WHERE THE RUBBER MEETS THE ROAD

How a Global Tire Titan Got Millions in Pandemic Small Business Loans

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Executive summary

Congress provided basic support for small businesses during the Coronavirus pandemic, but the program was poorly designed and implemented, leaving many smaller and independent businesses without access to needed support during the economic crisis. Many larger firms — including those affiliated with large corporations — obtained generous support while genuinely small and independent businesses had difficulty accessing the program under the Trump administration. Small businesses owned by people of color and women, who had longstanding challenges accessing credit before the pandemic, faced particularly acute difficulties.

One South Carolina tire factory exemplified a number of the structural and implementation failures of the Paycheck Protection Program (PPP), which was administered by the Small Business Administration (SBA), that favored larger companies even if these firms did not make sure their workers kept receiving a paycheck. The PPP was supposed to provide credit to small and independent firms that lacked access to needed financial support during the economic crisis. But the Giti Tire USA (Giti) factory received a nearly $8 million SBA loan even though it is a subsidiary of a global tire company with revenues of over $3 billion and 33,000 workers — far in excess of the total domestic or global employee limit for the program. Another Giti subsidiary in California received nearly $2 million in PPP support.

The PPP was intended to provide funding for businesses to keep workers employed and pay other critical business expenses. But, even though Giti received generous support, the factory furloughed over 600 workers without pay for a month, brought back only about half the workers when it first reopened,
and ultimately laid off many of them permanently.

This Giti Tire case study highlights the failures of the Trump administration’s implementation and oversight of the PPP. The SBA’s uneven implementation, weak monitoring, and lax enforcement of the small business lending program has left many businesses languishing without support and allowed inappropriately large firms and those affiliated with big businesses to access the funds without keeping workers employed during the pandemic once they could safely return to their jobs.

Background

The Coronavirus pandemic has been an unprecedented public health and economic disaster. By February 2021, more than 445,000 people had died and more than 26 million had been infected. Nationwide unemployment peaked at nearly 15 percent in April 2020 — over 23 million people — and more than 100,000 small businesses nationwide have closed during the pandemic.

Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in March 2020 to provide public health and economic support during the crisis. The CARES Act included the Paycheck Protection Program (PPP) to provide critically needed economic support for small businesses. The PPP provided low-cost, potentially forgivable, loans to small businesses intended to help keep their workers safely employed after the stay-at-home requirements were lifted and keep the businesses afloat. The program was modeled on the SBA’s other small business loans and was intended to provide support to small (generally under 500 workers) and independent (unaffiliated with large companies or investors) businesses.

The Small Business Administration (SBA) backed $520 billion in loans to 5.2 million businesses under the PPP program. Small businesses needed the support amid public health-driven customer limitations, stay-at-home orders, and declining foot-traffic and demand. But flaws in the program’s design combined with longstanding inequitable access to credit meant that many smaller businesses and businesses owned by women and people of color were unable to get assistance.

Theoretically, the PPP assistance was supposed to go to small and independent businesses, but the South Carolina Giti tire factory provides a case study that illustrates the failures of the Trump administration to target the PPP funding to the small businesses that most needed the support. Many small businesses could not easily access the program because they lacked existing banking relationships that the program favored. The funding that went to bigger firms like Giti effectively starved the program of resources that could have provided needed support for genuinely small and independent businesses to protect their workers and stay afloat.

The Giti factory is a subsidiary of one of the biggest global tire manufacturers with robust sales revenues that could have provided financial support to the factory during the early days of the pandemic. The Giti factory’s parent company, the Singapore-headquartered Giti Tire Group, has a global workforce of 33,000 and 2019 revenues of $3.1 billion — far from a small business.

The South Carolina factory was opened in 2017, to great fanfare, after receiving at least
$60 million in taxpayer support from the state. The Giti Tire Group built the South Carolina factory in part to address the company’s longstanding violations of U.S. trade rules in the form of dumping of artificially cheap and subsidized tires on the U.S. market from its factories in China, which contributed to the loss of thousands of U.S. manufacturing jobs. Nearly 650,000 of Giti’s imported tires have also been recalled for defects that could lead to automobile crashes.

The South Carolina plant was technically ineligible for a PPP loan because it was affiliated with a large global company. But SBA approved a $7.9 million PPP loan for the tire plant (and another $1.8 million loan for Giti’s imported tire distributor). Later, the SBA created a retroactive loophole that insulated subsidiaries of large foreign firms — like Giti — from enforcement efforts that might overturn their eligibility for the program.

Giti had laid off more than 600 workers before it applied for the loan. Despite the factory’s connection to a global tire powerhouse along with advantageous prior access to generous state subsidies and the PPP loan, Giti opted to idle its factory for one month. Giti did not pay its workers while the plant was closed; the furloughed workers received unemployment compensation even though Giti received a generous PPP loan. Giti closed the plant in early April, laid off over 600 workers, and only began to resume production in May. While Giti hired back a significant number of its workers, it appears the factory never returned to full production and over one hundred workers have not been brought back, even by early 2021.

The federal government should rapidly increase and strengthen oversight of the PPP program to direct support to smaller and independent businesses, especially small businesses owned by people of color and women; make sure that avenues for assistance are well-chosen to be accessible to small businesses owned by people of color and women; prevent affiliates of large companies from tapping into small business programs; scrutinize the inappropriate lending that has already occurred; penalize firms that got loans even though they were ineligible to receive PPP funding; and hold firms accountable that have failed to retain or rehire workers, like Giti Tire, by denying them loan forgiveness.

No small business: Global tire titan comes to America

Giti Tire is by no means a small business. In 2020, it was a global tire manufacturing empire with 33,000 workers at 8 factories and offices in 12 countries that can produce over 60 million tires annually. The Singapore-based Giti Tire Group grew from an
Indonesian bicycle tire manufacturer founded in 1951 to a passenger vehicle tire manufacture, building its first factories in China in 1993. By 2007, Giti was among the top 20 global tire producers. Giti continued to grow. By 2019, it was the 11th largest tire manufacturer in the world, with sales of $3.1 billion or 2 percent of worldwide tire sales. Giti manufactures and distributes its own brands, including GT, Primewell, Runway, Dextero and others as well as producing tires for other tire companies and distributors. GT and Primewell are popular brands in the United States, both ranking in the top 25 U.S. replacement passenger tire brands with a 3 percent market share in 2019. Before Giti built its South Carolina factory, it was a major exporter of artificially low-priced and unfairly subsidized tires to the United States in violation of U.S. trade rules. These unfair dumped tire imports from Giti and other manufacturers in China led to the shuttering U.S. manufacturing plants, cost thousands of jobs, and led to “continuous declines” in the number of U.S. tire industry workers and lowered the earnings of those that remained. Since 2009, the U.S. International Trade Commission has repeatedly ruled to apply tariffs on Giti to curb these unfair, job-killing tire imports. The trade safeguards were still in place in 2020.

Not only did the Giti imports threaten the livelihood of U.S. workers, but many of these tires also posed risks to consumers. Between 2016 and 2017, Giti USA recalled nearly 650,000 imported defective tires that could crack and lose air and potentially lead to automobile crashes.

Giti’s checkered record of running afoul of U.S. trade laws and multiple defective tire recalls did not hinder its receipt of nearly $10 million in PPP loans ($7.9 million for the South Carolina factory and $1.9 million for its California-based distributor of imported tires). The PPP program only excluded businesses that had been banned from receiving federal funds, had defaulted on prior SBA loans, or had owners with felony records; firms with other potentially relevant misdeeds could receive federal support.
The pandemic relief has often gone to firms that have been penalized for violating federal law. Good Jobs First found that nearly 40,000 companies that received pandemic relief small business loans had also paid $3.3 billion in penalties for federal violations of workplace safety requirements, wage and hour labor rules, environmental and consumer protection rules and more.21

**Giti received generous South Carolina subsidies**

Giti had long maintained a U.S. imported tire distributor in Rancho Cucamonga, California.22 That changed in 2014 when Giti planned its first U.S. manufacturing plant in Chester County, South Carolina, in part to mitigate the trade disputes and penalties from dumping tires from its foreign factories.23 South Carolina political heavyweights lined up to support the Giti factory, including former Gov. Nikki Haley, Gov. Henry McMaster, and Sen. Tim Scott,24 ultimately offering over $60 million in taxpayer-financed incentives to lure Giti into the Palmetto state.

Giti received a $35.8 million grant to help purchase and develop the site, $4.6 million in infrastructure projects, job tax and job development tax credits, and other subsidies.25 The nearly $86 million grant alone was larger than the budgets for 59 South Carolina agencies, including the Agriculture Department and the Attorney General’s office.26 The *Charlotte Business Journal* estimated that the Giti job development tax credits alone would be worth between $24.3 million and upwards of $30 million over 10 years.27

Giti also secured an agreement with Chester County that helped reduce its property tax liability.28 The first part of the agreement, which is in effect for 50 years, freezes the property value that will be used to calculate Giti’s property taxes and reduces the rate at which Giti is taxed. The second part of the agreement provides tax credits to Giti for costs related to infrastructure, real estate, and personal property. These tax breaks amount to millions of dollars in savings over the life of the agreement and can help reduce the overall cost of investment by as much as 25 percent.29

To secure these subsidies, Giti promised it would eventually employ 1,700 workers and that the 1.7 million square-foot factory would become Giti’s most technologically advanced plant with the capacity to produce 8,000 tires daily.30 The plant opened with 400 workers in 2017, with a planned workforce of 1,000 by the end of 2018.31 It was on track to produce 5 million tires by the end of 2018 and was expected to increase capacity to 10 million tires annually, depending on demand for tires.32

However, these generous subsidies did not guarantee that Giti would deliver on its economic promises for factory workers or the local economy. Giti promoted the plant as creating factory jobs and supporting local businesses.33 But the factory has never employed the promised 1,700 workers. By April 2019, the plant had 700 workers, nearly 60 percent below its promised full capacity.34 And from the outset, Giti was shortchanging its suppliers and contract workers. Giti had racked up over $2 million in unpaid debts by early 2018 at the same time it was pushing to lock in lucrative state tax rebates.35 In late 2019, Giti still owed more than $520,000 to a company that supplied workers to the plant and $113,000 to an equipment supplier.36

Moreover, these subsidies come at the expense of essential local services. In both 2016 and 2017, more than $5.5 million was taken from the Chester County School...
District to accommodate tax breaks.\textsuperscript{37} In 2018 alone, the school district lost $15 million due to tax abatements — almost $3,000 per student in a district where 30 percent of children live in poverty.\textsuperscript{38} In addition to diverting funds away from public services, Giti’s development project created new costs for local governments to maintain services. For example, in order to prepare for a potential emergency at Giti’s sprawling factory, the Richburg fire department was forced to upgrade its equipment and buy a new $600,000 fire engine, additional thermal imaging cameras, rescue equipment as well as open a new additional fire station.\textsuperscript{39}

Even before the pandemic, South Carolina had generously invested in Giti but the factory had failed to deliver the economic benefits it had promised; when the Coronavirus struck, Giti asked for another handout even though it idled the factory and failed to promptly bring its workers back.

**Giti factory gets $8 million loan as pandemic strikes**

The pandemic brought a wave of infections to South Carolina and workers and businesses struggled as economic activity stalled amid shutdowns, stay-at-home orders, and necessary public health restrictions. In early April, Gov. McMaster required non-essential businesses to temporarily close.\textsuperscript{40} The order, which did not include manufacturers, was lifted in early May.\textsuperscript{41} Although the South Carolina economy fared better than many states, small businesses and the workers at these smaller firms were hit especially hard.

South Carolina has not had the crushing surge in cases that have impacted many states, but the pandemic is taking its toll. The number of South Carolina Coronavirus cases remained at around 200 cases per day through June, but rapidly rose to over 1,600 cases a day by July before subsiding in the Fall.\textsuperscript{42} By February 2021, South Carolina was reporting over 2,500 cases per day with over 400,000 total cases.\textsuperscript{43} South Carolina reported over 7,300 Coronavirus confirmed or probable deaths by early February 2021.\textsuperscript{44} Many companies, including manufacturers, temporarily halted operations in the beginning of the pandemic and, even as companies began to reopen, supply chain hiccups and dwindling demand complicated operations.\textsuperscript{45}

Giti idled its factory in early April, furloughing 636 workers, claiming it planned to bring production workers back one month later.\textsuperscript{46} In its letters to some employees, Giti wrote that although it hoped “the furlough is temporary, at this time we do not anticipate that you will be recalled.”\textsuperscript{47} The Giti plant shutdown was the biggest single layoff in the three South Carolina counties surrounding Charlotte (Chester, Lancaster, and York) and
constituted more than 60 percent of the layoffs in the three-county area.\textsuperscript{48} The pandemic-driven economic downturn caused substantial financial pain for workers at Giti and across the state. South Carolina’s weekly unemployment claims peaked at nearly 90,000 in early April, with the unemployment rate approaching 12.5 percent — double the unemployment peak during the Great Recession.\textsuperscript{49} The pandemic meant fewer drivers, less miles traveled, and lower demand for new cars and auto parts, which affected South Carolina’s auto manufacturing hub, including Giti.\textsuperscript{50}

South Carolina’s economy generally stabilized and began to recover more quickly than many parts of the country. By October the unemployment rate had fallen to 4.2 percent, buoyed by the upstate manufacturing sector.\textsuperscript{51} Nearly two-thirds (62 percent) of the South Carolina jobs that were lost early in the pandemic were recovered by September, compared to only half of jobs that were recovered nationwide.\textsuperscript{52} Giti kept its operations shut down for one month and began bringing manufacturing workers back to the factory in May 2020.\textsuperscript{53} It appears the factory has still not resumed full production and more than 100 workers have not gotten their jobs back by early 2021.\textsuperscript{54}

South Carolina’s small businesses and people that worked for these smaller, independent firms faced far more dire prospects than larger firms like Giti Tire. By mid-April, South Carolina small business revenues had declined by more than 50 percent and the number of small businesses that remained open dropped 40 percent below January levels.\textsuperscript{55}
An April survey found that South Carolina was the fifth-most-affected state for small business, especially because of a lack of resources to support them. A South Carolina Small Business Chamber of Commerce study found that the number of applications for new small businesses dropped by nearly one third (21.2 percent) from April through July 2020 compared to 2019.

**Giti highlights broken PPP small business safety net**

Congress provided desperately needed support for small businesses in the federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act) under the Paycheck Protection Program (PPP). The PPP was intended to provide guaranteed and affordable loans to small businesses to maintain their workforce and pay certain ongoing business expenses (like rent, mortgage, or utilities) that would keep them from going under during the pandemic.

Small business applicants had to self-certify that they met the small business size and affiliation requirements, that they needed the SBA loan, and that they would use the funds to maintain workers’ payroll and pay other allowed business expenses. Businesses did not have to prove they could not access other loans (which is generally required for SBA loans), but did have to “certify in good faith that their PPP loan was necessary” and whether they could “access other sources of liquidity sufficient to support their ongoing operations,” which was intended to preclude affiliates of large companies from receiving support, according to the Treasury Department.

The PPP safety net was essential to try and keep small businesses afloat, but the SBA’s flawed roll-out and oversight of the program meant that larger firms captured a large portion of the funds. The initial PPP funding ran out within two weeks, leaving the smallest businesses with no support in the early months of the pandemic; the second round of funding was half gone by early May of 2020.

However, while the program has backed 5.2 million loans totally over $520 billion to businesses by December 2020, funding overwhelmingly went to larger firms and because of structural failures that perpetuated the unequal access to credit for disadvantaged smaller businesses. Some businesses were reluctant to take out more debt, some felt that the loans would not help them survive, and many businesses had already permanently closed before they could access the program that rapidly ran out of money.

**SBA’s inappropriate PPP loans to affiliates of large firms like Giti**

The PPP was theoretically aimed at small, independent businesses, but in practice larger firms that were affiliated with large, even international companies, like Giti were able to access the taxpayer-funded loan program. The PPP loans were generally supposed to go to companies unaffiliated with large firms and with fewer than 500 workers.

But a large portion of the PPP funding went to bigger companies that had more resources to apply for loans and secure bank loans that effectively made it harder for smaller,
independent businesses from accessing a program that purportedly was designed to help them. *The Washington Post* found that half the PPP funding went to about 600 companies that received the $10 million maximum loan amount.64

And PPP loans went to companies owned or backed by Wall Street private equity firms, although theoretically affiliates of large and well-funded firms should have been ineligible for the small business program unless they were restaurants or hotels.65 *Pitchbook* reported that more than 2,500 private equity backed firms received PPP loans.66 Some private equity-backed health care companies got PPP loans as well as other funding from the CARES Act.67 There were no guardrails in the CARES Act to prevent the PPP recipients from passing these taxpayer funds to their private equity backers or owners instead of using the funds to pay workers or keep their operations afloat, although failing to focus the PPP loans on maintaining payroll and operations could make them ineligible for PPP loan forgiveness.

Larger companies were more likely to get PPP loans and bigger loans through their banks. The House Select Committee on the Coronavirus Crisis found that the pace at which several lenders processed loans for bigger firms borrowing larger amounts was twice as fast as for needier small businesses; the biggest PPP lender JPMorgan Chase processed PPP loans over $5 million nearly 4 times faster than loans under $1 million.68 The disproportionate funding levels and easier access for large firms effectively starved the PPP program of resources for genuinely small and independent businesses.

Giti was a large firm that received one of the larger small business loans under the program. Two U.S. subsidiaries of Giti Group received PPP loans worth nearly $10 million, despite being affiliates of a major global business with billions of dollars in sales. The South Carolina Giti factory received a $7.9 million PPP loan and the California Giti imported tire distributor received a nearly $1.9 million loan (both on April 14).69 The Giti factory was one of only
six manufacturers in the Charlotte area to receive the largest loan category of $5 million to $10 million (before precise loan amounts were disclosed) and it was the only passenger vehicle tire manufacturer in the country to receive a PPP loan.\textsuperscript{70}

It appears that Giti received a loan even though it technically was ineligible for the program. The PPP program was theoretically limited to small and independent businesses to prevent affiliates of large companies from receiving loans. While the Giti factory itself met the size limit for PPP loans,\textsuperscript{71} it is an affiliate of a global company with 33,000 workers and $3.1 billion in revenues, far in excess of the PPP size limit that applies to a company’s total workforce whether it is domestic or international.\textsuperscript{72}

The Giti Tire Group is precisely the type of large, global corporation that should have been excluded from the PPP. The SBA was very clear about this in its PPP guidance: “Any entity that, together with its domestic and foreign affiliates, does not meet the 500-employee or other applicable PPP size standard is therefore ineligible for a PPP loan.”\textsuperscript{73} Yet, in late May 2020, the SBA created a retroactive loophole for affiliates of large global companies that applied for PPP loans before May 2020, if the U.S. subsidiary met the worker size limits and as long as PPP funding did not support foreign workers.\textsuperscript{74}

The SBA should revisit this retroactive loophole that will likely protect Giti and other similar companies from SBA enforcement over its seemingly obvious ineligibility for the program.

\textbf{SBA should monitor PPP loan forgiveness for firms like Giti}

The PPP loans were also designed to be forgivable if small businesses used the money to stay afloat and safeguard their workers. The SBA would forgive PPP loans for small businesses that primarily used the funding to maintain their workforce (at least 60 percent of the loan had to go to wages and benefits) as well as other approved business expenses.\textsuperscript{75} Small business had to either maintain their workforce (based on pre-pandemic employment levels) or bring back three-quarters of their workers by the end of 2020.\textsuperscript{76}

Like many firms that received PPP loans, Giti’s South Carolina plant took the money but either laid off workers or failed to promptly bring them back. Good Jobs First identified nearly 1,900 companies that took $41.6 billion in PPP loans but also announced layoffs affecting more than 190,000 workers.\textsuperscript{77} This includes some larger employers, like the DoubleTree hotel in Los Angeles, New Era Cap Co. in Buffalo, and Peoria Charter Coach, received substantial support from the PPP program but either did not retain workers, did not bring back, or laid off their workers after receiving loans.\textsuperscript{78}

Giti promised it would use the PPP loans to retain 500 workers,\textsuperscript{79} but most of the factory workers lost their jobs for about one month and many still did not have their jobs back ten months after the initial plant shutdown. Giti idled the South Carolina factory in early April 2020, furloughing 636 workers.\textsuperscript{80} Some Giti workers received notices that said the layoffs were permanent.\textsuperscript{81} Giti kept the plant shut down through May 2020, when it began ramping up its factory production again.\textsuperscript{82} This means that the Giti factory received nearly $8 million in PPP loans while more than 600 workers were unemployed without pay from the company for at least one month. Although the factory has resumed production, it appears that many workers had still not been called back to their jobs by 2021.\textsuperscript{83}
Even if the PPP loans to Giti and other companies were not forgiven, the steeply discounted interest rates on PPP loans would represent a huge financial benefit to borrowers by providing far cheaper credit than was previously available. The PPP loans had only 1 percent interest rates, considerably cheaper than the average 5.38 percent interest rates borrowers were paying before the pandemic in the first quarter of 2020.\(^5\) Even if Giti’s $7.9 million PPP loan is not forgiven, it would save nearly $1 million in interest payments with its PPP loan compared to other loans that were available before the pandemic.

**PPP disadvantaged small businesses owned by people of color and women**

The SBA’s disproportionate PPP support for larger businesses, like Giti, left it with far fewer resources to support genuinely small and independent businesses that had greater need and fewer resources to survive during the pandemic. Two-thirds of the PPP loans were for less than $50,000; the $10 million in PPP loans to Giti Tire could have provided 200 more $50,000 loans to small businesses.

Many smaller businesses were deterred from applying because they lacked existing banking relationships the program favored, had legitimate concerns about the complexity of the application process, or simply believed that they would not get approved for the program. The impact was especially pronounced for small businesses owned by people of color and women, which were more vulnerable during the pandemic.

These PPP failures perpetuate the longstanding inequity in access to credit for businesses owned by people of color and women.\(^6\) These underserved businesses are substantially underrepresented — there are about half as many small businesses owned by people of color and women as their share of the population — and these businesses are more vulnerable to failing and less likely to get needed support than businesses owned by white men.\(^6\) In the first months of the pandemic, the number of businesses owned by people of color and women plummeted far faster than those owned by white men (see Figure 1).\(^7\) Some firms that could not access the first round of PPP funding that was rapidly captured by bigger companies went out of business, so even replenishing the PPP funding could not revive these firms.

The SBA did not prioritize access to the PPP program for underserved small businesses — including those owned by people of color and women — as required by the statute.\(^8\) The SBA’s Inspector General found that this failure meant that “minority- and women-owned businesses may not have received loans as intended.”\(^9\) A Goldman Sachs survey found that Black-owned businesses were less likely to apply and more likely to get rejected for PPP loans.\(^9\)

A majority of banks participating in the program offered these loans only to existing borrowers, which perpetuates the
longstanding inequity in access to credit for businesses owned by people of color. The House Select Committee on Coronavirus Crisis found that the Treasury Department encouraged banks to make PPP loans to existing customers; several major PPP lenders limited lending to existing customers which at least one bank recognized could have a disparate impact on small businesses owned by people of color that are far less likely to have established banking relationships. A 2020 Federal Reserve study found that fewer than one third (32 percent) of Latinx-owned small businesses and fewer than one-fourth (23 percent) of Black-owned small businesses had received a bank loan in the previous 5 years compared to nearly half (46 percent) of white-owned small businesses.

Conclusion and recommendations

The Giti case study illuminates critical shortcomings of the Paycheck Protection Program. The PPP provided far too much support to larger companies and too many recipients took money but did not keep workers employed. The program’s lax oversight allowed some firms, like Giti, to receive loans despite being technically ineligible for small business support under the program.

The PPP provided too little support to genuinely small and independent businesses. The government should utilize the PPP as an important intermediate step toward a broader strategy to transparently and quickly reach all affected small business. Small business support should be delivered through direct grant assistance for employers and workers that keeps firms afloat and retains or brings back workers safely at full wages and benefits during the pandemic. Specific recommendations include:

**Strengthen affiliation oversight and requirements to prevent big companies, affiliates and Wall Street backed firms from accessing PPP loans:** The PPP resources should be directed to genuinely small and independent businesses instead of primarily supporting larger firms and those with large and well-funded owners. The SBA should not allow larger, well-resourced firms — including those with private equity or hedge fund backing — to capture PPP funding and displace the small businesses that desperately need support during the pandemic. The SBA should rescind the retroactive loophole that effectively exempted companies affiliated with large firms that received PPP loans prior to early May 2020. The SBA should aggressively pursue PPP recipients that were ineligible for PPP loans based on size or affiliation requirements for full repayment and penalties. Going forward, the SBA should implement more rigorous oversight of PPP loan applicants to prevent larger firms and those affiliated with large companies and private equity firms from receiving small business support under the program.

**Implement rigorous layoff monitoring and workplace safety protocols for PPP recipients:** The PPP should provide small businesses with the necessary resources to keep their workforce safely employed during the pandemic. The SBA should monitor PPP recipients to track layoffs and furloughs and to determine whether firms are implementing workplace safety protocols and providing adequate personal protective equipment to keep workers safe during the pandemic.

**Strengthen loan forgiveness requirements to require larger PPP recipients to justify any workforce reductions:** The SBA must establish stronger loan forgiveness rules to make sure that firms only receive loan forgiveness if they
have used all available resources to maintain their workforce. Currently SBA is auditing firms who received $2 million or more in PPP loans to ensure they needed the loan, including the collection of information necessary to assess whether layoffs were necessary. New PPP loans are now limited to $2 million and under; the SBA should consider expanding audits to firms that received loans over $1 million. Giti appears to have kept its factory idled for about two months while receiving nearly $8 million in PPP loans, which would make it potentially eligible for loan forgiveness although it does not appear to have used the PPP support to keep workers on the payroll.

**Strengthen PPP eligibility requirements to prevent companies with serious federal violations from receiving low-cost loans:** The SBA should not offer low-cost PPP loans to companies with a history of serious regulatory violations like wage theft, workplace safety, environmental violations, or other federal settlements or fines.

**Implement measures to provide equitable support to small businesses owned by people of color and women:** The SBA Inspector General has found that the SBA failed to implement necessary measures to target the PPP to reach underserved small businesses. The programs reliance on large banks and favoring the existing small business customers of these large banks left many small businesses owned by people of color and women excluded from the program. A direct grant program would more equitably reach all small businesses with more effective and universal uptake, especially by small businesses owned by people of color and women. To better level the playing field, the SBA must redirect more loan resources through Community Development Financial Institutions, Black- and Latinx-owned banks, credit unions, and other smaller financial institutions that have provided greater support for these smaller and underserved small businesses. Further, the federal government should prohibit predatory, high-cost lending to small businesses.

**Strengthen PPP reporting and disclosure standards:** The shortcomings of the PPP highlight the need for better reporting and disclosure of the program. The SBA did not release loan-level data on the program for nine months (and did so then only as the result of a lawsuit). It is critical for the SBA to require recipients to report how they spent the PPP funds and to make the information available to the general public. Along with data on worker retention and workplace safety, the public and Congress also need to know whether the companies that receive federal relief are providing adequate benefits to workers through the pandemic, including health care and paid sick and family leave.
Endnotes

7 The Small Business Administration (SBA) stated it would “not find any borrower that applied for a PPP loan prior to May 5, 2020 to be ineligible based on the borrower’s exclusion of non-U.S. employees from the borrower’s calculation of its employee headcount if the borrower (together with its affiliates) had no more than 500 employees whose principal place of residence is in the United States.” SBA. Small Business Administration. Paycheck Protection Program Borrower Application Form. OMB Control No. 3145-0107. Expiration date September 30, 2020.
10 Other taxpayer backed support included a fee-in-lieu of taxes agreement, a utility grant or loan, and a special source revenue bond credit. Harpsodlan v. South Carolina Department of Commerce. Fifth Judicial Circuit Court of Common Please, CA No. 2019-CP-10-05675, Order. October 9, 2020 at 3; South Carolina Policy Council. “Commerce won’t release meeting minutes of $35.7 million grant for tire plant.” The Nerve. July 11, 2014.
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12 ITC (July 2009) at IV-1.
13 Tire Business (2020) at 18 to 19.
14 Giti Tire Group (2018) at 32 and 42; ITC (June 2, 2009) at 264 and 294.
16 ITC (June 2, 2009) at 264 and 294; ITC (July 2009) at 15.
18 Detroit Free Press (2017); WOOD Channel 8 Grand Rapids (MI) (2016); NHTSA (2016).
28 Chester County, South Carolina. “Fee-in-Lieu of Ad Valorem Taxes Agreement between Giti Tire Holdings (USA) Ltd. And Chester County, South Carolina.” June 6, 2014 at 7 and 9.
30 Chinese tire company plans to build plant in South Carolina.” Seattle Times, June 3, 2017; Hoying, Patti. “Preview of new Giti Tire plant, production to ramp up in 2018.” Tire Review, November 30, 2017. In the property tax agreement with Chester County, Giti promised 1,300 jobs but it promoted 1,700 jobs to the media.
35 Brown (September 11, 2019).
38 “Richburg fire department prepares to respond to Giti Tire.” WBTV Channel 3 Charlotte (NC). October 5, 2017.
42 Ibid.
52 Garner (June 2, 2020).
53 Garner (February 23, 2021).
55 McCann, Adam. WalletHub. “States with the most affected small businesses due to Coronavirus.” April 13, 2020.
57 Coronavirus Aid, Relief, and Economic Security Act (CARES Act). §1102(a)(2)(D) and (a)(2)(G).
58 CARES Act §1102(a)(2)(D) and (a)(2)(G).
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68 Heavy equipment tire manufacturer Setco Tires and the golf subsidiary of Sumitomo Rubber both received PPP loans, but neither are passenger tire manufacturers. Huguley, Collin. “After losses due to pandemic, experts say Charlotte region’s manufacturing sector is poised for growth,” Charlotte Business Journal September 4, 2020; Manley, David. “Tire industry firm net more than $1 billion in PPP loans,” Tire Business. July 17, 2020; Spigolon, Tom. “Pauling industrial development Oks land deal for new business park,” West Georgia Neighbor, November 8, 2019; the only top 10 global tire company that appears in the SBA’s PPP database is Sumitomo Rubber, but it is its Roger Cleveland Golf subsidiary in Huntington Beach, California.
69 The Giti factory meets the PPP size standards, which was set at the larger of 500 workers or an industry-specific 1,500 workers for tire manufacturers; the Giti factory had 700 workers in 2019. CARES Act §1102(a)(2)(D)(II); SBA. “Table of Small Business Size Standards Matched to North American Industry Classification System Codes.” August 19, 2019 at 12; Winer (April 29, 2019).
72 The SBA stated it would “not find any borrower that applied for a PPP loan prior to May 5, 2020 to be ineligible based on the borrower’s exclusion of non-U.S. employees from the borrower’s calculation of its employee headcount if the borrower (together with its affiliates) had no more than 300 employees whose principal place of residence is in the United States.” SBA. 85 Fed. Reg. 99. May 21, 2020 at 30837.
73 Borrowers that spent less than 60 percent of the loan on payroll could qualify for partial loan forgiveness, but at least 60 percent of the amount forgiven must have been payroll costs. CARES Act §1106(b); SBA. [Press release]. “Joint statement by SBA Administrator Jovita Carranza and U.S. Treasury Secretary Steven T. Mnuchin regarding enactment of the Paycheck Protection Program Flexibility Act,” Release No. 20-45, June 8, 2020; SBA. “Paycheck Protection Program Loan Forgiveness Application,” OMB Control No. 3245-0107. June 16, 2020 at 2
74 CARES Act §1106(d)(2) and (d)(5)(B); SBA. Business Loan Program Temporary Changes; Paycheck Protection Program—Revisions to Loan Forgiveness and Loan Review Procedures Interim Final Rules, 85 Fed. Reg. 124. June 26, 2020 at 38308. There were exceptions for firms that were forced to remain closed by government order or were unable to find comparably qualified employees.
78 Huguley (April 15, 2020); Tire Review (March 22, 2020).
80 Garner (June 2, 2020).
81 Garner (February 23, 2021).
84 SBA IG (2020) at 4.
89 SBA IG (2020) at 4.
90 SBA IG (2020) at 4.
91 Center for Responsible Lending (2020) at 6 to 8.
92 Select Committee on the Coronavirus Crisis (2020) at 6 to 8.