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Unfair Play

U.S. chassis manufacturers, looking for a level playing field, have taken up a front-line position in the trade war with China

By Kevin Jones

STOUGHTON, Wisconsin—The House Select Committee on the Chinese Communist Party on August 30 came to the heart of the Midwest—“far from the think tanks and D.C. where jobs and factories are often just numbers on a spreadsheet”—to build the case that the decline in U.S. manufacturing is less about economics and more about policy failures that let China-sponsored companies cheat the global fair-trade game.

Stoughton Trailers, which hosted the roundtable with committee leadership and a wide range of area manufacturers, was cited as an exemplar of the reshoring renaissance and a successful challenger to China’s strategic targeting of industries critical to the global supply chain.

“We have with [Stoughton Trailers President and CEO] Bob [Wahlin] and his team here an inspiring example of how American grit and determination can stand up to adversarial aggression from the CCP’s trade warfare,” Chairman Mike Gallagher (R-WI) said.

Stoughton Trailers was among the several U.S. intermodal chassis manufacturers who successfully petitioned U.S. trade authorities in 2020 to penalize CIMC, a state-supported Chinese company, for the unfair trade practices that allowed CIMC to take over the domestic intermodal chassis market.

That hard-won victory could be short lived, however.

“We were successfully able to get the tariff in place, but our Chinese competition has quickly shifted to other areas to work around the tariff,” Stoughton’s Wahlin said. “We’ve had relief for a little over two years, but China’s been avoiding those tariffs for about a year and a half.”

‘Economic disease’

Chairman Gallagher convened the roundtable, held on the Stoughton manufacturing floor just in front a large robotic welding cell in full operation, recalling a conversation with Wahlin in his Green Bay-area district office.

“He laid out Stoughton’s story and I was captivated by it,” Gallagher said. “Was there something we could do with the select committee to shine a light on that story and use it as a way to talk about these broader issues we face in terms of this competition between the U.S. and China?”

Those issues include “boarded-up factories, rusting steel mills, and laid-off friends and relatives,” he continued. The narrative, as explained by “politicians in Washington and bankers in New York” has long been that the free market was “working its magic.”

“But the decline of American industry is not inevitable and never has been,” Gallagher said. “Deindustrialization is a policy choice, and it’s been the favored choice of both parties for far too long. But more than Democrats or Republicans, American deindustrialization has been the favored policy choice of the Chinese Communist party in Beijing.”



The chairman then laid out the range of support China provides strategically selected industries, from free real estate and loans to a “total pass” on environmental standards and safety regulations, among other assistance.

And, “most egregious,” a state-directed “espionage apparatus” is empowered “to coerce, hack, or steal” American intellectual property and trade secrets.

“Companies across America are competing against Chinese firms that often literally cannot go bankrupt or be underpriced,” he said. “In the case of Stoughton Trailers, their Chinese competitors were selling products into the U.S. for less than the cost of the raw materials that were used to produce them. That’s not fair competition—that’s an economic disease that’s eaten away at the fabric of our communities here for decades.”

Ranking Member Raja Krishnamoorthi (D-IL) played up the long-time football rivalry between his and Gallagher’s congressional districts.

“As a Bears fan it does feel like a diplomatic mission, coming up here to Packers country,” Krishnamoorthi quipped. “But if there’s one thing that two NFL partisans can put aside their differences about, it is how do we stand



Stoughton Trailers CEO Bob Wahlin explains the chassis production line to committee members, from left, Rep. Raja Krishnamoorthi (D-III.), Rep. Rep. Mike Gallagher (R-Wis.), and Rep. Darin LaHood (R-III.).

Photo: Kevin Jones | TBB

up for American workers, how do we stand up for American companies like Stoughton Trailers, and how do we combat economic aggression from the Chinese Communist party?”

Continuing the sports analogy, Krishnamoorthi likened the decision to normalize trade with China in 2000 to adding an expansion team to the NFL.

“When you bring a new team into the league, there’s an expectation that



Rep. LaHood, Chairman Gallagher, and Ranking Member Krishnamoorthi of the House Select Committee on the Chinese Communist Party convene a roundtable discussion of unfair trade practices.

Photo: Kevin Jones | TBB

the team will play by the same rules: They’ll have 11 players on the field, line up behind the line of scrimmage and follow the orders of the referee,” he said. “But the problem is the CCP never intended to follow the rules and they’ve created an environment in which they regularly, unfairly have an advantage over their competitors.”

Krishnamoorthi cited a 2020 Economic Policy Institute study that reported more than 15,000 jobs had been displaced in his Illinois district alone because of unfair trade practices.

To reverse these employment losses, U.S. policy needs to:

- First, enforce the rules of fair trade;
- second, encourage investment in American companies and workers “because we know American working men and women and companies can out-compete anyone if they’re on a level playing field”; and,
- third, continue to build on the progress made with legislation such as the CHIPS and Science Act, supporting American-made semiconductors, and the Infrastructure Investment and Jobs Act.

Fall and rise

In his opening testimony, Stoughton’s Wahlin was quick to support the lawmakers’ take.

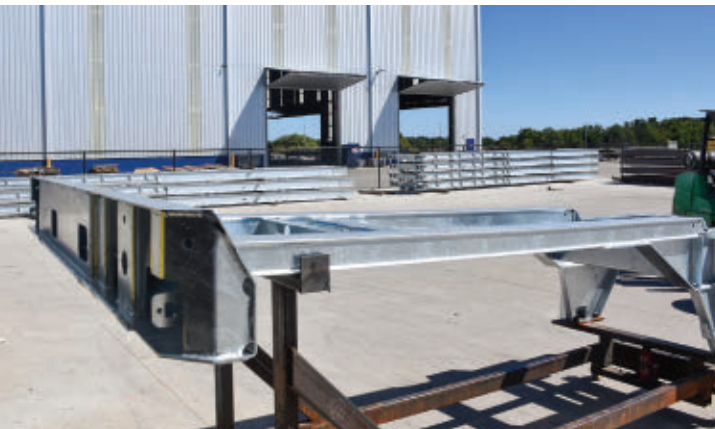
“Purposeful unfair trade is a feature of the Chinese communist party’s economic policy and US manufacturers like Stoughton suffer as a result,” Wahlin said.

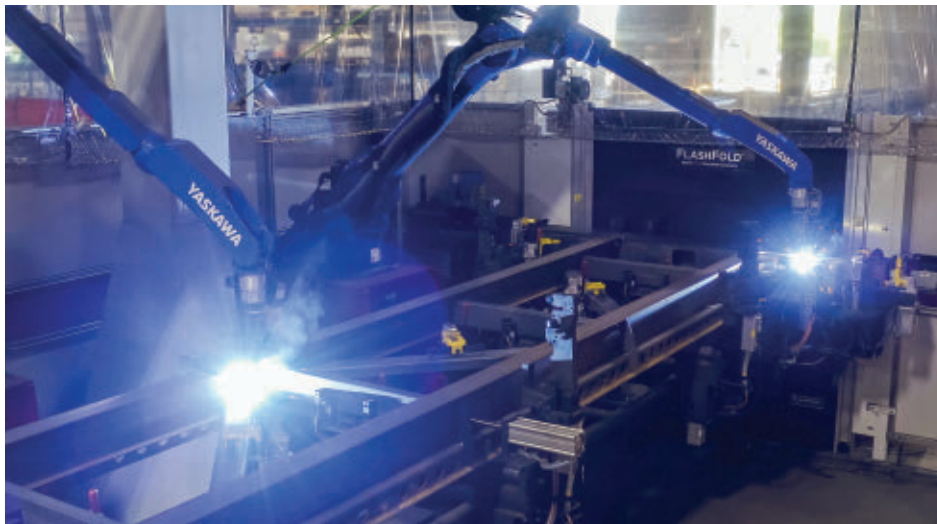
In the early 2010s, Stoughton Trailers had been a leading supplier of 53’ shipping containers in the U.S., Wahlin explained, but China-supported CIMC was rapidly gaining share in the state’s attempt to “dominate” maritime equipment production and global shipping by selling products “far below” fair market value.

Stoughton appealed, and the U.S. Dept. of Commerce agreed—but the International Trade Commission declined to impose penalties. Stoughton shut down container manufacturing operations. Chinese manufacturers

Chassis are galvanized at the neighboring facility before being rolled onto the assembly line at the Stoughton plant.

Photos: Kevin Jones | TBB





now provide “nearly all” the shipping containers used in the U.S. and more than 90% worldwide, Wahlin testified.

A similar challenge arose in the IM chassis trailer segment, as CIMC shipped components to CIMC U.S. assembly facilities and sold the finished units at prices that were often below the cost to produce them, Wahlin explained. This time, when the coalition of U.S. chassis builders petitioned the Commerce Dept., ITC backed the finding that 44% of the CIMC value was subsidized and assessed tariffs to compensate. The assessment will be reevaluated after five years.

“The benefits were immediate,” Wahlin said. “Prior to trade relief, only 5% of chassis registered for use in America were made here; last year, roughly 50% of registered chassis were made in the United States.

“Stoughton was able to make new investments into chassis production, including a new facility in Waco, Texas, and we hired hundreds of new employees. More broadly, U.S. supply chains are now far less reliant on Chinese state-owned entities for vital transportation equipment.”

Looking ahead, Wahlin expressed confidence about the ability of domestic chassis production to compete after the evaluation period has run its course.

“We’ve been using this time to position ourselves to be successful if and when that tariff goes away. We do that

Investment in automation, such as the robotic welder shown here, will allow Stoughton to reduce the man-hours required to build chassis and enable the company to compete on price if and when the tariff on Chinese trailers is lifted.

Photos: Kevin Jones | TBB; Stoughton Trailers

through being more competitive, being more efficient,” he said, pointing to the robotic welder. “Some of the equipment that you see behind us here is adding automation. It’s not eliminating jobs but moving those people to build more trailers in other areas. It’s creating more high-tech, more higher-paying jobs.”

Stoughton’s strategy also includes adding automation to the parts-build as well, and shifting from painting to galvanizing the chassis frame. As a result, Stoughton expects to reduce “all-in” labor costs to 15-20 hours per chassis.

“If we can achieve that, it doesn’t matter where in the world that [competing products] are built: If they’re

using less-expensive labor, that will not overcome the cost of transportation to get it to our market,” Wahlin said. “So if that’s the case, then we can win. That’s what we’re trying to set up to do.

“My fear is that the plan only works if China doesn’t dump, if they don’t subsidize, so that is still a pretty significant threat to us.”

He also cautioned that China has begun skirting the tariffs by subsidizing chassis production in Thailand—a strategy used in other industries impacted by trade restrictions with China. Wahlin encouraged support of the Leveling the Playing Field 2.0 Act, which would update U.S. trade remedy

Sonya Higginbotham, vice president, corporate communications and brand management at Worthington Industries, urges Congress to find ways to give U.S. safety regulators ‘more teeth and resources’ in dealing for foreign-made products such as pressure cylinders to ‘level the playing field.’

Photo: Kevin Jones | TBB





In concluding, Gallagher emphasized that the meeting had been bipartisan and collegial, featuring industry and labor as well as century-old traditional heavy industry and 21st century hi-tech, and that such discussions “send a powerful message” to China.

Indeed, the roundtable met a day after Gallagher’s OpEd, “Americans are unwittingly financing the CCP.

It has to stop.” was published in the Washington Post.

Taking in the Stoughton facility, the chairman added that it “just gives me hope for just the power of manufacturing in Wisconsin and the Midwest more broadly.”

He also noted that while the select committee spends a lot of time on “next-generation, cool, sexy technology

law to establish the new concept of “successive investigations,” to curb circumvention efforts from bad actors designed to undercut U.S. domestic industries and increase market share.

“At Stoughton, we believe that American workers and American products are the best in the world—our trailers can stand up against any competitor when we have a level playing field,” Wahlin said. “But we cannot compete against the full weight of the government of China.”

Innovation wins

Responding to a panelist who suggested that the U.S. could never “out-subsidize” China, Gallagher noted that the U.S. can and should work with its allies to balance the scope of China’s economic might and to push back against “a common threat.” He also offered a straightforward analysis.

“Our secret sauce is innovation,” he said. “We’ve got a bunch of flexible, free-thinking people in America that like to take big risks in a way that’s not the same anywhere else. We have to double down on that.”

Krishnamoorthi echoed the suggestion.

“We have something so precious in this country which the CCP hates: freedom,” he said. “It’s so bad right now—the squelching of freedoms by the Chinese Communist Party—that their economy is in a tailspin as we speak.”



The roundtable convenes on the shop floor of a Stoughton Trailers production facility, just in front of a robotic welding cell.

Photo: Kevin Jones | TBB

like AI and solar power,” he expressed a renewed appreciation for essential transportation equipment.

“Now, I think chassis are sexy,” he concluded. “All of the goods we buy

get shipped on containers that sit on chassis so, when you buy Christmas gifts for your kids, you’re relying on the hard work that happens here. For our economy to function day-to-day, you’re

relying on the hard work of the men and women in this facility.

“You have our backs and so it’s important that we have yours, in terms of what we do from the federal level.” **TBB**

Q&A with Bob Wahlin CEO talks China challenges, U.S. ability to compete

By Kevin Jones

U.S. intermodal container chassis producers secured the “level playing field” they were looking for—now what?

A coalition of domestic manufacturers filed petitions in July 2020 charging that imports of chassis from China by state-controlled CIMC Group damaged the American container chassis industry. The petitioning companies include Cheetah Chassis, Hercules Enterprises, Pitts Enterprises, Pratt Industries, and Stoughton Trailers.

In a unanimous vote, the United States International Trade Commission determined there is “a reasonable indication” the U.S. trailer manufacturers are “materially injured” by the import of container chassis that are allegedly subsidized by the government of China and sold in the U.S. at “less than fair value.”

ITC subsequently determined that Chinese chassis producers were being unfairly subsidized at a rate of 44% and being dumped at rates over 144%, and granted U.S. manufacturers relief in the form of tariffs to be assessed over five years, after which the program would be reevaluated.

Not all American companies cheered these decisions, though. Specifically, chassis buyers objected at each step of the appeal, questioning the ability of domestic suppliers to meet the market’s needs both in terms of quantity and quality. And the 40% tariffs would be detrimental to the broader U.S. economy,

as costs would have to be passed on in shipping rates.

Just ahead of his hosting a congressional roundtable on trade with China, Trailer/Body Builders sat down with Stoughton Trailers President and CEO Bob Wahlin at the Stoughton, Wisconsin, facility where chassis are now produced to discuss what the tariffs have meant to the company so far, and how he sees the market developing before the tariffs expire.

TBB: What was Stoughton’s chassis production before the competition from China, and what happened after CIMC entered the market?

Wahlin: We started in 1990, right around then. We were one of the largest chassis manufacturers at that time. Depending on the year, we were building about 10,000 to 15,000 chassis. CIMC came in and aggressively went after that market. They came in with products priced far below any of the other North American manufacturers. And in a few short years they basically choked out everybody else. There were a couple of small manufacturing operations only doing about 5% of the total chassis that were used in the U.S., and most of that was specialty. We got to the point where we were completely out of it.



Bob Wahlin

MANUFACTURING PROFILE | Stoughton

TBB: And where is Stoughton today?

Wahlin: Within two years, we were back up to rates that were exceeding 550 units a week. We built up our capacity with our Evansville (Wisconsin) location, our Stoughton location, as well as adding a plant in Waco, Texas, and a manufacturing partnership in Mississippi. So through those four chassis-building locations, we might produce as many 25,000 to 30,000 chassis a year.

TBB: What's your total investment in re-launching chassis production?

Wahlin: Some of our chassis investment overlaps with dry vans, refrigerated, and with grain. For the automation you see here, to be able to build chassis parts is justification for that investment, and includes support to those other product lines. It's been well over \$25 million when you add automation, the additional product lines, and the additional plants.

TBB: What have you done to alleviate customers' initial concerns about quality and delivery?

Wahlin: We don't think the U.S. manufacturers ever had a lower quality—so I don't think quality was ever really an issue. Everybody participating in that market makes a pretty good chassis. Now, we have offered the capability of a galvanized chassis. We feel that is a superior product with superior corrosion protection, superior life, and reduced operational costs. Because of some of those factors, we're offering a product at a level that no one else is able to offer. As for delivery times, CIMC could get it faster to market when the [domestic] industry didn't exist. But we've ramped up to levels that they were at, so we feel we can get to market just as fast or faster.

TBB: What about your discussions with customers early on about the price differences? What sorts of increases are customers looking at since the tariffs went into effect?

Wahlin: Pricing is hard to tell, because it depends on when you're collecting the price from CIMC. When they want to choke out the competition, they will drop their price to whatever it needs to be. But then they'll raise it back up once that competition is choked out. And yes, there was apprehension with some of our customers—and maybe not all of them are completely there yet. But there are several customers that are happy to see a U.S. manufacturing base able to provide chassis at a high level again; they're starting to understand the threat that China really represents. And this threat goes beyond just chassis manufacturing. We can't forget that CIE Manufacturing [the rebranded U.S. assembler of China-made chassis] is owned by CIMC which is owned by the Chinese government, which is focused on things far more than just profit on chassis. So it's part of a bigger plan. And with all the education that's going on about the threat we have globally from Chinese manufacturing and their dominance in certain areas for strategic reasons,



Stoughton Trailers CEO Bob Wahlin explains the chassis production line to committee members Rep. Darin LaHood (left) and its chairman, Rep. Mike Gallagher (center).

Photo: Kevin Jones | TBB

people are becoming more accepting—for national security reasons—that we need to be more self-sufficient, whether it's chassis, or medicine, or PPE.

TBB: The U.S. trailer industry has been ambivalent, at best, about tariffs on aluminum and steel. How do you reconcile the fact that what hurts an industry on one hand might help an industry on the other? Has Stoughton changed how it sources materials and components?

Wahlin: This isn't just a random company in China versus a family-owned business in the U.S. This is the Chinese government controlling and manipulating this for bigger reasons. We try to purchase everything we can that's available from U.S. sources. Not everything is available yet through U.S. sources; some of those are still developing, some have developed. We definitely support building U.S. industry. Internally, we have that discussion based on the long term, not the short term. We want to do what's right for our company, for our the team members—but also for the bigger picture. What's right for everybody in the United States on a purchasing strategy? We are much more longer-term focused. Not everybody is. Sometimes people chase the lowest costs today, but there are other consequences that come along with that.

TBB: What happens if and when the tariffs on chassis from China are removed?

Wahlin: We're taking that time to position ourselves so that through automation, whether it's metal processing, robotic welding, or anything else, we can be the most efficient chassis manufacturer. We believe we can achieve that. When we lower those hours enough, we will not be able to be beat on price.

TBB: What other messages do you want to convey during the discussion with the select committee members?

Wahlin: One of the more important things is making sure China can't bypass the tariffs through circumvention, subsidies in other countries, and transloading. It's important that we plug those holes.