



August 9, 2018

The Honorable Robert Lighthizer
United States Trade Representative
Office of the United States Trade Representative
1724 F St. NW
Washington, DC 20436
Submitted Electronically via: 301investigation@ustr.eop.gov

RE: Testimony Concerning Proposed Modification of Action Pursuant to Section 301, Docket Number USTR-2018-0026

Dear Ambassador Lighthizer:

This document serves as the testimony on behalf of the RV Industry Association (“RVIA”) in reference to **Docket Number USTR-2018-0026: Request for Comments Concerning Proposed Modification of Action Pursuant to Section 301.**

The RV Industry Association is the national trade association representing the diverse manufacturing businesses which build more than 98 percent of all RVs produced in the U.S.—including motorhomes, travel trailers, fifth wheel travel trailers, folding camping trailers, park model RVs, and truck campers. We are the unifying force for safety and professionalism within the RV industry and work with federal and state policymakers to promote and protect the RV industry and its members.

We support efforts to ensure a fair and level playing field with our trading partners and believe that a strong manufacturing base is important to the economic security of the United States. However, we are concerned that the proposed modification of the Administration’s tariff policy toward China under Section 301 could have a significant negative impact on the economy of our country and the RV industry.

First and foremost, the RV industry is a uniquely American sector with a strong preference for utilizing domestic supply chains whenever possible. RVIA members proudly source materials and components from American suppliers. However, not all the raw materials and finished products that go into producing an RV can be domestically sourced. Several of the items in the July 10 Federal Register notice proposing an additional ten percent *ad valorem* duty fall into this category.

Of particular importance to the RV industry, the list includes:

- HTSUS item 4011.10.10 New pneumatic radial tires, of rubber, of a kind used on motor cars (including station wagons and racing cars)
- 4011.10.50 New pneumatic tires excluding radials, of rubber, of a kind used on motor cars (including station wagons and racing cars)
- 4011.20.10 New pneumatic radial tires, of rubber, of a kind used on buses or trucks
- 4011.20.50 New pneumatic tires excluding radials, of rubber, of a kind used on buses or trucks
- 4011.90.10 -New pneumatic tires, of a kind nesoi, having a herring-bone or similar tread
- 4011.90.20 -New pneumatic tires, of a kind nesoi, having a radial tread
- 4011.90.80 -New pneumatic tires, nesoi
- 7311.00.00 Iron/steel containers for compressed or liquefied gas;
- 8708.70.45.45 – Aluminum road wheels
- 8708.70.45.60 - Steel road wheels

Tires

The inclusion of tires from China is particularly problematic. Using only the overly broad HTS headings inadvertently captures certain tires specifically designed for use on travel trailers (ST tires) within the same category as other passenger car and light truck (PVLТ) tires. RVIA testified during the antidumping and countervailing duty case on Chinese passenger vehicle and light truck tires in 2015 that “trailer tires are not produced in the United States, have not been since the late 1980s, and therefore importation of these tires cannot cause injury to a domestic industry.” Since that time, one company has now begun to produce an ST tire domestically; however, they do not currently produce a complete lineup of the various sizes used by the RV industry.

Furthermore, ST tires are physically different products and should be excluded from consideration of the additional tariff. Trailer tires are physically different from passenger or light truck tires and are distinguishable from PVLТ tires in the following ways.

1) The tread pattern on an ST tire is not designed to be used on a steering axle or a traction axle. Rather, the tread pattern is designed to follow the towing vehicle in a straight line. Due to these physical differences, an ST tire cannot be safely used on a passenger vehicle or light truck.

2) All ST tires have a speed rating of 75 miles per hour or less. They also have much higher load ratings than similarly sized passenger or light truck tires. Every tire manufactured has a load rating based on the tire’s inflation pressure. A tire’s maximum load is the most weight the tire is designed to support at the inflated

pressure. ST tires have some of the highest load ratings to be able to withstand the higher weights of the vehicles being towed.

3) ST tires have strengthened sidewalls to prevent the tire from rolling under the rim in turns and when cornering. Passenger vehicle and light truck tires, on the other hand, have flexible sidewalls to allow for greater traction and ride comfort in those types of vehicles. Sidewall flexing on trailers, especially those with a high center of gravity or that carry heavy loads (such as travel trailers or fifth wheel trailers), is a primary cause of trailer sway. Therefore, the stiffer sidewalls and higher operating pressures common with ST tires help reduce trailer sway.

4) ST tires feature materials and construction designed to meet the higher load requirements and demands trailer towing presents. ST tires typically have 10% more load capacity than equivalent light truck (LT) tires, and 40% more than passenger vehicle (P) tires. According to Tim Fry, senior development engineer with Goodyear, “The major difference is reflected in the polyester cords used in ST tires. These cords are bigger than they would be for a comparable P or LT tire. Typically, the steel wire also has a larger diameter or greater tensile strength to meet the additional load requirements. Because of the heavier construction for an equal volume of air space, an ST tire is designated to carry more load than a P or LT tire.”¹

Steel or Iron Propane Tanks

In a similar vein, RVIA objects to the inclusion in this action of steel or iron containers for compressed or liquified gas. We are already a party to an ongoing antidumping and countervailing duty investigation on steel propane cylinders from China and Thailand. Earlier this year, we testified before the ITC that there is not a reliable stream of domestic product that can satisfy the industry’s demand, which has increased at a rate of 10-15 percent each year over the last five years and shows no signs of abating any time soon.

Last year, the RV industry shipped nearly 440,000 travel trailers, most with at least two propane tanks and some with three, to dealers for first retail sale. We estimate that RV manufacturers purchased nearly 900,000 propane cylinders last year, primarily in the 20-pound and 30-pound sizes. In 2018, we are on pace to produce and ship nearly 480,000 travel trailers, likely increasing our purchases of propane cylinders by another 80-100,000. This will result in the industry purchasing nearly one million propane cylinders for use in production of new RVs.

RV manufacturers tell us that orders placed domestically take nearly seven to nine weeks to be fulfilled, whereas supplies from importers are just over three weeks to fulfillment.

¹ Mark Polk, “Trailer Towing – ST Tires vs. LT Tires” (2012)., <http://rvingwithmarkpolk.com/2012/11/08/trailer-towing-st-tires-vs-lt-tires/> (last visited July 24,2018).

They estimate that domestic production would likely only be adequate to supply 25-50 percent of current market demand in the RV industry.

They have also had several problems with the quality of domestically produced cylinders in the past. In 2015-16, there were issues getting imported cylinders due to disruptions at West Coast ports with strikes and slow-downs by dock workers. Several manufacturers supplemented their inventories of cylinders with domestic product but found that they had to send many tanks back for quality concerns, such as bending and denting. RV manufacturing is not a white-glove industry, so reliably strong products are necessary.

Steel and Aluminum Wheels

The listing by USTR also proposes that steel and aluminum wheels imported from China, such as those used in the production of golf carts, snow blowers, lawn equipment, all-terrain vehicles, utility trailers and RV trailers, be covered by the Section 301 tariffs. RVIA opposes this proposal as it would 1) significantly harm existing supply chains in the RV industry, 2) artificially raise prices on American manufacturers, and 3) not further the stated purpose of the Section 301 tariffs of counteracting China's practices related to intellectual property, improper technology transfer, and restricted innovation.

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 steel and aluminum wheels. Therefore, American RV manufacturers have, of necessity, established reliable sources of supplies from companies around the globe. Including steel and aluminum wheels in this proposal would devastate existing supply chains which have been working effectively and efficiently to the benefit of RV manufacturers, dealers, workers, and importantly, consumers.

While this proposal severely hampers the global supply of inputs for American-made RVs, the tariffs would only make inputs like steel and aluminum wheels more expensive and leave established American RV manufacturers with no viable alternative. Domestic producers could not meet the vast shortfall in inputs such a proposal would create. And there is no certainty that an increase in tariffs will increase the volume of wheels domestic manufacturers are able to produce.

Over the past three years, RV manufacturers belonging to RVIA have spent millions of dollars on wheels for their trailers. To greatly increase that cost, as proposed in this action 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 tariffs to artificially raise the cost of manufacturing an RV will place many RVs into higher price point categories; therefore, the RV Industry Association opposes any tariff proposal which would do so.

Conclusion

This proposal to include trailer tires, propane tanks, and steel and aluminum wheels as items subject to the Section 301 tariffs 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. These effects are not what USTR had in mind when it first put forward the Section 301 proposal. As USTR itself stated, remedies under this Act are supposed to eliminate the unfair trade practices of the Chinese government related to the forced transfer of U.S. technology and intellectual property. The proposal to place a tariff on tires, propane tanks, and steel and aluminum wheels from China achieves neither of these goals, while negatively affecting a healthy U.S. manufacturing sector.

There are also several other categories proposed for inclusion in this action that are worrisome to the RV industry, such as woods, plywoods and multi-density fiberboard (MDF); fabrics, carpet and bedding; and various raw metals.

Any adverse determinations in this matter will have unintended consequences that hurt industries that rely on products that could be subject to any potential tariff increases or other trade restrictions. This would include the booming American-made RV industry, which had its best year on record in 2017. Additionally, such action will not only directly affect the RV industry but will also harm the suppliers who produce finished products that are used in completed vehicles. On behalf of RV manufacturers, suppliers, dealers, workers, and American consumers and taxpayers, we oppose this measure.

Thank you.



Michael Ochs
Director, Government Affairs
RV Industry Association