

Testimony of Garry Hartman, Cheetah Chassis Corporation

Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation Section 301 Committee Public Hearing: May 17, 2018

Good morning. My name is Garry Hartman and I am the President of Cheetah Chassis Corporation. I appreciate the opportunity to appear before you today and I thank the U.S. Trade Representative and all those involved in the Section 301 investigation for their hard work in taking these critical steps to address China's unfair practices. Today, I am here to discuss the particularly harmful impact that China's practices of forced transfers of technology, intellectual property, and innovation have had on U.S. container chassis producers like Cheetah. Cheetah supports the USTR's determination to impose additional duties on Chinese products to address the unreasonable practices that have burdened and restricted U.S. commerce. Cheetah requests that container chassis, classified under HTS subheading 8716.39.0090, be added to the list of products to be subject to additional tariffs.

Cheetah Chassis is an American manufacturer of chassis and trailers based in Berwick, Pennsylvania. We are one of the largest remaining U.S. manufacturers of chassis and are proud to employ over 170 people in Pennsylvania and South Carolina. We are a member of the Strick Group, which dates back to the 1930s. The Strick Group was instrumental in developing the first container chassis in the late

1960s. Since then, we have remained an innovative force in the industry, and have developed cutting-edge chassis products and designs.

Cheetah and the domestic container chassis industry have been devastated by the Chinese government's policies and practices that have forced technology, intellectual property, and innovation transfers to Chinese firms. The U.S. chassis industry is a prime example of the effects those policies have on U.S. industries and producers. When Chinese producers first entered the market in 2008, they copied our designs as well as other U.S. producers'. Specifically, we noticed that Chinese producers were offering container chassis that appeared to be identical to Cheetah's. They even included pictures of our products in their marketing materials and claimed them as their own. However, they forgot to remove our logos from the pictures. By copying our designs, they gained acceptance in the market. Once they were accepted, their import volumes surged and U.S. chassis producers like Cheetah quickly lost sales and market share to these unfairly priced Chinese products. According to official data, imports of container chassis from China increased over 140 percent in the past ten years. According to independent market analysts, chassis-specific shipments from China increased by over 300 percent over that period. Cheetah went from two full shifts employing nearly 500 people to only one shift employing about 150 people in our Pennsylvania facility.

In particular, CIMC Intermodal Equipment is one of our largest competitors and is part of China International Marine Corporation, one of the world's largest manufacturers of transportation equipment. CIMC is backed by two of the largest Chinese shipping and logistics state-owned entities. CIMC was principally responsible for appropriating Cheetah's intellectual property and product designs. Unlike Cheetah, and other domestic manufacturers, CIMC does not manufacture the chassis it sells in the United States. It imports partially assembled chassis manufactured by its Chinese parent that it completes in the United States before delivery.

Not only did CIMC use our designs to gain market share, to make matters worse, CIMC used unfair pricing to offer its container chassis products at prices far below our prices, indeed, often at prices that are below our cost of production. As a Chinese company backed by state-owned enterprises, CIMC likely benefits from a wide array of government subsidies, such as the provision of steel for less than adequate remuneration. We can compete against anyone on a level playing field, but we cannot compete against this type of government-sponsored unfair trade. By using our designs and then selling those chassis at dumped and subsidized prices, CIMC took several large customers from us fairly quickly. Since then, the unfair pricing pressure has continued unabated.

From the very beginnings of our company history, we have been committed to innovation and product development. However, if nothing is done to prevent these types of unfair trade practices by the Chinese government and its state-owned entities, no amount of design and quality innovation will save us. Without relief, there will be nothing left of the U.S. container chassis industry. Cheetah has already been forced into a small portion of the market. Other domestic manufacturers have exited the market entirely. Left unchecked, CIMC will eventually take over the entire market. At that point, the U.S. will become completely dependent on Chinese state-owned entities for the intermodal transport of goods in the U.S.

We believe that this is exactly the type of situation that the Section 301 tariffs are intended to address. Specifically, USTR selected an additional duty of 25 percent as being appropriate to eliminate China's harmful practices. Cheetah and other U.S. chassis producers are being adversely affected because massive Chinese shipping companies like CIMC, backed by state-owned entities, were allowed to appropriate our intellectual property and offer those products at dumped and subsidized prices at the expense of domestic producers. Including container chassis on the Section 301 list of products will help to remedy China's harmful policies and practices.

Container chassis are the types of products that directly benefit from Chinese industrial policies, including Made in China 2025. Numerous reports detail the massive subsidies and state support the Chinese steel industry receives pursuant to

the Chinese government's industrial plans. Because container chassis are primarily made of steel, it is appropriate to include them on the product list. But, more importantly, the container chassis CIMC produces are the tools the Chinese will use to carry out the goals set forth in the Made in China 2025 plan.

If given the opportunity, Cheetah and the remaining U.S. producers have plenty of capacity that we could bring back on line to meet U.S. demand if duties are imposed. Therefore, including container chassis in the Section 301 list will not adversely affect the U.S. economy. Goods will still get to market, they will just have to do it on U.S.-produced chassis at fairly traded prices.

On behalf of Cheetah, our workers, and the communities in which we are located, I urge you to help address the harmful impact that China's practices have had on the U.S. container chassis industry. We ask that container chassis, HTS subheading 8716.39.0090 be added to the list of products to be covered by the proposed tariffs.

Thank you for your time and attention.

Our Product Pictures

CIMC | 中集车辆

为现代化交通运输提供装备和服务

CHASSIS BY FEATURES



DROP FRAME CHASSIS



DOUBLE DROP CHASSIS



GOOSENECK CHASSIS



EXTENDABLE CHASSIS



AIR RIDE CHASSIS



12-PIN CHASSIS



FLIP-UP REAR CHASSIS



HEAVY DUTY CHASSIS



LIGHTWEIGHT CHASSIS



8-PIN CHASSIS



SPREAD AXLE CHASSIS



STRAIGHT FRAME CHASSIS

Our Product Pictures

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CHASSIS BY PURPOSE



CONTAINER CHASSIS



GENERATOR CHASSIS



TANK CHASSIS



FLATBED TRAILERS

Our Product Pictures

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为现代化交通运输提供装备和服务

CHASSIS BY NUMBER OF AXLES

(2) TANDEM CHASSIS

(3) TRIAXLE CHASSIS

(4) QUADAXLE CHASSIS

(5) FIVE AXLE CHASSIS

CHASSIS BY LENGTH

20'-29'

30'-39'

40'-49'

50' +

UNIQUE USE



DROP FRAME TANK CHASSIS



COMBO CHASSIS



CANADIAN CHASSIS





