different equipment. I think one of the reasons why you're seeing the Chinese much more frequently in bias is that the investment needed to enter into the bias is much lower, and some of the technology issues, especially with the larger sizes in radial, the barrier is much lower than the large-sized radials for the Chinese tire. Thank you.

MR. BURCHFIELD: I would like to make a comment, please, on the Michelin issue. Michelin had been, for at least the last 10 years, bringing in that product from Eastern Europe. They acquired Stomil, which is a plant in Poland. They acquired Tarz, which is a plant in the old Yugoslavia, and they brought those products in here and was a very good competitor. They pulled the bias tires out, by the spin was, because the market is growing for radial. They pulled those products out because they couldn't make any money.

MR. CANTRELL: Okay. I noticed that these tires are both tubeless and some contain tubes. What types of tires would use tubes?

MR. STELTMANN: Pretty much any tire could be designed to be either tubeless or tube type; it's just whether or not it has an additional, what they

call, an "inner liner." It has very low air permeability. When you buy a tube-type tire, you can either purchase through one of the suppliers the tube at the same time, similar to what you would do with a bicycle, or it would just have an additional piece of inner liner in the tire itself to hold the air in.

MR. CANTRELL: Like the old inner tube, is that kind of in the minority these days?

MR. STELTMANN: Yes.

MR. CANTRELL: Okay. There was mention by some of my colleagues of quality issues. Apparently, different grades may be sold in the industry. Someone mentioned, lifetime warranties. When you go in to buy a passenger tire, you get a 24,000-mile tire or a 50,000 mile or lifetime. Are all of the U.S. producers and the Chinese producers into all of these different qualities of tires?

MR. VASICHEK: I'll refer to passenger tires first and use that as an example because I think everybody probably came in on a car today, and I was in the passenger tire business for quite a long time at Goodyear.

The warranty can help determine a grade of a tire or the expectations that a customer is looking for, to get from that product. In a passenger tire,

there may be a mileage warranty on it, or there may be a material and workmanship. Typically, most manufacturers of tires, like the ones in this room, have a basic workmanship and material warranty.

When it comes to marketing the tires out, and it can be ag. tires, off-the-road tires, passenger tires, light truck tires, skid-steer, and the like, what a manufacturer put in that warranty is what are the perceived expectations of it. Now, there have been companies that have entered the U.S. market and have put on warranties that I would say have expectations much further out than what that product will absolutely do.

If you go to those warranties, which the one I'm referring to that I pulled off last week on the manufacturer from offshore, that warranty is only good for the original purchaser of that product. With ag. tires, and their long use and their propensity to be traded up into the market for new equipment, on that tire the warranty could be changed or transferred after one or two years, but it is a talking point, or a selling point, to selling that product, and that's really the basis of the warranty.

MR. CANTRELL: And I assume that there would be a price range, of course, dependent on --

MR. VASICHEK: There could be a price range. If I use our agricultural warranty, it's basically split between bias and radial tires. Now, I know we have talked about radial tires before in performance. A radial tire will have inherent performance characteristics to a bias ply tire. You'll get better traction, better fuel efficiency because of less slippage.

So the warranties between the two change. There are other warranties that may deal with, we call it, for the layman for passenger tires, are called a "road hazard." We have a field hazard warranty, or stubble damage," but that's, again, a marketing tool.

MR. CANTRELL: Okay. I assume there is a qualification standard for imported tires like the tire and rim specifications.

MR. STELTMANN: No, there is not. There is no DOT qualification.

MR. CANTRELL: There is not?

MR. STELTMANN: There is nothing with regards to this market segment.

MR. CANTRELL: So if someone were to buy a Chinese tire, they wouldn't ask for a qualification standard or anything of that nature.

MR. STELTMANN: No.

MR. CANTRELL: Regarding the U.S. producers, the major ones, do they generally produce a full range of tires? I know you gentlemen here have testified that you do produce a full range. Are there some others that might specialize in one specific area or specific areas and not produce the full gamut?

MR. SALONEN: After Goodyear sold its farm tire business to Titan, it continues to manufacture nonfarm OTR tires in -- is it Topeka? -- in Topeka, Kansas, so that would be one example.

Michelin, as we said before, they produce and ship their farm tires from Europe over here. They produce nonfarm OTR tires down in Aiken, South Carolina.

MR. CANTRELL: One company I was curious about, Carlisle; are they represented by a union?

MR. SALONEN: No.

MR. CANTRELL: Do they produce similar OTR tires to the other manufacturers?

MR. SALONEN: They certainly advertise that they produce some ag. and construction tires, but, at least based on our understanding of their advertising and their product line, they are primarily in what Titan would call the consumer tire sector, in lawn and garden, and ATV.

MR. CANTRELL: I just happened to notice, in the Modern Tire Dealer, plant capacity for North America, that all other tires, you know, excluding passenger, truck, and so forth, seem to be quite large for Carlisle.

MR. SALONEN: That would be because the capacity numbers are reported on a units-per-day capacity basis, and since the tires that they make generally are much smaller, it wouldn't be surprising that their numbers, from that perspective, would look large.

MR. CANTRELL: I also noticed that, apparently, they have an OTR tire plant in China.

MR. SALONEN: That's correct. At least one, and possibly two.

MR. CANTRELL: Are there other U.S. producers that are involved in manufacturing in China?

MR. SALONEN: If they are, we're not aware of that.

MR. BURCHFIELD: Do you mean for this product group or any --

MR. CANTRELL: Yes, the subject products that we're referring to. I guess I'll try to cut this discussion as short as possible.

The last thing that I wanted to address was

the tire tread types. I know herringbone is mentioned a lot in the harmonized tariff schedule. Herringbone, and then similar treads are described. I've seen the term "lugs" and different things like that.

We were wondering, the staff, if you had any, like, schematics that would show a cross-sectional view of, at least, the radial and the bias that we might be able to think about using for our report.

MR. KRAMER: We have complete drawings of all of our mold designs, if you need it for later use. I'm sure we could supply any mold design criteria that you would need.

MR. CANTRELL: Something that I might not be able to address here, but the products that, I believe, Petitioner asked for for pricing purposes, that Mr. Workman would be involved with, I noticed the Tire and Rim Association designations are listed there. Sometimes some of those terms are somewhat confusing to me, especially when they use R1, R4, you know. Sometimes I become confused between radial and tread depth and tread types.

I was just wondering if, in your post-conference, you might be able to break down, say, some or just a few of the principal tires that the domestic

industry produces and the tread type described in the tire and rim designations described. If you could describe the letter-number sequence so that we could understand, you know, define them.

MR. STEWART: If I understand, Mr. Cantrell, if we were to take a number of sample tires and just walk you through how they would be classified under the category and what it means.

MR. CANTRELL: Yes, yes. That would help.

MR. STEWART: Yes. We would be pleased to do that.

MR. PENSLER: Mr. Cantrell, you had asked if there were a domestic manufacturer, besides Carlisle, that had a plant, and I believe, on the list today, I think GPX has a plant up in Maine, as well as a plant in China. So you can ask them about that later, I'm sure.

MR. CANTRELL: I just noticed. I believe Petitioner attached, in one of your submissions, the RMA industry codes, like designation Fs for agriculture and R for also that has a large number of types of equipment; HF, and so forth.

The high-flotation tires, I understand; is that, like, the tread widths are further apart or something so that it can go on sand?

MR. STELTMANN: The tires themselves would be wider, considerably wider, than the standard.

MR. CANTRELL: Yes, the width.

MR. STELTMANN: The width would be, which would give you better flotation in mud or primarily where you need high traction.

MR. CANTRELL: In some of these tires, I've seen ballast used. I mean, do they actually use saline solution or something in some of these tires for ballast?

MR. STELTMANN: Yes, some form of calcium chloride, yes.

MR. CANTRELL: I mean, what type of tires would that include?

MR. STELTMANN: I suppose any of the ones that are included.

MR. KRAMER: Those would go primarily into the agricultural for a row crop, for example, where they want additional traction. They have the option of putting on either a mechanical ballast on the machine to weigh it down for better traction, or they can fill the tires up with the calcium carbonate for more traction, basically.

MR. CANTRELL: Okay. Thank you very much.

MR. CARPENTER: Diane Mazur, the supervisory

investigator.

MS. MAZUR: Thank you. Thank you all. To the industry witnesses, in particular, we greatly appreciate your willingness to come up here and testify in person.

Help me understand the difference between the excluded tires, 39 inches in rim diameter, and the tires that are included, the ag. 39-inch tires. Your supplemental response to Commerce on page 4 very clearly, nicely spells out the differences in production lines, processes, physical characteristics.

Why are those tires different than the ag. tires greater than 39 inches, in terms of the processes, the characteristics?

MR. STELTMANN: Well, there are substantial differences generically in that size range, say, around 15-inch rim diameter. An ag. tire would typically have eight body plies, whereas an earth-moving tire of that size would have around 24 actual plies.

There would be a single bead in an ag. tire versus a triple bead in an earth-moving tire.

The tires would weigh, on an ag. tire, less than 1,200 pounds versus around four to 6,000 pounds for an earth-moving tire, and the load-carrying

capacity would go from about 15,000 pounds to around 100,000 pounds.

They are certainly not interchangeable, just strictly because of the load-carrying capacity and the size of the vehicles. The customers know that. They purchase which tire they want. The production facilities are different, in that the ag. tire will generally be less than 100 inches, which can go into the 100-inch presses we were referencing, whereas the earth-moving tires require the large pot heaters to cure them in, as well as them being the multibead, they require a high-drum-type configuration of a building machine.

Just the sheer size of these building machines is different. They, of course, cost more, but the channels of distribution can be similar. However, for the large mines that require intra-certification of the tire service technicians to install the tires, they have to be certified, so some of the dealers don't service the large mines, but some do.

MS. MAZUR: That's very helpful. I wonder, Mr. Stewart, if you could elaborate further, in the post-conference brief, on these --

MR. STEWART: We would be pleased to do

that.

MS. MAZUR: Thank you. You also indicate, in this supplemental response, that the excluded 39-inch tires are construction industrial tires. Are there, in fact, industrial tires, industrial equipment and machinery with tires greater than 39 inches?

MR. SALONEN: That terminology, when we're talking construction, I think, when we were drafting that, we were thinking construction in terms of some of the settings that Mr. Hawkins referenced, but probably it is more accurate to really limit that to earth-moving.

MS. MAZUR: That was the impression I was getting from testimony here today, so I just wanted to clarify that. And, again, if you could further clarify that in the post-conference brief, that would be helpful.

Okay. You also, in your supplemental response to Commerce, indicate that the domestic like product includes military OTR tires. What kind of a share of the certain OTR market are we talking about in terms of military sales, rough estimate?

MR. HAWKINS: I think we're going to have to get you the exact figures. For Titan, it's a relatively small number, given the total production.

MR. DORN: And that's the same thing for Bridgestone/Firestone. We'll have to provide the details in post-conference brief.

MS. MAZUR: Now, military; would that include, like, Buy America provisions as well? Are there additional Buy America --

MR. VASICHEK: In the military -- the fortunate thing is I had military sales for Goodyear at one time. It would actually be for the military vehicles that use large, off-the-road tires, maybe 29.5, 25, 20.5, 25, 1424's, and the like, that will be used primarily -- well, for military service. It would be on stuff like HEMETS, HATS, PLS family of medium-tactical vehicles and that kind of product, which before they can go on to the military, in those types of off-the-road tires, they have to have engineering qualifications like SAE 20, 15, or something like that.

MS. MAZUR: Well, if you give us an estimate, then, in the post-conference briefs, if you could also include any Buy America sales, if they are above and beyond military sales.

MR. STEWART: We'll be pleased to do that.

MS. MAZUR: Thank you. In one of your graphics today, you talked about the CMA dealer

locator. Describe for us what "CMA" is, if you will, and how it functions in the marketplace, as you know.

MR. HAWKINS: Well, as we understand it, CMA is the marketing arm for a group of factories in China. They get the product from these various factories and then deliver it to dealers here in the United States. They have been pretty successful in signing up a large number of the major dealers in the United States.

MS. MAZUR: So you don't have direct contact between U.S. customers and the factories in China. It's through this alliance, if you will.

MR. HAWKINS: Well, I'm not an expert on how they do their marketing, but, typically, you will see sort of a brokering person involved who would have contact with several Chinese factories.

MR. PENSLER: There will be some customers -- at least, I can speak to the aftermarket side -- that go directly to some plants and try to do it without a broker, and they are large enough in scale that they have tried to go direct. Then there are some who, most, that do not and would use one of a variety of importers, either a broker or CMA or go through GPX, typically. There are only a few that are large enough to go direct.

It is a fairly time- and cost-intensive exercise to develop the relationship with China.

MS. MAZUR: Mr. Burchfield, did you have anything that you wanted to -- okay.

Let me, if I can, just talk a bit about the technicality of how you estimated imports because of the exclusions for the oversized tires. We heard comments this morning from both Respondents that your import statistics in the petition are skewed and overstated.

First of all, do you have a sense of what they are talking about when they may be saying that?

MR. STEWART: Well, as I understand -- I guess we'll hear this afternoon why they think that's the case -- since they represent a handful of the more than 100 producers, it's not clear that comparing import stats to the companies they represent would give you a good indication.

In pulling the statistics together, we used the off-the-road categories that were identified in the statistics and researched whether or not the major excluded items, such as ATVs, such as the garden tires, and the large OTM tires, how we could try to break them out. In the first two categories, the customs rulings, we found, indicated that they were

not properly classified under any of the categories we have.

I assume that we will hear this afternoon, that the Chinese believe that some of their tires come in under one of the categories with the large volume. We, obviously, don't have access to the customs records, and so we can't tell you whether that's correct or incorrect.

In terms of the large OTR tires, we looked at the weight-per-unit information that would correspond with what our client understands the weight difference to be on a per-unit basis for items that would be above a certain size range for the earth-moving and where we could find weight per units that were above that, we took them out of the numbers.

So forgive us for using government statistics and researching the customs classification decisions and using the weight information that we could identify and try to subtract out. So whether it's overstated or not, the testimony of the two largest domestic producers in the market who were here before you today is that they are losing market share in a rapidly growing market, and the people they are losing it to are the Chinese. So we're sure, when you complete your analysis, whether you use the import

statistics or something else, you will find that there are large and growing imports.

MS. MAZUR: One last point on that issue. In Exhibit 9 of the petition, you do indicate that you adjusted the three HTS categories for these large tires, estimating that those tires over 1,250 pounds per tire should be excluded. But you've described the excluded products, again, in your supplemental to Commerce, as those tires excluding 1,500 pounds. Does this create something of a need for a revision in your estimations of exceeding the large tires?

MR. SALONEN: I don't believe so because, if anything, then we would have, to the extent that there is something that falls in between 1,215 and 1,500 pounds, then we would have, in fact, been underestimating.

MS. MAZUR: If you wish to address those statistics, fine. Do that in the post-conference, then.

Then one last question for Mr. Dorn and Mr. Burchfield on the issue of the Bratsk question that Ms. Hughes raised earlier. Mr. Dorn, you did not comment on whether or not you thought that the Bratsk decision applied in this case.

Mr. Burchfield, are these subject tires

commodity products, for example?

MR. DORN: Well, I'll answer first. We agree with Mr. Stewart's characterization and do not think Bratsk applies. We do not consider this a commodity product.

In addition, if you look at the import values, the CIF value per unit, for 2006, if you take all of the categories at issue here, the average unit value for China was $25 per tire. The second-largest supplier in value is Japan, and the average unit value there was $1,417 per tire. Next is Spain, $1,191 per tire, and then France, $676 per tire.

So this is definitely not a Bratsk situation.

MS. MAZUR: Those are my questions, and I thank you very much for your responses.

MR. CARPENTER: Thank you for your patience. Just a few more questions, if I could.

If I heard the Respondents correctly, in their opening statement, I thought there was a reference made to a severe product shortage during this period of growth in demand. How do you all feel about this? Have you seen a product shortage in terms of the products that you're offering in the market over the last three years?

MR. HAWKINS: I guess that's my question. I would like to take you back to the situation that we talked about, the cyclicality of this business. The last peak in our cycle was in 1999, and I think it's true for the ag. business and the construction business generally that, from '99 to 2003, you pretty much saw a steady decline in the marketplace.

Now, what that meant to us, as manufacturers, we had to adjust our production levels to the amount of business we were seeing, and we talked about layoffs in '99. There were layoffs done at the Continental facilities as well.

So what you had, by the end of 2003, you had the industry operating at a very low level of capacity in terms of the number of people employed and the amount of equipment we had utilized. What we saw in the summer of 2003 was a fairly dramatic takeoff in the amount of business. It took us probably about a year to 18 months to fully react to that and get everything back to full capacity levels.

During that timeframe, I think, in what we're calling the "subject properties," there probably were some shortages. We kind of estimate out of the 3,000 SKUs, that we had fairly large back orders on about 150 of them. But as we've moved back into sort

of a full-production kind of a mode, I can tell you, as of today, of those 150, we're maybe in a back order situation on four to six.

So during that timeframe, as the industry was coming back from this roll to a low level of capacity utilization until we got to full levels, I think there probably was some kind of shortage. I think, today, it's largely taken care of, certainly within the areas that are within the products we're talking today.

I think there's a lot of things in the press about things that there are still shortages on, and they tend to be in these very large sizes, which are outside the scope of what we're talking about here, largely for the reasons we've talked about. They are made on different lines, and it's a whole different other ball game.

MR. BURCHFIELD: The reference to Shawn Rasey; Shawn Rasey works for me. He is our vice president of sales and marketing for our mining segment. His reference was on some selected large sizes of 29 inch, which was our radials, and the market was limited to those radial tires.

So when we make comments on OTR, remember that we're using this as a classification of

agriculture and mining products in this broad classification.

He was making reference to the mining segment, and so there is still a shortage of these tires, but the major competitors of these tires are doing whatever they can to expand capacity.

In the OTR business, in the broad classification of the petition, I have idle capacity. Okay? I have idle capacity, I could be hiring people to address, that will be made on efficient equipment. We're not talking something that's seriously labor intensive here.

So the core pieces of the business that are still here today are bias tires because the application requires a bias tire, and the price points are bias tires. We recognize that, to be in this business. Okay? But Sean's comments were basically aimed at mining segments, large mining tires.

MR. CARPENTER: So would your position be, then, that, although there may be some rather isolated shortages of product offered by the domestic industry, that, for the most part, that's not a serious issue, and the Chinese product is competing in the large-volume areas?

MR. HAWKINS: Yes.

MR. SALONEN: Mr. Carpenter, if I could add, in fact, what you've just been hearing also goes further to why those large OTR tires, over 39 inches, really are properly considered a different product. If this industry could respond to reported shortages in the market by simply shifting to producing more of those, with all of the idle capacity they have, obviously, they would. The fact that they can't, I think, highlights another reason why they are probably considered a different product.

MR. CARPENTER: Thank you.

MR. DORN: If I might just add, just to summarize Mr. Burchfield's testimony that he was losing lots of sales to small, bias-form tires, they have a high production run, high-volume tires that are bread and butter, and they are losing those high-production runs and having to move to other products, and they have lots of excess capacity to produce the very products that they are being hit the hardest with from China and large and growing inventories, according to Mr. Burchfield.

MR. CARPENTER: All right. Thank you.

Mr. Vasichek, in your testimony, you put up a slide on underselling, margins of underselling, based on 84 comparisons. Perhaps this is a question

for counsel -- I'm not sure, but my question is simply, what is the source of that information? Is that based on questionnaire data or petition data?

MR. SALONEN: It's in the petition. It's either Exhibit 11 or Exhibit 12. There were two separate examples of where we compared Titan's prices to prices of Chinese tires, and that's based on one of those exhibits.

MR. CARPENTER: When you say "prices of Chinese tires," is that based on unit values of imports?

MR. SALONEN: Those were based on price lists that provided the price of the Chinese tire, same model, to distributors, and we also gave you what Titan's price for that same tire would be for the distributors.

MR. CARPENTER: Thank you. Mr. Burchfield, you mentioned in your testimony about the problem with Chinese producers copying your tires and then selling them at a lower price, essentially identical tires. But there was also -- I believe it was you also, who said, later on, that there were differences in chemistry and differences in assembly techniques, and so on.

One thing I'm wondering is, what is the role

of patents in this industry? Do the companies primarily rely on proprietary production processes and not try to get the protections that might be offered by patents? Could you comment on that as a condition of competition?

MR. BURCHFIELD: Yes. Those patents have expired.

MR. CARPENTER: Okay.

MR. BURCHFIELD: When I looked at redress in that area, I was advised that those patents had expired and that I'm not going to give them the advice of what I was given, but it would be a very long, drawn-out battle. Okay?

The proprietary design and chemistry is internal to us. It gives us assurance that we're doing a good job. It doesn't reflect the market price. Like I said, we'll get a premium for our product. We can't get 50 percent more.

So those internal processes and everything else are part of our pride and our quality standards that we developed and that we continue to work on, but when the market price determines, at the final day, a look-alike tire, you have to be competitive, and the end user doesn't care about your costs.

MR. CARPENTER: If a company were to

purchase one of your tires and tear it down and try to duplicate it as closely as possible, they could come up with a product that would look very similar to your tire, but would it be identical in terms of chemistry and other factors?

MR. BURCHFIELD: As a chemist, a good, quantitative analysis can be done on most compounds. For instance, in racing, you'll never be able to get your hands on a Michelin or a Firestone race tire. You rent those tires because we don't want your chemists understanding about our tires.

So we don't have that luxury. So they would be able to do a relatively good quantity on the compounds or whatever. Whether or not they would spend that money is up to them. The carcass construction, as such, is not proprietary. How you put that material together may be proprietary, in the sense that you want to ensure that you have adhesion between rubber and cord. That's between their own quality standards. That technology is cookie cutter, right off the shelf.

MR. CARPENTER: And, Mr. Burchfield, when you were talking about price premiums, you indicated that Firestone can charge a premium. I gather that that was based primarily on brand-name recognition and

quality that's associated with the Firestone name.

MR. BURCHFIELD: We've been in the farming business for 75 years. This is the 75th year. That's all we do is farming. So that has been the history that I've enjoyed to be a part of.

So we do get a premium in the marketplace. We don't get significant a premium above Titan. If it is, it may be five percent or six percent. We spend a lot of money in our marketing for our dealers so they will get that premium and enjoy that premium, but, in some cases, like I said, we would be 30, 40 points above, even 50 points above, an imported tire.

Now, when Michelin was in the business, and they were bringing in tires from Poland and Eastern Europe, we were about 10 to 15 percent higher than they were.

MR. CARPENTER: When you said 40 or 50 points, did you mean percent?

MR. BURCHFIELD: Percent. Sorry.

MR. CARPENTER: Okay. That's what I'm trying to get a handle on, actually. If you could comment, and also Titan, in terms of what kind of a premium you feel, on average, that you can command vis-à-vis the Chinese product, just in general across all of the subject merchandise, you would probably

want to think about that, and respond in your brief. But I would appreciate it if the various companies here could come up with an estimate of that.

A couple of things: First of all, just in general, how would you compare the quality of the Chinese tires with the quality of the tires that your companies produce. Forget about brand name recognition but the actual performance of the tire, how long it lasts, how well it performs. Are there significant differences?

MR. VASICHEK: My personal experience in the field is just like I said before, with my competitors and my counsel that's with me today, is that we all make a fine-quality product, and their product, too, I believe, has quality in it. But to the point of, as Ralph has said, if that product is perceived to be the same at 50 percent less, it's very difficult to compete in that marketplace, very difficult to compete.

Sandy, do you have something?

MR. PENSLER: Yes. As you know, there are 100 manufacturers here represented from China. There is variable quality. Some of them are quite good; some of them are not. So to just say, Chinese tires are all bad, or Chinese tires are all good, it's too

broad a brush. There are plenty of plants in China that make very fine product. There are also plenty that make pretty crummy product.

MR. CARPENTER: That's a good point.

One last question for Mr. Hofmaster. Have the workers who are currently on layoff at the Freeport plant either applied for or been certified for trade adjustment assistance?

MR. HOFMASTER: Yes.

MR. CARPENTER: Thank you. That's all the questions I have. Are there any other questions from the staff?

MS. LO: Hi. I just have an additional question on reporting per tire versus pounds of tires. Because the certain OTR tires can be such a wide range of tires, the average unit value comparisons for imports; would it be accurate to compare per unit of tires since customs only requires reporting by per-unit tires and not everybody can report in per-pound of tires?

MR. STEWART: I believe that for most of the categories, if not all of the categories, we have both units and weight. We'll be happy to provide that in a post-hearing brief.

MS. LO: Well, my concern is that not

everybody involved in this industry can provide that, and so, just comparing per unit of tire, average unit --

MR. STEWART: You're correct. Anytime you have a spectrum of products that go from small to large, looking at an average doesn't necessarily give you a proper comparison, and so we have attempted, certainly in the petition, to provide large numbers of exact model comparisons to show where the price comparisons are, and that was the '84 slide that we had up there.

But even within the import categories, you will not have good comparisons. If you go to the question of whether or not domestics can provide that data, I don't know the answer as to what other companies have. I believe that we have supplied that data in terms of the questionnaire responses, so I can't speak to the other companies.

MS. LO: Thank you. I just had --

MR. DORN: Excuse me. If it's helpful, Bridgestone/Firestone will provide the data, both in units and also in pounds.

MS. LO: So, taken as an aggregate, would it be okay, would it be a somewhat okay comparison for average unit price or average unit value per tire,

like Mr. Dorn had quoted some imports, subject and nonsubject, earlier, that vary vastly in price? I think you had mentioned imports from China were under definitely a thousand, and then there were a couple of from Spain and other countries that were over a thousand per unit tire. How is that comparison qualified, or how can it be qualified, rather?

MR. DORN: It's my understanding that these HTS categories do not include pounds; it's only in number of units. So I don't think we have any better data to deal with. For the Bratsk point is these are not apples to apples. It's a different product coming in from Japan and Spain that's coming in from China. So there is no reason to suggest that if you put high duties on imports from China, they are going to be replaced by imports from Japan and Spain. That was the comment I was making.

MS. LO: I just want to make sure that I'm not missing anything in reporting the data in the best accurate way I can when comparing these.

MR. STEWART: My colleague suggested that I misspoke when I said that we had weight on the import statistics. Apparently, we don't have that on the import statistics. You have the inherent limitations that have been identified any time you have a large

group. If you change the quantities for the same number of items, you, obviously, will get different average unit values, even if you had identity.

I think Mr. Dorn's point, that the prices for every category are dramatically lower, not little bit lower, dramatically lower, and that corresponds to the experience that all of the companies have in terms of what they see in the marketplace versus what they see in the marketplace from other countries, would suggest to you that the domestic read that, under a Bratsk analysis, nonsubject imports are not the same competitiveness, price-wise, as the Chinese, even if you were to assume that they were a commodity, which, as we've said, we don't believe is correct.

MS. LO: Thank you. Related to that, I had a question about factory product mixes. You said that you can change over products, but do you target certain factories for making ag. tires only, even though they have the capacity to make industrial and construction tires?

MR. KRAMER: The Des Moines operation is extremely flexible in its ability to produce radial, bias, construction, the whole gamut, with the same equipment. There are, as we talked about earlier, when you get into the big OTR, that's specific to

Bryan alone.

MR. CARPENTER: You might want to try a different microphone.

MR. KRAMER: We've worked very hard in Des Moines to give us the ability to fluctuate radial-bias. They do have a seasonality to them, even within a year, not just over trends through times. We need that ability to be able to switch over very quickly. So in the like product that we're talking about, Des Moines is extremely flexible and can produce any of them at any time.

MR. BURCHFIELD: In regards to our products, in Des Moines, we produce only farm tires and industrial tires that fit on similar equipment. So up to, let's say, 24 inch in industrial.

In Bloomington, we produce mining-related, construction-related, quarry-related, off-the-road tires.

So we have two separate plants with two different focuses: one for agricultural/industrial and the other for off-the-road mining and those products. Within each of those products, you would have bias construction and radial construction. You are limited to what the size of the market is.

So, for instance, if you have a 24-inch farm

tire, and you want to convert that to spare 24-inch or potential 24-inch radial capacity, there may not be a market for it, and if it is, it's going to be a price-point market.

So you cannot utilize the capacity that you have, even though you may have the potential, because there is no market demand for it. Okay?

MR. HOFMASTER: In the Freeport plant, we are very flexible -- radial, bias, and a large range of tire sizes -- but since 1999 and the layoff, and one comment I should have made during your question, Mr. Carpenter, is that we applied for trade assistance in 1999 and acquired it because it was determined that our loss of production was due to imports, specifically, China.

Since then, we have been running at 70 to 80 percent capacity around the clock, with many weeks taken out of production. We were just down last week.

The major loss of our production is in the tires that are contained in the scope of this hearing. What we have done in the last year, very costly to Titan, is try to offset some of that loss of production with the earth-moving tires from Bryan.

I know it's been a very costly venture, and our equipment wasn't able to accommodate those

changes, so they have made a pretty substantial investment to bring our capacity up in those tires where we've lost so many of what used to be the bread-and-butter tires.

MR. CARPENTER: Okay. Again, a big thanks to all of the witnesses on this panel. We really appreciate having witnesses here who are knowledgeable and experienced in all aspects of the business, which you certainly are.

We've been going for about three hours. I think it's about time for a lunch break. I would propose that we break until about one-fifteen. My only concern is that the Respondents' witnesses have enough time to conclude their testimony and make their flights this afternoon. Does that present a problem for anyone that you can tell, if we resume at one-fifteen?

Okay. Let's try to resume at 1 o'clock or as soon after that as possible. Thank you.

(Whereupon, at 12:26 p.m., the preliminary conference in the above-entitled matter recessed, to reconvene at 1:00 p.m. this same day, Monday, July 9, 2007.)

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A F T E R N O O N S E S S I O N

(1:05 p.m.)

MR. CARPENTER: If everyone could take a seat, we'll begin the conference.

Please proceed whenever you're ready.

(Pause.)

MR. SAILER: I'm sorry, Mr. Carpenter. Did you say you're ready to go? Okay. I'm sorry.

Well, good afternoon. Let me start by thanking you very much for shortening that time. I hope that we can get this all in. We have a lot of story to tell, and I'm not going to take a lot of time to make introductions.

I'm only going to say that you're first going to hear from Brian Ganz, who is the chairman of GPX International Tire Corporation, the most recent in three generations of a family that has run this tire business.

MR. GANZ: Thank you very much. I appreciate the opportunity to be here today.

As Frank mentioned, I'm the chairman of GPX International Tire Company. This is a company that was started by my grand dad in 1922. We've been in business for 85 years. We're based in Boston, Massachusetts.

We are in the OTR segment of the tire business. We have four factories producing tires: one in Gore, Maine; one in Mississauga, Ontario; one in Serbia; and one in China. We also have a wheel factory in Red Lion, Pennsylvania.

If you look at the screen, you'll see that our markets are the agricultural, materials-handling, construction, and transportation markets, or essentially the B2B segment of the tire business. As such, most of our products are squarely within the certain OTR tires that are the subject of this petition.

We are one of two companies in the world manufacturing pneumatic tires, solid tires, and semi-solid tires. Although the petition only addresses pneumatic tires, solids and semi-solids also are part of this market, and, in fact, I think Mr. Burchfield mentioned that Trelleborg had closed down their facility, or were closing down their facility, in Ohio. That, in fact, is a solid tire manufacturing facility, and, as such, not part of the scope of this petition.

Our brand names are Galaxy, Primex, and Dynamo for pneumatic tires, ITL and Maine Tire for solid tires, and the Brawler brand name for the semi-

solid tires.

On the next page, this just gives you an overview, and I know there was a question before about what types of products do these tires go on. This gives you an overview of the types of products we produce tires for and some of our customers. We are a very, very prolific skid-steer tire manufacturer. We probably have the broadest and deepest range of skid-steer tires in the industry and also other construction equipment: backhoes and compact tractors and road-construction equipment, et cetera.

Some of the questions that you asked before, we, in fact, have some responses to. The Tire Business magazine reported that the tire industry, on a global basis, was $101 billion in 2005. Given the significant price increases over the last two years, we would estimate today that that market would be between 120 and $130 billion, and I would concur with Mr. Burchfield and Mr. Vasichek that the OTR segment of that business, or the specialty tire segment, encompassing OTR, agricultural, industrial, and a few other smaller segments, is somewhere around 10 percent of the business, so somewhere around $12 billion globally.

Of that, the North American market

represents approximately a third. So we would say that the North American market for OTR tires is somewhere close to $4 billion. Backing out Mexico and Canada, the U.S. market will be somewhere north of $3 billion.

So that's essentially the size of the market we're talking about. Both the Petitioner and Mr. Burchfield said that certain OTR tires represent either somewhere between 90 and 97 percent of the whole OTR segment. So I think those numbers are somewhat reasonable.

Seventy-five percent of the market sales are aftermarket, and 25 percent are original equipment across the broad spectrum of tires, although I would agree, probably for certain OTR tires, the OE segment may be a little larger.

You'll see on the chart at the bottom, the tire industry historically has been split into two segments. Eighty percent of the business has been controlled by the 10 largest tire companies, and these companies have been characterized by world-class technology, well-known brand names, and global distribution systems.

The other 20 percent of the market has historically been hundreds, as they point out,

hundreds of companies in China and Russia and India and Eastern Europe and around the rest of the world, and these companies are characterized by, I would say, less-than-world-class technology, brand names that are only recognized perhaps in their local market, and regional distribution systems.

Over the last 10 years, there has been sort of a third category of tire company that has emerged. Titan is in that group of tire companies, GPX, and you'll see Mitas and Trelleborg, Alliance, Solid Deal, and BKT. These are companies that are focused on this OTR, or work tire, segment of the business, and although not as large as the major rubber companies, have developed a good brand name and a strong distribution network for this product segment.

The interesting about this part of the business is it was interesting because Mr. Burchfield mentioned that Conti and Goodyear are exiting this business in the U.S. The truth is they are exiting this business globally. Continental, Goodyear, Pirelli have all decided that the consumer segment of their business is their core business, and the OTR segment of their business is noncore, and they are spinning it off.

The reason for that is, number one, as the

Petitioners pointed out, the manufacturing processes are different for these OTR tires, but also the distribution network is different, and the way to go to market is different.

For a consumer tire, most of it is brand recognition based on media advertising. My guess is that most of the people in this room don't know the brand of tire on your car, and if they go to buy a new tire, they remember the Goodyear commercial or the Michelin commercial, or with Bridgestone's huge Formula 1 budget, maybe the Bridgestone/Firestone commercials.

In the OTR segment of the business, this is a B2B business. For many equipment operators, tires are an incredibly important line item on their operating budget, and for certain pieces of equipment, as hard as it may be to believe, an operator will spend more on tires over the life of the vehicle than on the original purchase price of the vehicle.

So these guys know what is the cost per hour, what is the cost per ton, what is the cost per mile. For them, the initial purchase price, although a factor, is not the primary factor because a $500 tire that lasts for 1,000 hours is not nearly as good as a $1,000 tire that lasts for 3,000 hours.

So people are very, very cognizant of the performance of each particular tire, and winning and losing business is dependent not on the initial purchase price but on the entire value equation that you're presenting.

The factors influencing purchasing decisions in the OTR market, in my opinion, the single most important factor is product performance. These are going on work vehicles. These are going on vehicles that work for a living. So down time is perhaps the single most critical issue. If you've got a loader, and it goes down, you've got three guys with dump trucks who are sitting around waiting for one tire to be changed. The cost of that down time so outweighs the initial purchase price that nobody is going to put on a tire, if it were free, if they didn't have confidence that it would perform.

In addition to reduced down time, of course, is how long is the tire going to last? Does it enhance the vehicle performance? For example, stability is a very, very important factor in container-stacking operations. So is your tire more stable? Does it have greater lateral stability? Does it have a stiffer sidewall? These are considerations that the operators take into account when they make

their purchasing decisions.

The next decision is, what is your product range? What tires do you have to offer? The Chinese, if they are picking out the few high-volume tires, well, that's not particularly attractive because, as a dealer, you need to have the complete range of tires.

For example, we produce a tire specifically for recycling operations. It goes on loaders that operate inside trash-to-energy plants. We call it our Trashmaster tire. It is the only tire in the world designed specifically for this application, and we've done a terrifically good job getting business because we've addressed that application.

So it is not a function of there is a competitive tire, there is something that they could buy if not ours. If not our tire, they would buy something that would be inferior for that application.

Reliability of supply has become a critical factor, and where that may have been lower on the totem pole in terms of purchasing decisions, given the significant critical supply situation that's existed over the last several years, the ability to actually supply your customers is one of your strongest selling points.

Customer service; by that, I mean, you know,

do you deliver on time? Do you have technical field service? The Chinese tires may come in, but when you have a problem in the field, who is going out? Who is meeting with the customer?

Do you provide marketing support? As Mr. Burchfield points out, Bridgestone has a pretty big marketing budget, and that's a big selling feature. Every time that Firestone commercial plays, that helps the Firestone dealers.

Exclusivity; in other words, are you giving protected areas to your dealers? If you're giving protected areas to your dealers, that's a more valuable product because they can have some competitive advantage. They don't have to compete with the same tire in their market. Of course, the Chinese don't quite understand that, and they will sell to you and to the dealer next to you. So they don't provide exclusivity.

Then, finally, is initial purchase price, but initial purchase price, in relation to all of these other factors.

There was also another question about price points for a tire. Are there multiple price points? One of the things that's very interesting, and this is like show-and-tell when I was back in school. I

brought some things with me.

This is a cross-section of one of -- I guess they are called "pricing products" that the Petitioner chose. This is their 10x16.5 tire. The Petitioner makes six different versions of the 10x16.5 tire. This is their $86 version, and this is their $182 version. Now, they selected this version for comparison. Nobody makes this tire. The only competitor that makes this tire is me, and I make this tire because they copied my tire. So this is our tire. If you'll look here, you can see it's a pretty good fit.

So it's interesting to see Mr. Burchfield complain about copycat tires when, in fact, we've been the subject of copycat tires ourselves.

But the point here is that there are multiple price points in the market. So, to compare what a low-end import comes in at to this tire is trying to elicit comparison to a noncomparable tire.

The other thing, of course, is that the brand is very important, and brand is important because of all of these other factors. You know, Goodyear and Bridgestone and Firestone and General and Conti are terrific brands. These are brand names that have been developed, for Firestone, 75 years.

There is a lot of brand equity. That also drives price because people know -- what does Michelin mean? If you're buying a Michelin tire, you can have a certain level of expectation. If you're buying a Linglong tire, what's your level of expectation? So the brand also is important.

Also, the tires are not interchangeable, and this was alluded to a little bit in the Petitioners' Q&A. This is our range of 10x16.5 tires. The Petitioner has six different versions. We have 11 different versions. Our lowest-priced tire is $68, and our highest-priced tire is $500. So, clearly, price is not the primary factor because, if it were, we would never sell the $500 tire, and, in fact, we sell quite a few of the $500 tires.

The primary consideration is the application. If you have a tire that is operating on a vehicle that's mowing lawns in a park, you're going to have a turf and flotation tire. It's not a severe duty. But these pieces of equipment also operate in steel yards and scrap yards and severe-duty mining operations, and, in those cases, you need a much more severe-duty tire.

So these are not commodity products, and you simply cannot compare a size and ply rating and tread

type across a broad range of tire applications.

The next couple of slides are kind of interesting. I know that the Petitioners referred to Modern Tire Dealer magazine, and this information is from Modern Tire Dealer magazine. They break down the sales of farm tires. There's three slides. The first slide is radial rear farm, and they break it down by OE and replacement.

You'll see that, in radial rear farm, 99 percent of the market at the OE level is Bridgestone, Titan, and Michelin. At the replacement level, it's 78 percent, but, more importantly, the losses that have occurred have not gone to the other group; they have gone only to Europe. So all others have actually, in fact, on the replacement side, gone from 10 percent of the market down to eight and a half percent of the market.

If you look at bias rear farm, despite what Mr. Burchfield said, their market share has gone from 49 percent to 49 and a half percent at OE, according to Modern Tire Dealer. At the replacement, it's gone from 41 to 44 and a half percent. They have increased market share at both OE and replacement.

If you look at the other group, not Europe, not U.S., they have actually lost four percent. So

rather than taking market share, the others are losing market share.

And if you look at the last category, the small farm, where a lot of discussion was taking place, at OE they have lost one percent, and at the replacement market, they have gained two percent. Firestone, in fact, has gone from 38 percent to 39 and a half percent. At the same time, the great, unwashed masses of the others has lost a point and a half.

The other thing that didn't seem to get quite enough play here is that we're in a market that is experiencing phenomenal shortages. This is sort of an unprecedented situation, and the ironic thing is, the shortages are being driven by demand in China. China is expanding at an incredible rate. It is going through an industrial revolution. The amount of building in China is absorbing a huge amount of product.

So the global demand, the shortages are, in fact, being caused by China, so it's a little ironic that we're now picking on China that they are dumping their products here. I won't read all of the quotes, but this last quote from Todd Ramsey at Michelin was kind of interesting.

He said, "It is a durable increase in the

market, not a temporary issue. We, Michelin, believe it is long term." Michelin's Ramsey went so far as to thank the Chinese for being available over the past few years as OTR tire demand has outstripped supply. It may be bizarre to hear someone from Michelin or any others to say, thank goodness there has been someone here to handle this overflow.

The other thing that almost knocked me off my chair when I got this questionnaire from the ITC was that Titan is the most successful tire company in the world. Their stock has gone from a dollar to $33 in the last four years. Of all of the stocks on the New York Stock Exchange, they are starting to top 10 percent. It's the third best-performing stock on the entire New York Stock Exchange out of 1,770 companies. Its EBIDAs climbed 16 million to this year they are projecting 105 to 115 million. If that's -- throw us in that same briar patch.

In all of their public statements, in all of their sworn testimony, they talk about how good things are going and never once mention the threat from the Chinese in every sworn public statement.

I want to conclude by saying, look, the Petitioner is an $800 million public company, the most successful tire company on the planet, supported by

the largest tire company in the world. Bridgestone, on their own Web site, brags about having more than 50 percent of the agricultural tire market in the U.S. at OE and 40 percent in aftermarket and 40 percent for OTR in both OE and replacement. It's a $25 billion Japanese company with 52 factories around the world. We are a third-generation family business based out of Boston.

This petition, in my opinion, is a thinly veiled attempt to restrict legitimate competition. Even the products selected, where they select this tire as their pricing product, was dishonest on its face. I mean, it was designed to elicit responses from people bringing this tire in.

The other thing that's kind of interesting is the whole scope of every HTS code was $377 million of imports in '06, of which China was 42 percent. So if everything in every HTS code is part of the subject merchandise, which it's clearly not, that's $158 million out of a $3 billion industry, and if it's $100 million, it's three percent. So the Chinese are somewhere between three percent and five percent of this whole industry.

You've got a situation where the OTR market has been in critical supply, and everybody is

predicting that that's not a temporary situation. Imposition of punitive duties would severely damage our business and the U.S. dealers and distributors that rely upon us. It would also leave the American farmer, the American contractor, the American equipment operator with fewer alternatives.

Even the prospect of a duty is harmful for us, as it calls into question our ability to be a reliable supplier. As I said, being a reliable supplier is a critical factor today to doing business.

In summary, my attorneys have told me that the Commission rarely dismisses petitions at the preliminary stage. However, in this case, I really would urge you to do that because to let this petition proceed would really be a gross miscarriage of justice. This is not a case where the U.S. industry has been injured, far from it.

This is a case where two behemoths dominate the industry, control between 80 and 90 percent of the agricultural aftermarket, between 90 and 99 percent of the agricultural OE market. They have a stranglehold on the industry, and now they are trying to tighten the noose and take the last few crumbs.

I asked a number of our OE customers if they would come to testify today because they are all

multinationals. They all have operations globally, and they are all operating in China, and they are all free trade proponents. In every case, I got the same answer: You have our moral support, but we cannot be seen as opposing the Petitioner and Bridgestone because where will we get tires? They have such a dominant position, and they are using this critical supply situation as an opportunity to snuff out the few remaining competitors.

This petition is dishonest on its face. It's an abuse of an important administrative process and, in my opinion, a waste of valuable ITC and DOC resources, and I would ask you, please, to consider stopping this at the preliminary phase because it can do significantly more damage to American business if it's allowed to proceed. Thank you very, very much for your time. I really appreciate the opportunity to speak to you.

MR. SAILER: Thank you, Brian. I would suggest to the Commission that you truly do, in this case, have a unique opportunity. I think there are probably fewer than two or three individuals who know half as much about their market as Mr. Ganz knows about this one, and we hope that you will have lots of questions for him.

I'm going to turn it over now to Ned Edwards, the owner of Star Tire Company, from Dallas, Texas.

MR. EDWARDS: Thank you. Good afternoon. We've been in business in Dallas for 37 years. We have 29 employees, all of whom participate in the profits of our business. The majority of our business is dealing with OTR tires that are 39 inches in diameter or less, though we also deal in other sizes and segments of the tire business.

OTR tires are a completely different type of product than light truck or passenger tires. They definitely are not a commodity product. We typically supply OTR tires for use in the construction industry. Our primary suppliers of OTR tires are GPX, Yokohama, Toyo. We occasionally buy from other major companies, such as Bridgestone/Firestone and Goodyear.

We don't buy Titan, which now owns the General Tire Company, the OTR division. Titan does not call on small distributors, such as Star, to distribute its OTR products. However, our products compete directly with Titan. For the most part, the General brand OTR tires sold by Titan are marketed through large chains, such as Southern Tire Mart, GCR, large companies with multiple store locations in

several states.

It is my understanding today that if you wish to sell the General brand, that it is mandatory that you buy a Titan. Subsequently, some General customers of long standing dropped General Tires altogether.

Our biggest concern, for the past two years, has been the shortage of OTR products. We simply cannot obtain enough tires to meet our customers' needs. Countries, such as the aforementioned China, Indonesia, and, of course, the war that we're involved in in Iraq, have consumed many of the OTR tires which would normally be available for the North American market. We continue to have tires on back order, particularly with the Yokohama family at this time.

This OTR shortage caught the global tire industry by surprise, with production failing to meet the growing demand.

In 1994, we joined up with what was then the Galaxy Tire and Wheel Company, run by a family that had a single purpose of building specific-purpose tires that performed. We agreed with that philosophy and still do. This ideology is not inexpensive. Then Dynamic Tire and Galaxy merged to form a stronger company, GPX. This merger gave us a broader product

offering. Today, GPX is our major supplier.

Our primary focus in selling the OTR to our customers is whether the tire will perform well. Our customers would rather purchase a higher-cost tire that they know will perform well rather than take a chance on a lower-cost, unproven product.

Our customers also demand that we provide continued support and service for the life of the tires we sell, and we require this same support from our vendor.

The number one concern our customers have is the prevention of down time due to flats and whatnot. Thus, we do not service a market that uses inexpensive, low-performing tires. If you cut corners, you do not provide after-sales service. It shows in the performance, and you lose customers. Because GPX Tires continues to perform well and retains a reputation for doing so, and because GPX provides us with the after-sales service we need to service our customers, GPX continues to be a major source of the tires we sell.

GPX has invested in the people and systems to make certain that the integrity of our tires and wheels is maintained. We have the good fortune of exceptional communication with GPX. They have always

been open to our ideas on developing new products, where it makes sense. We realize the cumulative costs to build any OTR tire today are high and are even higher for those that deliver the lowest cost per hour for our customers.

GPX does that and more. As far as we know, there is nothing illegal about doing business like this. We urge the Commission to reject this attempt by Titan to drive our principal vendor, and one of Titan's major competitors, out of business. Thank you very much.

MR. SAILER: Thanks, Ned.

Now, our last industry witness, Dan Denis, who is the director of commercial sales for VIP Quirk Tire in Westborough, Massachusetts.

MR. DENIS: Good afternoon. My name is Dan Denis. I am director of commercial sales of VIP Quirk Tire in Westborough, Massachusetts. I've held this position for seven years and have worked in the tire industry for over 20 years.

VIP Quirk Tire was established in 1926 and is a full-service and commercial tire operation with a committed focus on the OTR segment of the business. We specialize in the sales and service of OTR tires for heavy construction, earth-moving, and waste-

handling equipment.

We currently employ 25 people and service approximately 1,100 customers in the New England market. We provide products that are often unique and designed for specific applications. VIP Quirk Tire also promotes OTR tire management and tracking programs directed at delivering a lower tire operating cost to our customers.

We purchase OTR tires from Bridgestone/Firestone, Titan, Continental General, GPX, and others. Although price is a consideration in purchasing decisions, it is not the most important factor. We have tried to partner with suppliers that offer high-performing, quality products, reliable inventory supply and order fill rates, and share similar objectives to support us and our servicing market.

We do not emphasize initial price or lowest acquisition cost when selling to end users. Our sales and marketing strategy is recommending products that provide value and, over time, deliver the lowest operating costs per hour. We promote products that can be retreaded, a key component of our business. Retreading in most applications further reduces a tire's total life cycle cost and provides a

substantial savings to the end user.

Tires with durable casing construction that have been maintained properly can often be retreated multiple times.

We believe GPX has been an industry leader in developing and manufacturing innovative, high-quality, specialty tires. We have worked closely with them through the development, engineering, and testing stages with some of these products. We have had excellent success with the Trashmaster L-6 smooth tire designed for loaders working in waste energy burn plants and transfer stations, the Hulk L-4 and L-5 skid-steer and rear backhoe tires, and the Rock Mine Log E-3 tires for rubber tire excavators and forklifts, to name a few.

The L-6 smooth loader tire and Hulk L-4 rear backhoe are extremely unique, one-of-a-kind tires. To my knowledge, no other manufacturer has similar offerings. These are high-quality products that fit our company philosophy of delivering excellent value and low tire operating and life cycle costs. It is critical we provide products that are durable, long lasting, and perform well in severe conditions to minimize costly machine down time to our customers.

VIP Quirk Tire would not continue in

business by selling low-quality products at low prices.

One of the greatest challenges our company has faced over the last several years is a severe shortage of OTR tires. It is my understanding that the shortage has been due to a variety of reasons, including the boom in building construction and highway infrastructure in China and a spike in original equipment sales worldwide.

We have truly experienced the effects of a global economy as supply has not kept pace with demand throughout the world, and we are all competing for the same tires.

Currency rates have also impacted the situation, as priority may be given to regions that might provide a more favorable return. Utilizing our tire-management programs, we're able to forecast our customers' needs and, in turn, provide detailed forecasts to our suppliers. We believe this is a crucial function and puts our company in a better position to acquire product.

Some of our suppliers have placed us on allocation, providing us with a commitment on what we will be receiving on a monthly and quarterly basis. Other suppliers have been unable to provide any type

of product commitment. We simply place orders and wait and hope for positive results. It is not uncommon to see back orders extend six to 12 months on certain products.

Availability appears to be improving on some smaller OTR sizes, and our local economy is not as strong as it has been, resulting in adequate inventory levels on some items. Other products remain in critical demand.

I am uncertain of the direction of our local economy in the short term, but I'm optimistic overall about the future of the industry and the demand for OTR tires.

I do not believe placing a punitive duty on tires from China will have a beneficial impact on our business or the United States. Thank you.

MR. SAILER: Thanks, Dan.

Now, I would like to turn it over to Chuck Anderson of Capital Trade for a brief overview of the economics of the market.

MR. ANDERSON: Good afternoon. What I would like to try to do this afternoon is place a lot of the bits and pieces of information that you've heard today in a broader economic perspective.

I would like to begin with conditions of

competition and, more specifically, demand. Demand for certain OTR tires is derived from major consuming sectors, including agricultural and forestry, construction and mining, and materials handling.

As you can see from the first chart, there have been large price increases in raw materials in agricultural commodities during the POI. Driven by ethanol production, prices for corn have increased by 55 percent. Iron ore prices are more than double their levels at the beginning of the POI, and coal is up by 23 percent.

These price hikes have fueled the booming demand for off-the-road equipment, which, in turn, is driving OTR tire demand.

Moving on to agriculture, as you can see from this chart, after years of stagnation, farm income is up sharply since it bottomed out in 2002. Simply put, farmers with money in their pockets are buying more new, off-the-road equipment and keeping older equipment in service.

The next chart vividly demonstrates the growth in international trade. World seaborne trade in metric tons is up 20 percent from 2002 to 2005. As the volume of goods shipped, the demand for materials-handling equipment has grown.

Another major economic force driving increased OTR tire consumption is mining and construction. These parts of the global economy are in the middle of a long-term growth trend, as shown in the fourth chart. Output for primary minerals in principal markets of production has increased, and growth is expected to continue through 2011.

Of principal importance to the U.S. are anticipated increases in below-surface coal production, an industry that consumes standard-size OTR tires, tires within the scope of this investigation, in substantial quantities.

On the right hand of this chart, you see that global construction is also on a long-term upward trajectory.

The bottom line on demand is that all of the key factors are up, and we think, once all of the data are analyzed, the Commission will see a pattern of rising unit values for OTR tires that reflects this increase in demand.

Turning to supply, there are two particularly salient issues for the Commission to keep in mind.

First, the market has experienced shortages of OTR tires during the POI. As an aside, in light of

these press stories and witness testimony regarding shortages, I would scrutinize any claims of capacity underutilization very carefully. When U.S. producers are making public statements about capacity constraints, and when you hear this morning about 70 to 80 percent capacity around the clock, I think the Commission should be very skeptical of extremely low capacity-utilization claims.

We will say more about reported capacity-utilization numbers for specific companies in our post-conference brief.

You've heard from witnesses today about shortages, but the Commission cannot hear enough about shortages from Respondents in preliminary conferences, so I will read at least once more.

A January 2006 article in Tire Business states: "With no end in sight to the worldwide shortage in off-the-road tires, OTR tire retreaders find that business is booming."

So even retreaded tires, which is something of a substitute for new tires, is also booming. I am sure that we will provide more horror stories of shortages in the post-conference brief.

In the face of strong demand, and in light of the reports of shortages, it is incumbent upon the

Commission to determine whether imports from China are simply entering to fill a void or are displacing U.S. production.

The second salient supply factor is that U.S. companies in this -- are not much alike. One U.S. company produces OTR is Titan, which is the closest to being a pure, OTR tire manufacturer. Then there are several large, multinational tire manufacturers like Bridgestone, Michelin, and Goodyear, and, finally, there are a few small-niche tire manufacturers that produce principally bias-ply tires, often focusing on boutique markets like drag racing or antique cars but also produce some OTR product.

But before turning to the key segments of the U.S. industry, perhaps it might be helpful to consider the structure of the U.S. OTR market in general.

As you have heard, off-the-road tires come in many different types. There are many different industries, and they are marketed in many different ways. This is not a simple commodity market.

As the next chart shows, some of the most important distinctions are, first, agriculture versus nonagriculture. The industry, I've seen, generally

divides itself into agricultural and nonagricultural segments, referring to the latter, confusingly for we trade specialists working on this case, as "OTR." So often what you hear as called OTR really is the non-ag. segment of what is in the scope of this petition.

Compared to the non-ag. sector, OEM for agriculture represents a larger relative share, reflecting the fact that the operating life of ag. tires is relatively long.

The non-ag., or OTR sector, represents a myriad of industries: construction machinery, such as backhoes and Bobcats; mining equipment, such as off-road trucks; port-handling equipment, including giant forklifts and the like. Compared to ag., there is more tailoring of product to particular end uses.

The aftermarket is more important since tires in this segment often operate under harsh conditions and, therefore, must be replaced with greater regularity.

Another important distinction in this market is branding. You heard very little about branding in the direct testimony of the Petitioners, but a little bit more came out in question and answer, but it's a very big part of this market.

Branding can be divided into three groups:

the premium brands, the entry brands, and the generics. For the purpose of this discussion, I'm going to focus on the distinction between premium-branded, where most of the U.S. industry is positioned, and the generics, which constitute most of the imported Chinese product.

As the name suggests, premium-branded tires sell for significant premiums, particularly in the aftermarket. Premium brands also dominate the OEM market as the large, multinational, off-road equipment producers, such as Deere, Caterpillar, and Case New Holland, desire branded products on their new equipment. Generally speaking, premium-branded tires are also of higher quality. They command a premium because they are highly engineered for maximum useful life and performance.

Another important, nonprice distinction between the premium-branded and generic tires is service. This is a little bit different from most consumer products. When something goes wrong, you don't contact the manufacturer in this industry when you have a tire problem. You contact your distributor. Now, that distributor has to deal with the problem, and unless he has the support of a major, quality tire company behind him, he is going to be

stuck with the problem, and that gives premium brands a major leg up on generics.

Because premium-branded and generic tires sell at different price points, price competition is attenuated. In fact, to some degree, generics often compete on price with retreads.

Then we have the radial versus the bias. Although there continue to be substantial quantities of bias-ply product in the market, the trend is clearly towards radialization, for the reasons that you heard in question and answer: They perform better. Radial tires dominate the large OTR tire market and are increasing their share in rear farm, one of the last bastions for bias. Michelin, for one, is phasing out bias, and Titan is phasing out its Kelly brand-name line of bias agricultural tires.

Finally, there are two important distinct channels of distribution: OEM and aftermarket. As mentioned, OEM customers heavily favor branded product over generics. Of the market segmentations described, the U.S. industry focuses on the premium branded. They are heavily focused on farm, and they are also heavily focused on OEM.

Subject imports, by contrast, are focused primarily on other market segments, particularly in

the non-ag., generic, aftermarket segments.

Now, turning to injury. In assessing the financial condition of the U.S. industry, Titan is a good place to begin. It is the closest company in this industry to being a pure OTR tire player. Although it has some nonscope business, a business, by the way, which it is aggressively growing, it is, for the most part, a scope OTR producer.

The other main producers of OTR tires in the U.S. focus on consumer tires with their attendant overhead costs. Titan is also present, to some degree, in all key sectors of the OTR tire market.

So how has Titan performed? As you have heard, Titan's stock price has skyrocketed. During the POI, it increased over 900 percent. Titan has been very aggressive in expanding its own production. It has invested a reported $153 million to purchase OTR facilities from Goodyear and Continental, and, according to its own statements, Titan is considering further acquisitions.

Titan's public statements on its financial performance have been consistently bright and bullish. For example, just in January, Chairman and CEO Maury Taylor stated, "We have already seen strong demand in January and February. If this continues, 2007 will be

Titan's best year ever."

Based on published financial statements, Titan's financial performance has been strong throughout the POI, and Wall Street predicts even stronger results this year.

Perhaps most tellingly, as shown in the next chart, imports from China have not been mentioned as a risk factor in any of Titan's 10-K submissions to the SEC during this period, and Titan goes out of its way to list many risk factors. In fact, it goes over two pages. There are 15 different risk factors mentioned.

Once there is a reference to competition, some of which is from "low-wage countries," but that risk has been relegated, the one time it was mentioned, to tenth place on the list.

I want to underscore that not once do any of the 10-Ks issued by Titan state that subject imports have had a negative effect on financial performance.

When it comes to scope product, it is much more difficult to get a handle on the state of the multinational, full-line tire manufacturers, as this segment represents a fraction of their overall business. Nevertheless, the public record does allow us to glean certain facts.

Bridgestone's annual report for 2006, for

example, indicates that the firm's OTR tire business was strong in the Americas. The report goes on to say that Bridgestone admits it could not sufficiently supply OTR demand in 2006. Even though the U.S. is a principal source for that demand, Bridgestone is responding to this market opportunity by building a new OTR tire plant in Japan, the first new plant in that country in many, many years.

In its 2006 financial statement, Michelin describes the OTR market as follows: "The agricultural two-wheel and aircraft business continued their recovery," and I'm quoting. "Specialty business sales increased 4.1 percent and were up in practically all markets. The segment's operating income was up more than 80 percent. Its operating margin gained 5.3 points, making it the group's most profitable segment. This good performance is clearly underpinned by highly supportive markets in the earth-mover and radial aircraft tire segments where global production capacities are not sufficient to satisfy a very robust demand."

I would just like to mention some of the smaller domestic firms just briefly. From their product catalogs, it is apparent that they may be making hundreds, and perhaps thousands, of different

types of tires in a single factory. This necessitates short, very expensive production runs.

As shown in the chart, the average age of the smallest of those factories is 90 years. Most, if not all, of their production is in bias-ply tires, which are being phased out in many applications in favor of radials, and these players represent a tiny fraction of the overall U.S. tire industry for OTR.

Turning to causation, once again, I start with Titan. As mentioned, the public record demonstrates that Titan is financially healthy. According to its own statements, it would be even healthier were it not for restructuring costs associated with the purchase of its Goodyear Freeport facility and its move into larger OTR tires that it has left deliberately outside the scope of this investigation.

In assessing the causes of financial pain suffered by the multinational, full-line tire dealers, if any, the Commission must separate out what is happening in the consumer and passenger tire markets from the OTR tire business, not that this is easy. In the words of Mr. Taylor of Titan, "I don't even think our friends at Firestone have a real feel for if they are making money or if they are not making money. I

mean, their farm business is so small, in comparison to everything else, I think they just lump it in."

As their financial statements and the next chart show, the multinationals have substantially higher overall SG&A costs than pure OTR tire manufacturers, like Titan. These higher costs must be associated with their consumer business, things like TV advertising, blimps, racing tire sponsorships, and product liability claims.

The Commission should remain vigilant to attempts to inflate SG&A expense levels through questionable allocation methods. If improper allocation methods are used, falling sales and shrinking consumer tire segments may be used to shift SG&A to nonconsumer tires, an apparent increase that would have nothing to do with subject imports.

And what of Chinese imports? First, we think that, when all is said and done, Chinese import penetration in this market will be very low. We think that the data will show that, to the extent that Chinese imports are in the market, they are more focused on non-ag. sectors, where there exist substantial supply shortages.

Brian has shown you industry data indicating that, in ag., the major U.S. brands have had a stable

and large market share over the POI. Subject imports are most prevalent in the non-ag. replacement market, but the Chinese presence in these sectors is nothing new. Even there, competition is attenuated. Much of the Chinese product consists of lighter-wall generic brands supplied to the aftermarket, a segment which is less important to U.S. manufacturers.

Although GPX does supply the U.S. market certain niche branded products from China, this is the segment where shortages are most severe. That concludes my testimony.

MR. REILLY: Good afternoon. I'm John Reilly of Nathan Associates appearing on behalf of the Chinese Respondents and taking the position in this conference of tail-end Charley for the Respondents.

I will focus on the issue of threat of material injury; however, I would like to start by addressing two related issues. These are the ineptness of the pricing product data for domestic and import price comparisons and the serious shortcomings of the Census import data that was employed in the petition.

Now, agricultural and industrial and mining OTR tires, as we've heard, are not commodities; rather, they are highly engineered, highly

differentiated, branded products that compete, to a very significant degree, on the basis of nonprice characteristics.

Marketers and customers alike recognize three quality and price tiers. The top tier is composed of nationally and internationally prominent brands, such as Goodyear, Bridgestone, Firestone, General, Michelin, and so forth. Indeed, Titan has reported that it acquired the rights to market under the Goodyear and Continental General brands in order to position itself as a seller of premium agricultural and other OTR tires in the replacement market.

Top-tier suppliers dominate the OEM market, and, because of that, have a brand-driven advantage in the replacement market because new equipment buyers tend to replace the tires on the equipment that they originally purchased with the same OEM brand.

The second tier is composed of less-prominent brands, such as Titan's Grizzly brand and Specialty Tire of America's American Farmer brand. Second-tier brands target quality- and value-conscious buyers of replacement tires. Not surprisingly, a replacement second-tier tire brand of a given specification sells for less than a top-tier brand of the same specification.

Third-tier OTR tires are little-known brands, or even dealers' house brands, that target value-conscious buyers who don't necessarily need the robustness and ride comfort of the upper-tier tires. Such buyers include owners of older, second-hand equipment that does not get extended or hard usage during the year.

The third-tier brands sell for less than both the top-tier brands and the second-tier brands. Virtually all of the subject tires imported from China during the period of investigation, with the exception of the GPX products, fall squarely into Tier 3, yet the pricing product data indiscriminately compare the Chinese price information with information for upper-tier, U.S.-produced OTR tires. Such inept comparisons are bound to produce a false indication of underselling.

By way of analogy, Chevy, with the notable exception of Corvette, sells for less than Cadillac but does not undersell Cadillac within the meaning of the statute.

The pricing product categories proposed by the Petitioner encompass different dimensions and radically different tire weights, thus further increasing the likelihood of inept price comparisons.

For example, the skid-steer tire, defined as Product 1, has an indicated weight of 88 pounds. However, tires from China having the same size specification are much lighter than 88 pounds, for the most part, and should, therefore, sell for much less than the heavier, noncomparable Titan tire.

Now, both the tiered structure of the market and the issue of noncomparable pricing products tilt the data strongly in favor of finding underselling. To the extent that the Commission may regard indicated underselling as the harbinger of threat of injury, the flawed pricing product data could well produce a false affirmative finding.

I would like to now turn to the Census data, and I have a chart in my handout. The first chart summarizes the import data for 2006 that was employed in the petition. The total figure reported in the petition is 15 million units of imports from China in 2006. Of this total, 8.2 million units, or 55 percent, consist of small, agricultural tires, farm tires, at an average landed value of $10.19 per tire.

Data from Modern Tire Dealer takes total U.S. shipments, including imports, of replacement small farm tires of only 1.2 million units and total shipments, including OEM, of 1.6 million units. Total

demand for farm tires, including total shipments of farm tires in 2006, including both the small tires and the larger tires, is only 2.8 million units.

Now, imports of one million units of small farm tires simply don't compute. Moreover, if you peruse the price list submitted by the U.S. producers responding to the Commission's questionnaire and those attached to the importers' questionnaire, you will quickly put a value of $10.19 into focus. Even with an importer's markup, you won't find any prices in that range.

Now, the second-largest Census commodity is small, nonagricultural tires, at a volume of 2.7 million units and an average landed value of $12 per unit. Here again, the large unit volume and the very low unit value simply do not compute. To the extent that any of these products may technically be considered to be subject merchandise, the vast majority of them don't list products that the U.S. industry does not manufacture and does not wish to manufacture.

We have received information from 15 Chinese producers that we believe include all of the major producers and exporters of subject OTR tires to the United States. The foreign producers' questionnaire

responses are being filed today and, in all probability, have already been filed. These responses indicate total 2006 exports to the United States of just under a million units.

Based on this reported figure and discussions with trade association personnel in China, the best reasonable estimate we can get of actual 2006 export volume is roughly two million units.

Now, at a volume of two million units, the figure reported by the 15 would equate to 40 percent or a bit more of total subject imports to the United States. This is a relatively large sample and should provide a reasonable basis for assessing trends in Chinese capacity production in shipments.

Despite capacity increases, reported Chinese capacity utilization has remained near or above 90 percent on both the unit and poundage basis throughout the 2004 to March 2007 period and it's projected to exceed 90 percent for full year 2007 and 2008.

On a unit basis, and here I have -- my second chart applies, home market shipments increased by about 35 percent between 2004 and 2006; exports to third countries by more than 50 percent; and exports to the United States by about 27 percent. On a combined basis, home market shipments and third

country exports account for roughly 80 percent of total in the 2006 unit volume and probably more on a value basis. Clearly, the strong home market demand and robust third-country markets are the principle focus of the Chinese producers.

Home market shipments on a unit basis projected to grow by an additional 16 percent to 2008, while third-country exports are expected to grow by 14 percent. The projections of home market in third-country shipments are fully in line with recent experience. Recent trends and current forecast confirm in particular the strength of the Chinese home market. Chinese real GDP grew by 10.7 percent in 2006 and is forecast to grow at a rate of approximately 10 percent in both 2007 and 2008. The Chinese industrial production growth rate near 30 percent in 2006 is expected to exceed 22 percent during 2007.

Reflecting the very strong Chinese economy, the value of agricultural machinery production, including wheel vehicles, increased by a whopping 23-1/2 percent for 2005.

MR. CARPENTER: Mr. Reilly, your time is up. If you could summarize in a minute.

MR. REILLY: Yes, I appreciate it. Thank you. Shipments to the U.S. market are projected to

decline by about 10 percent. This simply reflects the strength of demand in other markets.

Given the nature of the markets that the Chinese are serving, their focus on non-U.S. markets and the very strength of those markets, there is no indication that the Chinese producers would either desire or be capable of substantially increasing their exports to the U.S. market. Thank you.

MR. CARPENTER: Thank you, very much. Thank you, panel, for your presentation. We'll turn now to staff questions and begin with Ms. Lo, the investigator.

MS. LO: Hi. Thank you for your testimony and the three dimensional samples are very helpful to me.

MR. GANZ: And we can leave these with you and they're great for Christmas presents.

MS. LO: I had a question about the retread tire market. Since is it out of the scope of these investigations, is it included in the 10 percent of the overall tire market that people have been talking about? So, it is not. Okay. Thank you. Okay, so if that's the case, that's all my questions so far. Thank you.

MR. CARPENTER: Rhonda Hughes, the attorney?

MS. HUGHES: Okay. Like product, obviously, the Petitioners would like the Commission to define the like product as a single like product based on the continuum. Do you agree or disagree with that characterization?

MR. GANZ: I think, as the sample products illustrate, every tire is a unique product. It's unique by virtue of its brand. It's unique by virtue of its construction. It's unique by virtue of its price points in the market. So, again, the Titan tires range in price on the same exact size for the same vehicle, for the same wheel, from $86 to $182. So, even within the Titan Goodyear product range, they have a vast diverse spectrum of products. So, they're clearly not like products.

MR. SAILER: I'm sorry, I was taking the tire samples down to Ms. Mazur a minute ago and missed the question. I assume that you're asking the legal question now about like product and I guess what we would like to say is for purposes of this preliminary determination, we are prepared to accept the obviously gerrymandered like product that this Petitioner has drawn. We don't think it matters. There is no reasonable indication of injury here and we don't want to get into the mess of arguing about a like product.

It is simple and straight forward. The way they've described it, like I said at the beginning, why are we here?

MS. HUGHES: So, based on the Commission's expected test, you would agree that there is one single like product -- a continuum of products comprising a single like product?

MR. SAILER: For purposes of this preliminary determination.

MS. HUGHES: Okay. Do you, also, agree that the products that were excluded from the scope should also be excluded from the domestic like product definition then? You can answer this in your post-conference brief.

MR. SAILER: We will address them in the post-conference brief.

MS. HUGHES: Okay.

MR. SAILER: I think, basically, the answer is the same.

MS. HUGHES: Okay. I think you've touched on this somewhat in the various testimonies that we've heard, but if you could state more specifically what you believe are the pertinent conditions of competition are. You can do that in the post-conference brief, as well. We would appreciate it.

MR. SAILER: We will do that.

MS. HUGHES: And I neglected to ask Petitioners this. I assume you would agree that the business is cyclical in nature, as well?

MR. GANZ: The business is cyclical, but we are in a long-term global uptrend for certain segments of the market.

MS. HUGHES: Okay.

MR. GANZ: Clearly, coal mining is in a long-term uptrend based on coal gasification, liquification. Agriculture is in a long-term global uptrend because of ethanol. Container handling tires and other core vehicles are in a long-term uptrend. So, while the business is cyclical, perhaps, for example, the housing market, there are certain parts of the business that really are not cyclical, at this point, and are simply long-term global uptrends.

MS. HUGHES: Okay.

MR. ARGENTI: If I might add, you see that there are so many different segments of the economy that actually use these tires, that it's really hard to come up with an OTR specific cycle, unlike paper, for example, where you get boom and bust based upon paper machines being built and then you get over capacity. It's probably closer to overall economic

growth, because it crosses so many different sectors of the economy.

MS. HUGHES: Okay. Thank you. Now, regarding Mr. Ganz's testimony about the spinoff of the OTR segment from production, it sounded as if you're saying that imports have virtually nothing to do with the spinoff.

MR. GANZ: I'm not sure I understand the question. What spinoff are we talking about?

MS. HUGHES: You were saying that the companies are spinning off the OTR segment.

MR. GANZ: Yes. Goodyear, Continental, and Pirelli, Continental and Pirelli have exited all non-consumer products. Goodyear has probably announced that they are selling off all of their non-consumer product divisions. They recently sold their industrial products. We know for a fact, because we've been approached by Goodyear, that they are putting up for sale their OTR division. So, they've made a decision on a global basis that they do not want to be in what they consider to be the non-core segment of their business. As the Petitioner and as Mr. Burchfield said, this is about 10 percent of the overall market. This is a market that is highly specialized and certain companies have decided they

want to exit the market. The two main companies in this now, the two main broad line suppliers, Bridgestone and Michelin, are the last remaining broad line suppliers that are committed to this market and the rest of the market is being picked up by the Petitioner and other companies like GPX.

MS. HUGHES: Why have they decided to exit the market?

MR. GANZ: It's a couple of reasons. One, it's a very, very different factory layout. Production runs are by definition much, much shorter. So, everybody at these big companies thinks in economic order quantities of a million. So, you know, they like to have, as Mr. Burchfield said and as Petitioner said, they like to have long, long production runs. This market segment does not lend itself to long production runs. We have a lot of production -- a lot of tires where the entire market may be a few thousand tires, the entire global market may be a few thousand tires. So, there are a lot of changeovers.

In our factory in Maine, we have 32 mold changes a day. That's just part of this segment of the business and it doesn't fit well with the consumer segment of the business. In addition, it's not the

same marketing channel. When you want to buy a Bridgestone OTR tire, you cannot just simply go to any Firestone dealer. So, these are specific dealerships. So, you don't have the synergy or the overlap that you would think, well, it's a tire business, so you can go to a dealer and you can get everything. These really are completely different segments in the business.

These decisions to exit the business also, I think, were made some time ago. These are long-term decisions that were made by the management at Goodyear, Pirelli, and Continental.

MS. HUGHES: Then, you don't believe that the subject imports or any imports competition has anything to do with this decision?

MR. GANZ: Well, I think certainly Continental sold off its farm tire business, which was primarily based in Europe. So, their major farm tire factory was in the Czech Republic and they sold that to a European company. They sold off -- and that was sold three years ago. And then they sold their OTR division here to Titan. So, I don't believe that it's based on U.S. results. I mean, these are all multinational companies with dozens and dozens of factories around the world and they're not simply selling off their U.S. assets. They're selling off

their global assets.

MR. REILLY: John Reilly from Nathan Associates. I would like to pitch in on that question, as well. There's another reason. This is a more generic reason why these small tire divisions are being divested by the large companies and that is in the overall scheme of things, they can't have a significant influence on corporate earnings. Therefore, it doesn't make sense to invest money and management time in them. But, in terms of selling the divisions off, remember who the buyer was. It's Titan. Now, I'm sure Titan didn't buy these two factories and get the brand rights, because they didn't think they could make a profit. I think Titan believes that they can be very profitable. And because Titan is a specialist in this industry and is somewhat smaller than the huge consumer tire companies, adding these operations can make a significant contribution to corporate earnings.

MR. GANZ: Interestingly, also, with the recent acquisition of the Bryan, Ohio factory by Titan, Mr. Pensler from Denman also bid on that factory. He was trying to buy that factor and we, also, tried to buy that factory. There was a lot of bidders for that factory.

MS. HUGHES: Okay.

MR. LEWIS: If I might add, Craig Lewis from Hogan & Hartson, maybe just a similar point and it may be obvious, as well, but this is not a situation where production capacity has left the U.S. market. It has moved from one entity to another, to an entity that specifically had a strong commercial interest in continuing that capacity.

MS. HUGHES: Okay. All right, thank you. In my never-ending quest to understand tires, in the handout here, where there's a page talking about how certain tires are the same size and not interchangeable, and there are various categories, such as general purpose, turf and floatation, mining, asphalt, concrete, and indestructible, could you explain a bit what the difference between these four groups is? General purpose, would this perhaps what I have on my car or comparable to an all-season radial tire or not?

MR. GANZ: Well, these tires were all designed for skid steer machines --

MS. HUGHES: Okay.

MR. GANZ: -- or what is referred to as sort of Bobcat machines, although Bobcat is a specific brand. So, these machines are used in a myriad of

applications. Some of their applications, you see them on the side of the road in road construction. You see them in home building. You see them in turf maintenance. You, also, see them in very severe applications in mines and in steel yards, scrap yards. So, depended upon the application, the operator needs to buy a tire that works for that application.

Now, the majority of buyers buy a general purpose tire, because that tire will provide some significant protection against punctures, will also provide traction, will also give them some level of flotation. But, let's say, for example --

MS. HUGHES: We're just talking about skid steer?

MR. GANZ: Yes, skid steer.

MS. HUGHES: Okay.

MR. GANZ: But, let's say, for example, you have a skid steer, where you operate in a part of the country that is very wet and muddy. Well, they're going to want a flotation tire. Or let's say that you are a landscaper and you don't want to damage the turf, so you'll get a turf tire. Or if you operate in a scrap yard or a steel mill, where there's lot of debris and the tires is subject to puncture, you're going to get a super severe duty tire, so that it

won't get punctured. You can look at the cross sections we gave you, you can see that the Hulk or the very, very deep tread provides significant greater puncture resistance than a normal general purpose tire. So, I provided you with cross sections of our heavy duty tire and Titan's heavy duty tire and then one of our general purpose tires and one of Titan's general purpose tires.

MS. HUGHES: Okay. So, the turf and flotation tire could be used -- these are all used on the same equipment, it's just basically what the conditions are?

MR. GANZ: Exactly.

MS. HUGHES: Okay.

MR. GANZ: It's always in the same equipment. Interestingly, we offer a lot of these tires to original equipment manufacturers, because they will put together a package. So, the attachments to that machine will be attachments for mowing lawns or the attachments may be attachments for mining or attachments for just general motor application. So, the tire will be selected for the application machine. And, in fact, our tag line at GPX is application specific, purpose built. So, we try to come up with tires that are specific to the application.

And one of the things that's interesting is the union was talking about the reduction in the number of molds that they were using for skid steer tires for exactly these tires. They went from 12 molds to two molds. Well, that's because the industry has gone from one tire to 12 tires. So, what's happened is this is the age of specialization. This is the age of differentiation. So, you need to be able to differentiate your product to make it specific for that application. So, there are no longer long runs of one single generic skid steer tire, rather there are shorter runs of a lot of different specialty skid steer tires.

MS. HUGHES: Okay. So, we're hearing a lot about the shortages. Okay. Would that be like steel caulking -- say skid steer, for example, are you having a shortage in general purpose or turf and flotation? Or where are the shortages concentrated?

MR. GANZ: The shortages in the OTR industry refer to the larger tires, 25 inch and up. So, that's where you're seeing shortages. Although I will tell you, honestly, we're beginning to see shortages also now in the agricultural tires. We were meeting with John Deere three weeks ago and they've increased their forecast for next year by 20 percent due to very, very

strong ethanol demand. So, they were also asking whether we had tires available for them. We do not, because we don't have any capacity. But, there are shortages also developing now in the agricultural segment.

MS. HUGHES: Okay. So, in the larger tires, it's shortages. Do you have different categories for any one piece of equipment, such as listed on this page?

MR. GANZ: Absolutely. It's the same exact --

MS. HUGHES: Okay.

MR. GANZ: -- type of thing. So, for example --

MS. HUGHES: Okay.

MR. GANZ: -- there may be an 1,800 25 tire that's used for an older articulated dump truck. But, there's also an 1,800 25 tire that's used for a straddle carrier. And there's also an 1,800 25 tire that's used for a container stacker. And there's also tires that are used for loaders. And within that loader application, you're going to have loaders that operate on soft soil that will use an L-2. You'll have loaders that operate on rock that will use an L-3. You'll have loaders that operate on severe duty

operations that will use an L-4. We, in fact, make up to an L-6, which we use for our recycling stations. So within that one tire size, we, again, may have 10 iterations of tires depending on the specific application for which the vehicle will be used. They all fit on the same rim. They all go on the same vehicle. But depending on where the vehicle is going to be used, the tire will be different.

MS. HUGHES: Okay. So, are the shortages concentrated in a specific application?

MR. GANZ: Shortages are concentrated more in terms of size, because, as the Petitioners correctly point out, there's limited production availability, as you start to get into the larger sized tires. So, out of the same quest, you could make any one of the 20.5 25s or 1,800 25s by using a different mold, but it would use all of the same building equipment. So, what's happened is the shortages are within particular size ranges of the market.

MS. HUGHES: Okay.

MR. ANDERSON: One thing I might want to add about that and to try to clear up a misconception that may have been raised this morning, when the Petitioners were talking about percentages in terms of

SKUs, three percent may be our steel on allocation and shortage. I'm not sure about the three percent, but certainly you can't look at it in a SKU basis, because these are the high value-added tires. These are the ones that are incredibly expensive. So by value, this is a much larger portion of the industry than the model number -- the total quantity of model numbers.

In addition, I want to point out that it's not just the over 39 inch. It's the 25 to 39 inch, as well, and that, I believe, constitutes a very large proportion of the market by value here.

MR. GANZ: -- what the number of SKUs is for the Petitioner, but there's a very significant shortages, as, you know, our customers will attest to. There's still -- it was interesting, because our customer Quirk is on allocation and they said, well, that's a bad thing. The attorney said, that's a bad thing. No, no, no, that's a good thing, because we're actually getting allocated product. The other tire companies won't even give us any allocation. So, I mean, actually being on allocation, you know, you get 10 tires a month. But, everybody is still either on allocation or not getting any commitment whatsoever.

MS. HUGHES: Okay. And you stated that this critical supply situation is expected to last for

years?

MR. GANZ: Yes.

MS. HUGHES: How do you know that?

MR. GANZ: Well, there's a limited number of factories globally that product these tires. There's a lot of technology that goes into these tires. You're seeing today that Michelin and Bridgestone and the Petitioner are all making significant investments. Michelin has announced $550 million in investment in the OTR segment. Bridgestone/Firestone is making significant investment in Japan. Everybody is making investment. But, these investments will take a long time. These are not factories that you're going to turn on like light switches.

MS. HUGHES: I see, I see, okay. And you used the term 'critical,' in terms of short supply, meaning it sounds rather dire and it's not just some minor shortage situations. So, is that indeed the case when we're talking about something that's a dire situation and people are really having trouble putting tires on the appropriate vehicles? Or they could sell the vehicles that they had tires for them and it's impacting sales or something?

MR. DENIS: Through some of our programs, we have been able to anticipate usage and we've been able

to maybe do a better job of supplying our end users in our market. But, in other parts of the country, we're hearing of machines being production machines, because they can't get tires to put on the machines.

MS. HUGHES: Okay.

MR. GANZ: We could not supply our customers even 50 percent of what the requirements are, even the customer sitting at this table unfortunately. There is a severe critical shortage of these 25 inch and up tires.

MS. HUGHES: And this has been going on since approximately when?

MR. EDWARD: Since 2006.

MS. HUGHES: 2006, okay.

MR. SZAMOSSZEGI: But even before 2006, you'll find that there are a lot of -- well, let me put it this way, one thing that there's not a shortage of are business press articles about the shortage in OTR in farming. And so, we're going to provide a lot of those. And it starts cropping up in late 2003 and then just continues. Okay. For a while, farm was not on a shortage, but now with ethanol, the ethanol induced boom, it's turning into a shortage again for some products and in some areas. So, we'll provide a lot of that material post-conference.

MS. HUGHES: Okay, thank you. I monopolized Mr. Ganz. So, Mr. Edwards, your turn. You had stated that some sellers or distributors or your purchasers, I'm not sure, who are dropping general tires, if they had to carry the Titan line. Okay. In light of this discussion of shortages, I don't understand why that would be the case. If there's a line of tires out there --

MR. EDWARD: It's not that they didn't want them, didn't want the tires. They were a long-term general tire purchaser. We would get our general tires through them. A couple of months back, they were trying to make a deal with the Titan general organization, but they were being required to buy Titan, which they didn't handle in a normal scheme of things. So, they dropped the general line, because of the fact that they didn't want to take the Titan line on. That was some kind of a management or marketing decision that was made by the Titan family. So, we're not able to get Titan or general tires in the Dallas market.

MS. HUGHES: So, this must have been in some area where there wasn't any shortage of tires then.

MR. EDWARD: Oh, no, we have a shortage of tires in Dallas, yes, ma'am.

MR. GANZ: The particular chain in question is actually owned by Bridgestone/Firestone.

MS. HUGHES: Okay.

MR. GANZ: So, they were -- Bridgestone/Firestone owned dealership, but they couldn't get sufficient tires simply from Bridgestone/Firestone. So, they were also buying from Conti/General. But, Titan wanted them to take on the Titan farm line.

MS. HUGHES: I see.

MR. GANZ: And they didn't want to take on the Titan farm line, because they have the Firestone farm line.

MS. HUGHES: I understand now. Okay. Mr. Denis, I will ask you first, but then I'll ask others to follow up, if they wish. You had stated that price isn't the most important factor. Is there a single most important factor, in your view, in the purchase of tires?

MR. DENIS: I don't think so, no. There's a number of variables that factor in, as I had mentioned.

MS. HUGHES: What would be the top three most important?

MR. DENIS: At the moment, it would be

availability and supply.

MS. HUGHES: Availability. And where does quality fit in there?

MR. DENIS: Quality is up there, as well, number two, at this point.

MS. HUGHES: But, availability is more important?

MR. DENIS: Today, it is.

MS. HUGHES: Do the rest of you agree with that assessment? Yes, okay.

MR. EDWARD: Buying quality products for an independent tire dealer is paramount --

MS. HUGHES: Yes.

MR. EDWARD: -- because we lose customers, if we don't treat them right or help them make the right decision in what they purchase and put on their equipment. We lose them.

MS. HUGHES: Okay. Mr. Denis, you had also stated that it's important to determine and advance the products that could be retreaded. Well, you wanted to promote products that could be retreated. So, I would assume that you would have to determine them in advance or how does that work?

MR. DENIS: Well, it would be a quality issue.

MS. HUGHES: Okay.

MR. DENIS: The original tire that you purchased would have to be of good quality, good casing integrity, in order to retread it.

MS. HUGHES: Okay. With regard to the problem of back-ordered items, how does that work? If something is back ordered, what did you say, four to six months could be a backlog or something to that effect, could you then turn around and import the tire? Would that necessarily be available as an option, in view of this extended shortage?

MR. DENIS: In terms of suppliers?

MS. HUGHES: Yes.

MR. DENIS: Sure. I mean, the critical nature of the supply, we would be looking at all avenues to acquire tires.

MS. HUGHES: Okay.

MR. DENIS: We would actually -- our forecasts, sometimes 12 to 18 months out. We would know that far out how many tires we were going to sell and then go to our suppliers and say, can you help us through this situation.

MS. HUGHES: Okay. So, then, the back order wouldn't exactly cause you a lag in production?

MR. DENIS: No, it certainly could. But, we

try to be very pro active, where we would know 18 months out, these are the items that we're going to require that we need to sell. Some of the suppliers have put us in allocation. They would come back and say, well, we can give you this many tires over this period of time. With other suppliers, we just place the orders. We didn't know if we were going to receive tires or not.

MS. HUGHES: Okay. Now, branding, the premium is the first tier. One of you were talking about premium and entry and generic is such thing as the first tier, second tier, third tier. Okay. And the subject Chinese imports are primarily in the third tier, generic brand. No. I see Mr. Edward shaking his head. Where do they fit in?

MR. EDWARD: We buy from GPX, because their engineering and their design of the products for 12 years now have lived up to the name. So, Galaxy and Primex have a very good name and reputation in our market, because they give you more than what you pay for.

MS. HUGHES: Okay.

MR. EDWARD: And we're proud to sell them for that reason.

MR. REILLY: It's John Reilly from Nathan

Associates. I should note that GPX is the exception. With the exception of GPX, the vast majority of imports from China do fall into -- well, squarely into tier three.

MS. HUGHES: Okay.

MR. GANZ: But, it's interesting to note, I mean, Bridgestone/Firestone, of course, has a number of factories in China. They don't happen to produce these tires, but they have factories in China. And when they bring a tire into the country that's made in China, they don't sell entry level or generic level, because of the brand. So, Chinese brands will sell in that generic level. But, Chinese-produced tires of major brands -- of course, Michelin produces a lot of tires in China, as well. Goodyear produces tires in China, as well. And for the average consumer, on your car, you may, in fact, be driving a car with Chinese tires on it. All you know is that they're Michelin tires.

MS. HUGHES: Okay.

MR. GANZ: So, when you're talking about the generic, you're really talking about Chinese branded tires.

MS. HUGHES: Understood. Who is in that second tier, the entry level tier? It sounded like

the domestic producers are primarily maybe in the premium.

MR. GANZ: No. I think everybody has multiple price points. Bridgestone sort of positions their tires differently. I mean, in the -- for the Petitioner, they have a Continental brand OTR tire, and general brand OTR tire. They have a Goodyear brand agricultural tire and a Titan brand agricultural tire. We have a Galaxy brand tire that's premium and a Primex brand tire. It's simply multiple price points within the same family.

MS. HUGHES: Okay, I see.

MR. ARGENTI: But having said that, I think still what Mr. Reilly said holds, that the majority by volume of the Chinese tires are in the generics. That's where they focus on, just as -- we're not saying that the U.S. branded companies don't also sell at different price point, but the question is where is their focus and the focus is more on the premium end.

MS. HUGHES: Okay. So, back to this shortage of the 25 inch and over, is that restricted to any single price point or is it just across the board?

MR. GANZ: That's an across-the-board shortage. I think one of the interesting things, of

course, is that people have accepted lower quality tires than they would otherwise accept simply to have something on the vehicle. It's kind of interesting, the analogy is, is a Mercedes S class and a Kia Optima comparable products? Well, if the alternative is walking, the answer is yes. So, if the alternative is no tire, then, yeah, the generic tire is a comparable product. And, in fact, many consumers that would never put a bias ply tire on a big piece of equipment, on a big haul truck, in fact, in the last several years, have resorted to putting bias ply tires on big haul trucks, because the alternative was no tire at all.

MS. HUGHES: Okay. All right. Just for me to quickly sum up, if you could also provide your assessment in your post-conference brief of volume price and impact analyses that the Commission -- the factors that the Commission looks at to make its determination, we would appreciate it.

MR. SAILER: Of course, we will do that.

MS. HUGHES: And the same with the threat factors. And I assume, since we've had testimony from you, that this is not a commodity product. You agree with Petitioners that the Bratsk case does not apply.

MR. SAILER: We do. I would note though

that there are commodity products that are involved in this and we think that the Commission will have to look carefully at whether or not the imposition of a dumping duty would and order the benefit of, for example, the Trelleborgs that moved to Sri Lanka and not to the U.S. industry.

MS. HUGHES: Would these commodity products comprise a major portion of the market?

MR. GANZ: You know, it's hard to say. In certain segments, as you start to get into the lower price segments and the lower performance demand segments of the market, the market is more commoditized. So, for a pieces of equipment that don't have a number of different applications, that are used really in one application, or that have a very low performance demand, so that there is no need for a premium tire, you will find that the products are somewhat commoditized. You know, it was interesting, one of the products that the Petitioner picked was this 11 L-15 and Mr. Burchfield was saying that their production has gone from 2,000 units to 400 units. I will tell you that at Galaxy GPX, 10 years ago, we sold 30,000 of those tires a year and this year we will sell less than 2,000. So, it's not just the Petitioner. That size is an antiquated size.

That size existed when my grandfather was in the business. Nobody is using that size. The machines are going to larger sizes. So, one of the things that -- you know, is that a commodity tire? Yeah, absolutely. That particular tire is a commodity tire, but what's happened is newer tires have replaced it.

Mr. Burchfield mentioned, and perhaps he will correct his statement, that Bridgestone/Firestone develops one new tire a year. This last year, we developed 87 new tires. For the first seven months of this year, we developed 80 new tires, because like any industry, the market is changing. The older sizes, the older bias ply farm sizes, which are becoming more commoditized, are being replaced by newer models, by radial models, by more application specific models. So, to the extent that there are commodity products, they're the products that have been built for the last 50 years are in a long-term decline and being replaced by newer more modern products.

MS. HUGHES: So, they're becoming less and less important as time goes by?

MR. GANZ: Yes.

MS. HUGHES: Okay. Thank you, very much.

MR. CARPENTER: Clark Workman, the economist?

MR. WORKMAN: I just have one question for Mr. Reilly. You said that -- basically what you said is that the price data we have for the five products is really a rather meaningless comparison. Is that correct? I wasn't quite sure what the --

MR. REILLY: Yes, unfortunately, it would appear to be so, because what you're doing within the categories defined are mixing significant numbers of non-comparable products. For example, the specified product one, the skid-steer tire, that is going to be employed by Titan in reporting its prices is an 88 pound tire.

MR. WORKMAN: Right.

MR. REILLY: The substantial majority of what's coming in from China is substantially lighter. And, for example, if you have a 45 pound tire coming in -- with the same spec coming in from China and that is compared in price to the 88 pound tire, clearly, it's going to be significantly lower. We heard this morning that raw material costs accounted for 58 percent of total costs at Bridgestone. You get a false positive of underpricing in that kind of a situation. In addition, if you are comparing, say, for a company like -- or any of the domestic companies that produce tier one products and tier two products,

if you're mixing their tier one products and tier two products and comparing them to a tier three product from China, again, you're getting an inept comparison that gives a false impression of underpricing.

MR. WORKMAN: Well, would you say this is true of all five of the tires we have there, that they're all kind --

MR. REILLY: Yes, the possibility exists --

MR. WORKMAN: The products are -- what would you suggest that might be done to adjust for it? How could we get proper price comparisons?

MR. REILLY: Define the pricing products more carefully.

MR. WORKMAN: More specifications?

MR. REILLY: Yes. Take into the consideration differential -- the weight differential, also the brand positioning. And I think in consulting with members of the industry, both domestic producers and Respondents and counsel for such, it would be possible to put together a group of pricing products, where you've got truly comparable products.

This is one of the pricing products that's sitting in front of you right now, so you can see the difference --

MR. WORKMAN: Right.

MR. REILLY: -- between the wide range of product types.

MR. WORKMAN: Okay. I don't have any other questions.

MR. CARPENTER: Ray Cantrell, industry analyst.

MR. CANTRELL: Thank you. Mr. Ganz, you mentioned that you were in the rim business.

MR. GANZ: Yes. We, also, have a wheel manufacturing facility in Redline, Pennsylvania.

MR. CANTRELL: Is there an advantage in the OEM market to producing rims?

MR. GANZ: The Petitioner really sort of created a new business model many, many years ago. The Petitioner Titan Tire & Wheel was originally a wheel company. And they purchased the Armstrong factory and started the Titan brand. And they went to the original equipment customers with a tire-wheel combination, single part number, single just-in-time. And now, as a result, many of the original equipment manufacturers expect the tire companies to provide them with a tire-wheel mounted assembly delivered, you know, single part number, single invoice, delivered just in time. So, we don't like being in the wheel business frankly, because the wheel business is not a

highly differentiated product like the tire business. It's not a high brand recognition product. But, we do have to provide wheels to our original equipment customers on occasion, in order to be able to quote on that business.

MR. CANTRELL: Is this one of the larger wheels?

MR. GANZ: They produce the rims. We do not have the capability within that factory to produce the larger wheels. We produce primarily the smaller wheels in that factory. But, we do work with a number of suppliers around the world to be able to buy wheels from them to marry our products with their wheels and provide a mount at assembly if that's required by the OEM.

MR. CANTRELL: So, you would mount those in your factory and then sell them to an original equipment manufacturer; is that correct?

MR. GANZ: Generally, what happens is that the mounting would also be provided by a third party. So, there are a number of companies that provide mounting services. They would usually locate their facility within what were adjacent to the manufacturing facility. So, we work with a number of different mounting facilities where we will ship our

tires into the mounting facility and wheel company like GKN will ship their wheels into the mounting facility. The third-party mounter would mount the tires and deliver them just in time. And what's particularly important about this is, for example, we work with a company called Specialty Wheel in Wichita, Kansas, where we provide tires to the Case skid-steer factory. Case offers a wide variety of our tires, as you can see here. So, when they get an order for a piece of equipment, they may want the flotation tires for this particular piece of equipment. They may want the severe duty tires for this particular piece of equipment. And the mounting party, the third-party mounting company would be responsible for providing the correct tire wheel. They deliver them right into the factory, two lefts, two rights, ready to be mounted right on to the equipment.

MR. CANTRELL: Are the wheels more expensive than the tires?

MR. GANZ: No. No, the tires are generally more expensive than the rims.

MR. CANTRELL: Oh, okay. The tires coming in from China, it was reported this morning that they didn't require any special cases like tiring rim designations in the sidewall. Is that your experience

with the imported tires?

MR. GANZ: The tire rim association and the comparable association in Europe, which is the ETRTO, provide guidelines. So, in other words, they say that this tire, this 10-16-5 tire should be -- have a nominal OD of x and a nominal section with a y and for an eight-ply tire should be able to carry this load. Now, it is up to the manufacturer to determine whether the tire complies to that or not. So, for example, if the load carrying capacity is 6,000 pounds, that does not mean the tire fails if you put 6,001 pounds on it. In fact, what you do is you have a safety factor. At GPX, we have a very, very high safety factor, so it is approximately 12 times the specified load before the tire would burst. Other companies have a much lower safety factor. And, in fact, that's really one of the things that separates companies. Consumers know that if they're buying that light weight tire, it is not going to be as robust as buying the heavy duty tire from GPX or the heavy duty tire from Titan, even though they all fall within the same tire rim association specification.

MR. CANTRELL: Well, can you rate the sidewall and determine what type of equipment it goes on, whether it's imported or domestic?

MR. GANZ: Well, every tire has to have country of origin on the tire. So, you're not allowed to import tires without having the country of origin. So, if you look at a tire, you look at your tire in your vehicle today, it will tell you the country of origin on it.

MR. CANTRELL: Right. I mean, I know that passenger tires are, you know, what is standard.

MR. GANZ: For OTR tires, also, it must have the country of origin and it will generally also have the safety warning on the sidewall tire that would warn people when mounting the tire of the dangers in mounting and provides some safety information.

MR. CANTRELL: Are you familiar with Carlisle and what they do?

MR. GANZ: I am familiar with Carlisle.

MR. CANTRELL: Are they in the OEM business?

MR. GANZ: Carlisle produces primarily -- they are a very large OEM player. They provide millions of tires to John Deere for the Gators, the John Deere Gator machines and for a lot of lawn and garden products produced by John Deere. They produce those tires both here in the United States and at their factories -- factory or factories in China. They, also, bought from the Petitioner the old Diko

plant. The Diko plant produces smaller industrial tires, such as skid-steer tires. But, they do not produce the larger OTR tires. So, they participate in the real small segment, small tire segment of the business, some of which is in the scope product, but most of which is not within the scope products.

MR. CANTRELL: Just looking at these skid-steer tires that you show, can you sell that for another piece of equipment, say like a backhoe or something?

MR. GANZ: Actually, the skid-steer tire, not the particular size, which is 10-16-5, generally, but the 12-16-5 will go on the front of a backhoe. So, on a four-wheel-drive backhoe, the skid-steer tire would be used on the front wheels. The other application for these tires is on aerial boom lifts. So, they'll use the same size tire, a 10-16-5, 12-16-4, 14-17-5, 15-19-5. So, there is some interchangeability. Interestingly, of course, because the application is very different, we provide in our catalog different load ratings for different applications at different air pressures, because for a aerial boom lift, the most important consideration is lateral stability. You're lifting an arm way out and you need to have a platform that's very, very stable;

whereas for skid-steer, it's puncture resistant and traction are much more important. For the aerial boom lift, it's from parked where it's operating.

MR. CANTRELL: Okay. Thank you. That's very helpful. Mr. Reilly, you have in your brief that you provided for us, you had the breakdown of the Chinese imports. And, of course, I had looked at the same thing and noting that the small farm tires are something like 65 percent of the total, I believe. And you had mentioned that these were probably different type tires than the domestic manufacturers were producing; is that correct?

MR. REILLY: Well, the numbers for the small farm tires simply don't compute. The import volume is over eight million units and the average value is $10. Modern Tire Dealer indicates that the entire market in the United States for small farm tires is only about 1.6 million units, 1.2 million for replacements, 350,000, 400,000 roughly for new products. So, if the Modern Tire definition and numbers are anywhere near correct, then the vast majority of what is in that category of eight million units cannot be small farm tires. They've got to be something else.

MR. CANTRELL: So, we're looking at a potential misclassification, you're saying?

MR. REILLY: Well, yeah, potential huge misclassification. In addition, the total market for farm tires in the United States, big and small, according to Modern Tire Dealer, is 2.8 million units. Again, total imports are 15 million units with a total farm tire market of 2.8 million units simply doesn't compute. I would say the vast majority of what's reported in that 15 million unit total, both in the first two HTS numbers and the others, are non-subject merchandise. Now, how that number got so inflated, I have no idea.

And again, I'll mention what our clients in China indicate. The best that we could do in talking with members of trade associations in China, and I'm now talking about folks in Hogan & Hartson's Beijing office, they could come up with only a rough estimate and it's a very rough estimate, that on the order of two million tires per year of subject merchandise are being exported to the United States.

MR. ARGENTI: I might add that if you look again at the average unit values of just under $10 a tire, which means there's got to be a lot of them coming in at well below $10 a tire, because we note there are some scope products coming in there that cost much, much more than $10 a tire. So, you're

talking about vast quantities of four dollars, five dollars per tires. We think they can only be really cheap tires for garden equipment or something like that or luggage carts, something along those lines. Just the volumes and the per unit values, regardless of what the Customs rulings say, common sense says those are not scope product.

MR. GANZ: If you look at the Petitioner's catalog, they have 131 tires that fall within that HTS code. The least expensive tire sells to their largest dealer for slightly more than $35. The average price for those 131 tires to their largest dealers is $140. So, no matter how you slice it, those are not all the same tires. Now, I would suggest that the scope tires are within that eight million; but what portion of the eight million is very difficult to say, given that the total market is 1.6. We know that the U.S. industry controls 80 percent of that market. So even if all of the rest of the tires come from China, you're still looking at only 300,000 to 400,000 units that can be scope products within that 8.1 million units.

And I agree. I think what's happened is small lawn and garden tires must have been included in that, because, otherwise, I can't imagine what would be a tire that has such a low value. You're talking

about tires actually five or six dollars. These are tires that can only weigh a couple of pounds.

MR. CANTRELL: Okay, thank you. My final request would be if Respondents could provide us with some sort of fundamental glossary of terms --

MR. GANZ: Sure.

MR. CANTRELL: -- or sheets for the tire designations and the tread types.

MR. GANZ: We'll give you all the cheat sheets. We'll give you the Cliff notes.

MR. CANTRELL: Oh, fantastic. I need that. Thank you.

MR. GANZ: Sure.

MR. CARPENTER: Diane Mazur, supervisory investigator.

MS. MAZUR: Thank you. Thank everyone for your testimony. We certainly do appreciate this, particularly the industry witnesses coming today. So, thank you, very much.

Let's follow-up then on the question of the import statistics. Does anyone know what methodology is employed by MTD, in terms of how they go about gathering their information on the marketplace? Is it through a survey?

MR. GANZ: I'm not sure what they do, in

addition to a survey. But, they do do a survey. We get surveyed every year, as, obviously, Bridgestone/Firestone and Titan/Goodyear do. So, I don't know, perhaps there are other respondents. I don't know how they estimate the size of the non-respondents. But, they do do a survey.

MS. MAZUR: A survey. So far, you've mentioned just the manufacturers. What about the suppliers, who are not manufacturers in the marketplace?

MR. GANZ: They survey all brand owners. So, for example, TBC is a brand owner. The Universal Coop is a brand owners. Delmat is a brand owner. And these show up even though they are not manufacturers. So, they'll survey all brand owners and manufacturers. I don't know if they also send questionnaires to factories outside the U.S. I imagine they must. Clearly, Michelin is a Respondent, so they do send a questionnaire to Michelin. But, we could certainly try to contact our tire dealer and get more information on that, if that would be helpful.

MS. MAZUR: The extent to which you could do that and then provide that in the post-conference brief, that would be very, very helpful.

MR. GANZ: Sure.

MS. MAZUR: Again, what we're trying to do is to narrow this difference between what appears to be a huge gap in data before the Commission now, official import statistics, which are just that, official government statistics of what's actually being -- essentially being imported. And now, unless we have misclassification, there's a serious question here as to what are in those data. So, to the extent to which we can narrow the gap between the two different types of data that we have --

MR. GANZ: We can certainly find that out. But, we, also, have a very, very good sense of this through original equipment production, because we know how many pieces of equipment are produced each year. We know how long this equipment lasts. So, given the fact that the OE market is approximately 400,000 units, which can be confirmed through the major OE manufacturers, and we know how long the equipment lasts, the 400,000 to 1.2 million makes sense. There's just sort of a common sense aspect to that. Certainly, there's not 400,000 tires used on original equipment and eight millions sold into the replacement market.

MS. MAZUR: Okay. Again, the extent to which you can really buttress this in your post-

conference brief would be very, very --

MR. GANZ: Yes. I'm actually interested myself now that you raise that question.

MS. MAZUR: Thank you.

MR. SAILER: Obviously, those are important questions and we will address them. Ms. Mazur, if I could just interrupt you for a moment?

MS. MAZUR: Sure.

MR. SAILER: Mr. Edwards is the one, who has got to run, so I thought I would offer him up to you, if you had any questions for him before we let him run.

MS. MAZUR: Again, the --

MR. EDWARD: Can we rephrase that?

(Laughter.)

MS. MAZUR: The only other gap that I see in our data -- well, the second of three is the question of the shortages. The testimony we heard this morning is painting a certain picture of shortages at a certain tire size, in a certain application. The extent to which Mr. Edwards, Mr. Denis, you can provide concrete examples of the allocations that you've been placed on, you know, the suppliers, the quantities involved and, also, the extent to which whatever you do provide in your post-conference brief,

you're clearly -- or the kind of documentation you're providing are clearly giving us information as to the size, the tire size, and the application. I mean, if it's 25 inch and above in construction or construction-industrial, give us information along those lines. But, a generic kind that there's a worldwide shortage is not very helpful to the Commissioner. There has to -- try and hone in as much as you can and target just the certain products that we're looking at.

MR. SAILER: I understand. We will attempt to do that.

MS. MAZUR: Okay.

MR. EDWARD: It's been fun.

MS. MAZUR: Mr. Weymouth, you are here representing the Chinese. Can you tell me about the CMA and what it is and how it functions in the U.S. market?

MR. WEYMOUTH: To be honest, I don't know for sure. I've heard that they are somehow affiliated with a company called Shanghai Tire, but that's something that we can check out and provide in our post-conference brief.

MS. MAZUR: It's full title is Chinese Manufacturers Alliance?

MR. WEYMOUTH: I think that's right. That's what I read in the press reports. When I've been speaking to our folks in China, they refer to them as CMA.

MS. MAZUR: Okay. Again, the extent to which you can give us a bit of detail on them and how they function in the U.S. market, that would be helpful.

MR. WEYMOUTH: Absolutely.

MS. MAZUR: I appreciate it. Thank you. And those are all the questions I have. Thank you.

MR. CARPENTER: Any other staff questions?

MS. LO: I just have an additional question for Mr. Ganz. You have the factory in China, correct, that's wholly owned? Do you import, in order to fulfill shortages from any other Chinese manufacturers of subject tires?

MR. GANZ: I'm happy to answer the question. The Petitioner has four factories. We, also, have four factories. What you try to do in each factory is to have specific product ranges that are made in each factory. So, we have certain product ranges that are made in Canada, in the U.S., and in Serbia and China. So, what we make in China is simply a range of our products. Now, interestingly, it happens to be a

range of products that a large number of them fall within the scope products, which is why we're very, very concerned. Although we're a global manufacturer and although this is not -- does not represent the majority of our business, it would put a very, very big hole in our product range, if we're unable to bring these tires in or if there are punitive duties on these tires. So, it's not that tires are not available from other factories. It's simply that this is the factory that we've selected to produce this range of products. Interestingly, we do produce a lot of industrial tires in North America, but the Petitioner excluded those industrial truck tires from the scope products. I don't know if that's responsive to the question.

MS. LO: Thank you. And, also, when you guys submit the diagrams in your post-hearing briefing, do you mind also submitting an electronic version of those diagrams, if you can?

MR. GANZ: Diagrams of?

MS. LO: The cheat sheets of how --

MR. GANZ: Oh.

MS. LO: -- a tire is manufactured.

MR. GANZ: We'll give you some PDF files.

MS. LO: Thank you. That's very helpful.

MR. CARPENTER: Thank you, very much, gentlemen, for your testimony and your responses to our questions. They are very helpful and enlightening. At this point, we will take about a 10-minute recess and we will have the closing statements and rebuttal statements beginning with the Petitioners.

(Whereupon, a brief recess was taken.)

MR. CARPENTER: If everyone could take a seat and let's resume the conference, please. Welcome, again, Mr. Stewart, Mr. Dorn. Please proceed with your closing statements.

MR. STEWART: Thank you, Mr. Carpenter. The domestic industry testified that imports had increased, that domestic producers had not shared in that increased prosperity that has occurred in the domestic industry in the last three years, and that there has been significant price underselling, and, in some cases, price depression, all of which is reflected in the information that the companies testifying claimed was contained in their questionnaire response. To that, several interesting claims were made by the other side. First, that you can't trust U.S. Government statistics. Apparently, you, also, can't trust Chinese Government statistics.

U.S. Government statistics were viewed as being widely overstated, even though they could not identify why that would be so based on the definitions or the Customs rulings. And they put forward a figure that, based on their best estimates of talking to trade associations in China exports to the United States would be at most two million units, two million units compared to the OTR market consumption figures shown in Tire Dealer of three million units, suggesting that they only have a market share of 67 percent. I would suggest to you whatever the number ends up being that you use in the staff report, what would not be in doubt is that there have been dramatic increases in imports from China and that they are a very significant part of the total consumption in the United States.

In terms of the Chinese import statistics for the 15, well, it's never surprising to find out that companies, who are under investigation, run out of capacity the day the case was filed and are expecting that their shipments to the U.S. will fall off precipitously going forward. The representativeness of the 15 companies that supply their data were exports to the U.S. increased less than half as quickly as exports to third countries,

but still by a healthy 27 percent, is belied by the Chinese Government's export data, which shows a 50 percent increase in share of total exports from China to the United States in the same period that it supposedly covered in the data by the Respondents, in this case. So, apparently, there is no data that can be used, other than the data Respondents provide you. That obviously is something that the Commission staff should look at with some suspicion as they go forward. But even their data shows dramatic increases.

There was a great deal of maneuvering to try to explain away the massive price underselling that is identified. We provided a scatter graph of 86 comparisons of prices at retail -- or prices in the distribution channels for specific tires, specific tires from Chinese producers compared to Titan prices. And the price underselling went from five percent to over 50 percent. And when you go through the questionnaire responses, virtually all of the factors that the Commission is required to look at will show declines, at least for our client, and we believe for the domestic industry when it's over.

So, quite clear there, the speculation as to the health and lack of health of one company, of course, is irrelevant to the statutory function of the

Commission to look at the health of the industry. Your charge, obviously, is to compile the industry data and the import data and we trust you to do that. And I will turn it over to Mr. Dorn.

MR. DORN: Thank you. The U.S. industry came to see you today and looked you in the eye and explained to you how they have lost sales and market share to lower-priced imports from China for their high-volume bread and butter products, especially the smaller farm tire products. The other side has accepted the like product definition. We're talking about a full range of products that are within that like product. And you've heard testimony from the domestic industry about that full range of products and how they've lost sales and market share.

The Respondents came in today with no witness from China, no representative of the Chinese industry, who could speak with any personal knowledge about what they're shipping to the United States. They came in to see you with an importer and a couple of customers, who represent a small sliver of the product category at issue in this investigation. Mr. Ganz focused on steer skid tires -- skid-steer tires, which are one of the five pricing products in your questionnaire. But, as even one of the economists

suggested, Mr. Ganz's operations are exceptional. That's not representative of the imports in total coming in from China. So, bottom line, what we have here is a situation where there's no dispute in the record today before you that the U.S. industry has lost sales and market share on the high volume bread and butter tires and on the basis of price.

Now, the economists focused on profits and they focused on Titan's profits and they focused on Titan's profits in SEC filings. Of course, what the Commission will look at is Titan's profits on the like product that's at issue in this case. And, of course, the Commission will look at the aggregate profits for the entire industry. When you do that I think you will find that the profit picture is not bright at all. In fact, profits went down over the period of investigation at a time when demand was strong and profits should have been very strong and rising. They were not.

The economist, also, spent very little time talking about the other statutory factors. I think the record will show that sales were down, market share was down, production was down, employment was down. All these volume factors were down during the period of investigation.

In addition, there is strong evidence in this record of price suppression. As Mr. Burchfield testified, raw material prices have gone up substantially since 2004. BFNT, Titan, and the other producers have not been able to raise prices to offset those increases in raw material costs. So what we have here is a case where we have substantial adverse volume effects, substantial adverse price effects, both of which flow through the bottom line, and you'll see adverse profit effects, as well. Thank you, very much.

MR. CARPENTER: Thank you, gentlemen. We have Mr. Weymouth.

MR. WEYMOUTH: Yes, and then Ed Marshak from --

MR. CARPENTER: Mr. Marshak --

MR. WEYMOUTH: -- who will speak first.

MR. CARPENTER: -- welcome back.

MR. MARSHAK: Good afternoon. In opening remarks this morning, we asked the question with the Petitioner on the industry it represents was Titan or the Titanic. Were the Petitioners reporting all material facts in the investment community or maybe if SEC statements are really spinned. What we have heard today this will become even more apparent when you

complete your analysis of data, submitting a response to Commission's questionnaires. Titan has told the truth to its investors, to your sister Commission. This ship most definitely is not sinking today and has much chance of sinking in the foreseeable future, as we haven't seen an iceberg suddenly appear in the Potomac on a typical Washington, D.C. day in July, like today.

In many preliminary determinations, the Commission recognizes that 45 days is not sufficient time to complete its analysis. In many cases, the ITC states no considerable legal issue further in the final with a further analysis of certain disputed facts is required. OTR tires is not such a case. Respondents have not raised any legal issues. For purposes of this preliminary investigation, we will accept Petitioners gerrymandered definitions of domestic industry and like product.

This case is brought solely against the Chinese. The Commission need not consider cumulation. And most significantly, the data needed to understand conditions of competition in the OTR industry is readily available from numerous sources. Look at Titan's own financial statements. Look at public pronouncements of the domestic producers and the trade

press and their financial statements. Look at the comprehension of objective reports from the trade press. Look at public statements of OTR users. The evidence is overwhelming. OTR tires have been in short supply throughout the POI and we will provide concrete examples of this to the Commission in our post-hearing briefs. Demand has far exceeded production capacity. Consolidation has strengthened the OTR industry. Chinese imports have complemented domestic production and have helped U.S. construction, mining, farming, and import/export trade rise to record levels, avoiding the down time, which would have resulted without their presence in the U.S. market.

Industry experts, including Petitioners, unanimously project that the future is bright and that OTR demand will continue to grow. One month ago, Bridgestone/Firestone's executive director of North American sales and marketing stated, and I quote, 'we can all expect significant growth to continue in OTR volume worldwide and on to the future.' We now hear that maybe he didn't mean this. Maybe his statement was qualified. It's just simply too little and too late to change what these people have said to the press and what they've said to the SEC.

We recognize the burden on the Commission staff to compile sufficient evidence in 45 days to confirm that a reasonable indication of injury does not exist. We trust that the Commission, as it has in the past, will follow the intent of Congress and to quote the Federal Circuit in American Lamb will, and I quote, 'eliminate unnecessary and costly investigation and the impediment to trade that would result in an unwarrant imposition of provisional measures.'

This is precisely the situation, which arises in this case. Simply stated, how can a reasonable indication of material injury exist when the sole Petitioner is the sole most profitable company in the United States, when this company has never advised its stockholders that Chinese imports have posed a problem, let alone caused material injury or inflict thereof, when there is unanimous agreement that demand for OTR tires have outpaced supply throughout the POI, that the market will continue to grow in the future.

I would like to conclude by allowing Michelin, for which 2006 annual report put the final brush stroke on my testimony. And I quote, 'by growing international trade, strong raw material demand, and infrastructure development, the heavy

equipment market offers bright prospects.' There's a large earth mover tire market and particularly those using mining operations of continuing to equip high-powered agricultural machinery, extra large or highly compact equipment. And more generally, radial tire applications are also substantial. It's a very bright picture.

MR. WEYMOUTH: As Mr. Ganz said so eloquently earlier this afternoon, this is not a case where the Petitioners deserve the benefit of the doubt. The imposition of antidumping and countervailing duty orders on subject imports will adversely effect the U.S. industries that use these products, which, in turn, will adversely effect the U.S. economy, as a whole. Accordingly, in considering whether the domestic industry has met its statutory burden, the Chinese Respondents respectfully ask the Commission to pay particular attention to the following considerations.

First, as Mr. Marshak has just stated, actions and statements outside the context of this investigation should be given great weight. It is important to consider the domestic producer's statements in their SEC filings and otherwise about their health and projected demand. The absence of any

statements in their SEC filings and otherwise about harm and threat from unfairly-traded subject imports strongly suggests that imports, in fact, have not caused and do not threaten harm to the domestic industry.

We believe Titan's internal deliberations concerning the decisions to acquire Goodyear's and Continental's OTR assets and to expand existing production facilities are highly relevant to the company's view of the U.S. market and its ability to compete in that market. The Commission, therefore, should require Titan to submit under APO any internal business plans or analyses related to such capacity expansion and should draw adverse inferences if Titan chooses not to do so.

Second, OTR tires are not commodity products and the U.S. market for OTR tires is highly differentiated. We believe it will be important for the Commission's analysis to take into account the differences between, for example, the three quality tiers that were described earlier this afternoon, bias play versus radial tires, sales to OEMs versus sales in the replacement market, and sales in each of the different segments of the U.S. market.

On a related point, the Chinese Respondents

respectfully submit that the proposed pricing products are not representative and that they include top and mid-tier products, which the Chinese Respondents do not export to the United States. In addition, the Commission should take into account any weight differences between the U.S. and Chinese products for which pricing data is reported, as such differences can dramatically effect both cost and sales price.

Finally, it would be important for the Commission's analysis to recognize that the petition vastly overstates the volume of subject imports and similarly to take into account the Chinese Respondents' questionnaire responses, which clearly demonstrate that the Chinese industry has been and is expected to remain principally focused on markets other than the United States, including increasingly its home market. Thank you, very much.

MR. CARPENTER: Thank you, Mr. Marshak and Mr. Weymouth. And on behalf of the Commission and the staff, I want to thank the witnesses, who came here today, as well as counsel, for sharing your insights with us and helping us develop the record in these investigations.

I was about to announce a few dates for the remainder of the investigation; however, I was just

informed a few minutes ago that the Department of Commerce has not initiated its investigation today, as scheduled, but rather is postponing initiation to poll the domestic industry. Since by statute the Commission schedule is tied to Commerce's initiation, it's very likely that the Commission will postpone to some degree the remainder of its schedule. We will talk to Commerce this afternoon about this and the staff will get back to you tomorrow morning by e-mail to the parties to notify you of the remainder of the schedule, particularly when the post-conference briefs are due.

At this point, again, thank you for coming. This conference is adjourned.

(Whereupon, at 3:34 p.m., the preliminary conference in the above-entitled matter was concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Certain Off-The-Road Tires from China

INVESTIGATION NO.: 701-TA-448, 731-TA-1117 (Preliminary)

HEARING DATE: July 9, 2007

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary conference

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: July 9, 2007

SIGNED: LaShonne Robinson
Signature of the Contractor or the Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Carlos E. Gamez
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: Christina Chesley
Signature of Court Reporter