

Before the Office of the United States Trade Representative

USTR-2018-0018

Containers Classified in HTSUS Subheading 8609.00.00

TESTIMONY OF KENT DELOZIER

My name is Kent Delozier. I am Director of Maintenance at JB Hunt in Lowell, Arkansas. I have been with JB Hunt since 1983, and have been Director of Maintenance since 2011. I would like to thank the USTR for providing JB Hunt with the opportunity to explain why it believes that USTR should remove containers classified under HTSUS subheading 8609.00.00 from list of proposed products subject to the 25% tariff. JB Hunt believes that 53-foot containers are one of the largest categories of such containers.

53-foot containers are the workhorse of the American intermodal freight industry. 53-foot containers are special containers in the form of large rectangular boxes with standardized dimensions. 53 feet is the longest length allowed by U.S. states for use on highways and roads. As a result, 53-foot containers are used exclusively in the North American intermodal freight market. These durable welded steel containers are secured to special chassis and are built so they can be transferred easily between different modes of transportation, including trucks, freight trains, and ships, without the need to unpack and reload the cargo from mode to mode. Reduced cargo handling expedites freight transportation, reduces the risk of loss or damage, and improves security. For USTR's understanding, the end of my testimony contains pictures of a JB Hunt 53-foot container double stacked on a train.

JB Hunt is one of the largest U.S. purchasers of 53-foot containers. While we source a multitude of transportation products from many sources, including several U.S. producers, we

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purchase 53-foot containers only from Chinese producers. To understand why, I first want to give you a little background on JB Hunt's experience in intermodal transportation.

From about 1993 through 1998, JB Hunt purchased containers that were made of aluminum plate. The aluminum containers offered the advantages of being lightweight and having a larger interior space, but also had significant drawbacks. First, the aluminum containers used mechanical fasteners that allowed water leaks into the containers. Second, aluminum containers could not be double-stacked on the train, but rather could only ride as a top container.

During the period 2000 to 2004, JB Hunt shifted from aluminum containers to DuraPlate containers made by Wabash. The DuraPlate containers were made of two thin layers of steel plate, bonded to a middle plastic core. The DuraPlate containers were heavy and smaller than the aluminum containers, but at least they could be double-stacked.

In 2005, we began purchasing containers from Chinese producers. The Chinese producers fully welded their containers, which means that mechanical fasteners, such as rivets and bolts, were no longer needed. These new steel containers also featured reduced box weight and a wider interior than the DuraPlate containers. The Chinese containers also could be double-stacked on trains. Unfortunately, U.S. producers failed to innovate to produce a similar 53-foot container and eventually exited the business altogether.

In recent years, JB Hunt has worked with two U.S. companies in an effort to diversify its 53-foot domestic container sourcing beyond the two existing producers from China. Nevertheless, as discussed in detail in our confidential written comments, neither U.S. producer achieved commercial production for a product that met the expectation of JB Hunt and others in the intermodal industry. Moreover, no third-country suppliers exist. This means that JB Hunt –

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indeed the entire intermodal industry – will remain dependent on China for the foreseeable future for all of its 53-foot domestic dry containers.

Moreover, if the goal of the tariffs is not to significantly impact the U.S. economy and consumers while pressuring China to change its technology transfer and industrial policies, I believe that 53-foot containers are definitely the wrong product at the wrong time. Almost all U.S. companies that ship any volume of product, such as retailers or manufacturers, use intermodal transportation. An increase in freight prices caused by these proposed tariffs will reverberate throughout the U.S. economy and will be felt by manufacturers, retailers, and eventually consumers. These increased prices will impact U.S. consumers at the same time that fuel prices are escalating. Therefore, imposing tariffs on 53-foot domestic containers runs contrary to the USTR's goal of maximizing the impact on China while minimizing the impact on the U.S. economy and U.S. consumers.

Finally, as detailed in JB Hunt's written comments, 53-foot domestic containers are not any of the industries that China is targeting with any of the policies investigated by USTR. Nor is there evidence that the 53-foot domestic container industry has been a target of the trade and investment practices highlighted in the Section 301 Report as burdensome and unreasonable.

For all of the foregoing reasons, JB Hunt respectfully requests that USTR remove containers classified under HTSUS subheading 8609.00.00 from list of proposed products subject to the 25% tariff. I will be glad to answer any questions.

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