

A tariff intended to level the playing field with China contributes to the recent cost increases.



Tire valve stems await rims at Midwest Tire Co. near downtown Omaha.



KENT SIEVERS/THE WORLD-HERALD

Technician Zachary Weaver prepares a tire for mounting at Midwest Tire Co., 13th and Pacific Streets. After the United States imposed a tariff on tires manufactured in China, the industry adjusted its price structures for most tires.

Tire prices inflating

By CHRISTINE LAUE
WORLD-HERALD STAFF WRITER

An as an accountant, Terri Bricker of Omaha works with numbers every day. But the digits on a recent tire purchase stumped her.

When she replaced two car tires in December, each cost \$100. The same exact tire at the same store had cost her only \$90 three months earlier when she had a blowout.

"I couldn't quite figure out why they went up 10 dollars in three months," said Bricker, 48. "Obviously, I wasn't happy."

Tire dealers and wholesalers say a tariff on Chinese-manufactured tires imposed in September is contributing to price increases on many tires. Some tire manufacturers say the resulting shift in demand and the rising cost of raw materials also are behind the price increases.

The three-year, tiered tariff — 35 percent the first year, 30 the second year and 25 the third year — was one of the first major trade policy decisions by President Barack Obama back in September.

The move was intended to help the U.S. tire industry, which has lost more

than 5,000 jobs in the past five years as the volume of Chinese tires in the market has tripled, according to the Washington Post. A special law passed in 2000 by Congress gives the president broad discretion to impose a tariff when imports "disrupt" the U.S. market. The tariff is meant to level the playing field, which the United Steelworkers union had argued unfairly favored Chinese companies with their lower labor and materials costs.

Whether the tariff is helping or hurting the tire industry is highly debated, and it may be too early to tell whether it will preserve or restore U.S. jobs. But many local tire dealers and wholesalers say the short-term impact is higher prices in general.

The tire taxes only Chinese-imported tires, which made up 17 percent of all the tires bought in the United States, according to McClatchy Newspapers.

But the tire industry, in turn, has adjusted its price structure for most tires.

Chinese-manufactured tires typically are lower priced, entry-level tires. With the Chinese tires no longer the least expensive in that category, similar-quality American-made tires now can charge a little more and still underprice their Chinese competitors, who must pay the 35 percent tariff.

Other U.S. manufacturers, even those

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Bricker



The rubber stacks up at the Midwest Tire Co.'s warehouse at 13th and Pacific Streets.

Tires: Prices continue to inflate

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of more expensive or midlevel tires, responded by raising their prices so they are more reflective of quality, said tire dealers and wholesalers.

"It's kind of a complicated scenario," said Brad Burkland, owner of Walker Tire, which has five stores in Omaha.

A lower-priced product all of a sudden cost more than a better-quality tire, so the manufacturers raised the price of those better-quality tires, too, he said.

Not every tire in the market jumped in price, Burkland said. But manufacturers realigned their price structures, leading to an overall increase. Most manufacturers have announced price increases since September, some in January and others coming in February, he said.

"Whether that's all related to the tariff, I certainly don't think so," he said. "But I think that tariff certainly has had an effect on the market."

To complicate matters more, several American tire manufacturers have Chinese factories that produce tires that are subject to the tariff. So they have to find ways to spread the cost of the tariff, possibly by increasing prices on other lines.

Goodyear, for example, raised prices by 6 percent starting in December. The company said the price rise was to cover an increased cost of raw materials.

Bridgestone Americas Tire Operations notified its dealers in October of a price increase of up to 15 percent on certain passenger and light truck tire patterns because of the tariff, according to a written statement provided by Don Darden, a Nashville-based spokesman for the tire manufacturer.

"Additionally, because of the changing market conditions brought about by the tariff, and in order to maintain market integrity, it is necessary to

increase prices in the United States on selected patterns among our various tire lines," the statement read.

Local tire dealers said that since the tariff they have shifted to other brands of tires so they still can offer cheaper tires for customers buying in the lower price ranges.

Cliff Ehlers, owner of Midwest Tire Co. at 13th and Pacific Streets, said he invested heavily in an entry-level tire made by Findlay, Ohio-based Cooper Tire & Rubber Company after learning of the tariff. But its price increased, too, when other U.S. tire dealers scrambled to stock up on it, he said.

"The only reason they raised the price is because they could," Ehlers said.

Ehlers said an entry-level tire that would have cost \$70 before, now might cost \$75.

Other dealers and wholesalers put the increase higher, at \$25 per tire — from \$75 a tire to \$100. That would be an extra \$100 for a set of four.

Ehlers said that the tariff so far hasn't affected his sales much and that tire prices might start to come down as soon as this summer. By then, U.S. tire companies as well as tire companies in other countries that aren't subject to the tariff will have boosted production, he said.

"It's a good thing in that it keeps Americans working," Ehlers said of the tariff. "It's a bad thing for consumers who have to pay a little more at the tire store."

Ehlers and others worry that the tariff could have even broader implications.

China retaliated by saying it would investigate whether U.S. companies were selling chicken and auto parts below cost and by filing a complaint with the World Trade Organization.

Brian Knudtson, sales and

warehouse manager for a tire wholesaler in Omaha, said he sees the tariff as a tax that has hurt the industry and individual consumers. He said that it has also created a public safety issue.

He said dealers have told him that economy-pinched customers are waiting longer to replace tires or are buying used tires.

"The ones that can least afford to do this are being pushed into a used-tire market, and I think that affects overall safety," he said.

Knudtson and tire dealers said consumers seem unaware of how the tariff has impacted prices.

Morgan Larson, 45, of Ralston said he had heard about the tire tariff in September but didn't even think about it when buying replacement tires for his 2002 Mazda pickup.

The tariff didn't factor into his decision — he wanted to find a good quality tire that fit his needs and figured it was more important to call about a dozen dealers. Larson paid \$280 for four tires and the various related fees but was quoted a price as high as \$440.

"I found out that it really pays to call around to check out the prices, because there was a big variance in what the different dealers were charging," he said.

Tom Haslett, 54, of Bellevue also wasn't aware of the tire tariff when he replaced four tires on his daughter's Volvo about a month ago.

Because he buys tires only every couple of years, the \$100 per tire cost was surprising. But because he didn't have time to shop around, he just shrugged and bought the tires.

"It was shocking how much four tires cost," he said.

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