

RV Industry Association Testimony on Steel Trailer Wheel Investigation

I am submitting this testimony on behalf of the RV Industry Association in opposition to the petition of Dexstar. RVIA is the national trade association representing nearly 300 manufacturers and component manufacturers of family camping vehicles, including motorhomes, travel trailers, fifth wheel trailers, folding camping trailers, park model RVs, and truck campers, collectively known as recreation vehicles (RVs). The RV industry contributes almost \$50 billion annually to the U.S. economy and supports over 285,000 full-time jobs.¹ Our members are proudly leading the economic recovery of their communities throughout the American heartland.

In its petition, Dexstar alleges that steel wheels imported from China provided for in subheading 8716.90.50 of the Harmonized Tariff Schedule of the United States, such as those used in the production of golf carts, snow blowers, lawn equipment, all-terrain vehicles, utility trailers and RV trailers, are being sold in the United States at less than fair value and are subsidized by the Government of China. RVIA opposes this allegation and the relief sought as it would: 1) significantly harm existing supply chains in the RV industry, 2) make the alternative to imports a lower quality and less timely delivered product, and 3) artificially raise prices on American manufacturers.

In the past ten years, the RV industry has recovered from the Great Recession that nearly crippled this American-born and American-led industry. One critical factor in this recovery has been the development and utilization of global supply chains. Although the vast majority of RV manufacturers prefer to use American-made components when possible (in fact, more than 70 percent of an average RV is composed of American products), sufficient domestic capacity does not currently exist for several component parts of RV travel trailers, such as wheels. Therefore, American RV manufacturers have, of necessity, established reliable sources of supplies from companies around the globe. The relief sought by Dexstar would, if granted, devastate existing supply chains which have been working effectively and efficiently to the benefit of RV manufacturers, dealers, and importantly, consumers.

¹ Recreation Vehicle Industry Association 2016 Annual Report. Page 7.
<http://www.rvia.org/UniPop.cfm?v=2&OID=9435&CC=42176>

While Dexstar's proposal severely hampers the global supply of inputs for American-made RVs, it offers no clear resolution or guarantee that domestic capacity would be able to meet RV manufacturers' demands for wheels. The antidumping and countervailing duties Dexstar supports will not help them meet this demand.

The proposed duties do nothing to reduce the actual cost of US steel, which is the root of Dexstar's complaint. The duties would only make inputs like Chinese wheels more expensive and leave established American RV manufacturers with no viable alternative. Dexstar, and the other manufacturer it lists could not meet the vast shortfall in inputs such a proposal would create. Nor does it state with any certainty that an increase in duties will increase the volume of wheels they are able to produce.

It is fairly obvious that such a proposal's effects would only benefit an extremely small group of American wheel manufacturers. It is elementary that manufacturers forced to source American wheels would only *increase* the demand for domestic steel, thereby pushing the price even further upward to the detriment of other small and medium US industries in sectors *not* afforded protection on Chinese exports. It is clear, then, that this proposal is only meant to shift the costs of increased domestic steel to both upstream manufacturers and other domestic companies who were not able to achieve special protections from the effects of Section 232 tariffs.

In its petition, Dexstar claims that the domestic industry (consisting only of Dexstar and one other company) is being suffering material injury or the threat of material injury solely due to imports of steel wheels from China. While this is no doubt what they would like to believe, it does not match up with the reality that RV manufacturers are seeing. Steel wheels are a crucial component of manufacturing of travel trailers and the manufacturers of RVIA look at all parameters of a potential partnership with a supplier, including quality and assurance of timely delivery, in addition to price. Our members are telling RVIA that these two factors are missing with Dexstar and that is the reason they do not use them.

Wheels on a travel trailer need to perform well to be effective. They must be true to size and built to last as travel trailers are used to go from place to place across the highways of this land.

Poor quality wheels can lead to accidents. Additionally, they must be of high quality to survive the manufacturing process. Most RV factories are still primarily hand driven operations; there is very little of the automation that is prevalent in the automobile industry. Parts are often stacked near each station and assembled onto each chassis individually. Poor quality parts can get dinged up easily. Because our members place a high value on quality wheels, several tell me this is one of the reasons they stay away from Dexstar.

Most of the major manufacturers of travel trailers are located in the same geographical region as Dexstar, roughly within a 25-mile radius of Elkhart, IN. Yet most manufacturers tell us that timely deliveries are lacking with Dexstar. With the industry relying on Just-in-Time delivery for its components, they find that other sources of wheels give them the assurance that they will have adequate supplies as needed to produce their travel trailers.

Dexstar also claims it has sufficient capacity to expand its operations to supply the entire RV industry, as well as the cargo trailer industry. This is woefully incorrect on its face. They have a relatively small location in Elkhart, with machinery that is at least 25 years old, and they run a single shift a day. The RV industry expects to ship nearly 480,000 travel trailers this year, with a minimum of 4-6 wheels on each of them. This means the RV industry will need approximately 2.5 million wheels to build these travel trailers. None of our member manufacturers is willing to bet that Dexstar can handle that capacity.

Over the past three years, RV manufacturers belonging to RVIA have spent hundreds of millions of dollars on wheels for their trailers. To roughly double that cost, as proposed in the Dexstar petition, will have a drastic impact on the industry and its nearly 44,000 employees. The target market for travel trailers, camping trailers, and fifth wheel trailers is middle-income Americans, who use them as temporary living quarters for recreational, camping or seasonal activities. The typical RV owner has an annual household income of \$62,000, making acquiring an RV the largest discretionary purchase for the owner. As such, RVs are extremely price-sensitive. Historically, a rise in the price point of an RV narrows the potential group of buyers for that RV. Using the duties to artificially raise the cost of manufacturing an RV will place many RVs into

higher price point categories and potentially lower sales of RVs; therefore, the RV Industry Association opposes any proposal which would do so.

This proposal would severely impact supply chains, artificially raise costs to produce an RV, and could even negatively influence sales of RVs, possibly leading to layoffs in an industry that has been a turnaround leader in responding to the nationwide recession of 2008-9.

It is important to note that steel wheels under HTS category 8716.90.50 are also included in the latest proposal by the U.S. Trade Representative to add products to the listing of products from China subject to a 25 percent tariff as part of its “Findings of the Investigation into China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation Under Section 301 of The Trade Act of 1974. To add antidumping and countervailing duties on top of possible inclusion in the Section 301 tariffs brings further jeopardy and uncertainty to the RV industry.

The RV Industry Association urges the ITC to reject this petition as there is no showing of injury to the domestic industry due to the current treatment of steel wheels from China and imposition of any duties would have a devastating impact on downstream industries such as the RV industry.