



August 10, 2018

The Honorable Robert E. Lighthizer
United States Trade Representative
600 17th Street NW
Washington, D.C. 20508

Re: Docket Number USTR-2018-0026-0001

Dear Ambassador Lighthizer:

Please accept this letter and testimony on behalf of Wilderness Trail Bicycles (WTB). My name is Patrick Seidler, and I am the President of WTB. I wish to testify in front of the Section 301 Committee out of concern – for my employees, my business, and our entire industry – for the proposed 25% tariff on bicycles, parts, and accessories. The testimony I would provide to the Committee is as follows:

WTB was founded in 1982 in Marin County, California. WTB was one of a handful of companies from Marin that founded the mountain bike sport, which evolved into a global industry. Out of all the mountain bike pioneers from “the birthplace of the Mountain Bike,” WTB is the sole company left in Marin County. WTB designs, produces, markets and sells: Tires, Inner Tubes, Wheel Components (rims, spokes, hubs), and Grips.

WTB recognizes that some US industries and companies face serious threats from China’s practices as they relate to American intellectual property and technology, and appreciates the Administration’s efforts to protect US companies from unfair trade practices. However, bicycle components, including tires, inner tubes, and rims, are outside of the target and the legislation process of the USTR’s Section 301 Action against China.

1. The bicycle industry, tires, inner tubes, and rims in particular, is not “IP Intensive”

The bicycle industry, tires, inner tubes, and rims in particular, are not research-and-development intensive, have limited high-technology goods, and have limited violations of intellectual property rights or unfair technology transfers, none of which materially threaten United States firms operating in China. The bicycle industry does not suffer from the concerns addressed in the Section 301 Findings of the Investigation into China.

2. WTB has had positive and effective experiences in China with:

- a. Intellectual Property Management and Protection;
- b. Royalty Agreements;
 - (i) The licensing of intellectual property rights
- c. Registered Trademarks
 - (i) WTB has numerous trademarks registered with the Chinese Trademark Office, including the “Freedom” trademark for tires.
- d. Patent Applications



WTB's intellectual property experiences in China have been reasonable. WTB has repatriated significant funds to the USA under Royalty Agreements that must be registered with the Chinese authorities to allow remittance. WTB protects its registered Trademarks, and has cleared up the grey market for WTB products with procedures established by the Chinese government. WTB has received fair remuneration for our innovations and intellectual property, which has allowed us to grow the company and increase investment in American jobs.

3. Bicycles are not in the China 2025 Plan

The China 2025 Plan highlights 10 priority business sectors:

- a. New advanced information technology
- b. Automated machine tools & robotics
- c. Aerospace and aeronautical equipment
- d. Maritime equipment and high-tach shipping
- e. Modern rail transport equipment
- f. New-energy vehicles and equipment
- g. Power equipment
- h. Agricultural equipment
- i. New materials
- j. Biopharma and advanced medical products

Bicycles are not included in any of the 10 business sectors.

4. WTB does not believe the Chinese government provides price support for bicycle tires or tubes

WTB sources tires and inner tubes from:

- Taiwan
- China
- Vietnam

WTB has regular communications regarding pricing and specifications with tire producers from multiple countries. While not a consideration for Section 301 tariffs, WTB has first-hand knowledge that, other than labor rates or dated equipment, there is not a material price difference in tires produced in different countries. Specifically, the prices WTB has seen from Chinese tire and inner tube producers cannot be attributed to any state support.

5. WTB's tire business is extremely difficult and costly to move

- a. China is the sole source of WTB's high-end TCS tires. All tooling for WTB's high-end TCS tires is located at a Taiwanese-owned company: Innova Bengbu, in Bengbu, China.



- b. Virtually all bicycle tire and inner tube producers are located near natural rubber trees. There has not been any USA bicycle tire production for over 40 years. WTB has talked with some of the largest USA automobile tire manufacturers, for example Goodyear, and they have stated categorically they are not interested in USA bicycle tire production. Please note that Goodyear has recently re-entered the bicycle tire market and Goodyear, too, makes its bicycle tires in Asia.
- c. Tires are made with a rubber machine (rubber calendar) that can cost several million dollars. There is insufficient available capacity at bicycle tire factories outside of China to immediately relocate USA bicycle tire production. It takes several years to set up such tire capacity because of capital machinery requirements, most particularly the rubber calendars.
- d. Tires also require molds for each tread pattern and size, and are specific to a given manufacturer's presses which vulcanize ("cook") the tires. Consequently, significant investment to replace all of WTB's tire molds would be required if WTB is forced to relocate its bicycle tire production from China.
- e. 60% of USA bicycle inner tubes come from China; there simply is not enough capacity outside of China to move the quantity of inner tubes imported into the U.S. to a new location. It would be difficult, if not impossible to find replacement capacity.

6. The US bicycle industry generates considerable economic activity, jobs, and taxes:

- a. **\$88 Billion** is spent annually on bicycling (includes bikes, gear, accessories, trips).
- b. **\$12 Billion** in local, state, and federal tax revenues is generated by bicycling each year.
- c. More than **\$6 Billion** is spent in direct retail bicycle sales each year.
- d. **770,000 US jobs** are supported by bicycling.
- e. An estimated **79,945** people are **employed full-time** directly by US bicycle retailers.
- f. **104 Million** Americans rode a bike in 2014. 88% of those who rode a bike drove at least occasionally.

7. WTB will be grievously injured if tariffs are imposed on the bicycle industry, and on tires and tubes in particular.

Tariffs will dramatically increase costs to WTB, its distribution channels, and our consumers. This will result in possibly a permanent and certainly a significant decrease in WTB's Original Equipment ("OEM") China bicycle assembly business and USA aftermarket business in tires, inner tubes, and rims. Long term channels to USA customers would perhaps forever be taken by foreign companies, most particularly from Asia (other than China) and Europe if the 25% tariffs are imposed. Foreign brands would use the injury to WTB and other American companies sourcing bicycle tires or bicycle rims in China to take market share. The USTR's actions should not "pick the winners," particularly when "the winners" are foreign companies.



CONCLUSION

Neither the bicycle industry nor its products have any nexus with the USTR's March 22, 2018 "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." In fact, the USTR Section 301 Investigation Findings confirm that the bicycle industry is NOT an IP-intensive industry, nor is it a part of the China 2025 Plan, and accordingly does not merit Section 301 tariffs.

Since so much of WTB's the USA bicycle business is supplied by China, market disruption caused by immediate 25% tariffs would cause disproportionate economic harm to the United States' bicycle industry. WTB would be faced with increasing prices and becoming uncompetitive, or holding prices to compete with foreign suppliers, losing working capital, which would necessitate reduced investment in staff and innovation.

The bicycle industry makes substantial positive economic contributions to America's business fabric, as supported by the statistics cited in paragraph 6 above. American firms have made substantial investment in China because bicycle assembly and bicycle components manufacture does not materially exist in the United States. If the USA bicycle industry has to move *en-masse* and rapidly from China, the replacement manufacturing will not go to the United States but to other lower-labor countries. Again, there has been no USA production of bicycle tires and inner tubes for almost half a century. Even with 25% tariffs, bicycle tire and tube manufacturing will not return to the United States.

To include bicycles in the Section 301 tariffs despite the product category having no nexus with the Section 301 Investigation criteria would effectively be the same as China imposing retaliatory tariffs, for which the USTR filed a WTO trade dispute. On a procedural basis, bicycles, their parts and accessories, should be removed from the Section 301 tariffs.

I am here to appeal for the removal of all the relevant HTS codes that affect the bicycle industry and WTB. To the extent that such codes remain on the list, the applicable tariffs should be as minimal as possible, and a minimum of two years for bicycle assembly, and five years for tires and inner tubes should be provided for our industry to adapt if such a material market disruption is advanced.

Thank you for the efforts of the Section 301 Committee, for my opportunity to submit comments and testify, and for your consideration.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Patrick M. Seidler", written over a light blue horizontal line.

Patrick M. Seidler
President