

My name is Bernard Joseph Vaughan. I am the Chief Legal Officer and Executive Vice President of Law & Administration at Flexi-Van Leasing, Inc., headquartered in Kenilworth, New Jersey. In addition to my other functions, I have direct responsibility for all maintenance and repair functions and repair facilities, both at facilities owned by Flexi-Van and those operated by third party vendors.

Flexi-Van is the second largest chassis lessor in the United States. Together with TRAC Intermodal; DCLI, and TAL, we collectively own more than 90% of the intermodal marine chassis in the United States.

I appreciate the opportunity to present testimony before the Commission on behalf of my company, Flexi-Van, and our trade association, the Institute of International Container Lessors ("IICL"), located in Washington.

My statement will briefly cover the background of the marine intermodal chassis leasing industry and its use of the 10x20 Bias Tube Tires. We believe that this tire is unique to our industry, there is no domestic producer of this tire, and a large scale conversion of the intermodal chassis fleet to tubeless bias or radial tires would be enormously costly and disruptive to the free flow of intermodal containers. My colleague, Dan Jackson from TRAC Intermodal will discuss more technical aspects and industry-specific benefits of the use of these tires.

We are here today because in your preliminary determination, the Commission concluded that the 10x20 Bias Tube Tires that we use on marine intermodal chassis are interchangeable with other truck and bus tires. In my opinion, and in the opinion of our entire industry, this simply is not the case. We urge the Commission to reconsider its position for the final determination with respect to this specialized tire in a niche market.

Flexi-Van and other IICL members engage in the leasing of marine cargo containers and marine intermodal chassis to vessel operators, motor carriers, railroads and other beneficial cargo owners.

Merchandise is moved in standard 20, 40, and to a lesser extent 45 foot cargo containers, to and from factories and warehouses located throughout the world. The uniform design of these containers allows them to be efficiently transported on vessels, railcars, and marine intermodal chassis.

A marine intermodal chassis is a wheeled frame designed to move marine containers over land between ocean-going vessels, railroad terminals, warehouses and other delivery points. Many of these moves are very short in nature (“the last mile”), usually between a marine terminal and a rail facility.

Chassis are a relatively simple piece of equipment. They do not have their own motive power, but instead rely on the tractor-trailer to power their electrical and braking systems. They are relatively inexpensive – around \$11,000 each – and have a useful life of approximately 20 years. The life of the chassis can be extended through refurbishment or remanufacture. The standard chassis has two axels with eight wheels and tires. There are approximately 550,000 chassis in the United States marine intermodal fleet, which means there over 4.4 million tires in use at any one time. The vast majority of these tires are 10 X 20 Bias Tube type tires.

It is these very specialized tires which are the subject of my testimony.

To the best of my knowledge, we are the only industry currently using 10x20 Bias Tube Tires in the United States. There has not been any production of 10x20 Bias Tube Tires in the United States since the early 1990's. Significantly, 10x20 Bias Tube Tires require a two piece

rim assembly while tubeless bias and radial tires use a one piece rim. Bias and radials cannot be used on the same chassis at the same time as it would create an unsafe operating condition.

The chassis leasing business is an extremely rate-sensitive cyclical business that is impacted by any changes in the U.S. Export and Import markets.

Flexi-Van and the other leasing companies provide equipment to their customers through lease agreements and chassis pools where chassis are shared amongst many users. Chassis are vital to the nation's transportation system and benefit from years of infrastructure investment that will require the use of chassis in the transportation of freight for many years to come.

Beginning in the early 1990's, U.S. Manufacturers ceased production of 10x20 Bias Tube Tires. Since then, Flexi-Van and the other leasing companies have had to purchase 10x20 Bias Tube Tires sourced from foreign manufacturers, including from China and India. Today most bias tire production is in China.

It is common for tires to be changed on a chassis multiple times, not because they are worn out but rather because they have been subject to impact damage or abuse while in service. This can include, for example, terminal damage, run skid-flat, curb damage, or excessive wear due to under-inflation of the tire. Therefore, it is highly likely that a chassis will require numerous tire changes during its lease term and it is a rare occurrence for a chassis to be returned after a term lease with all eight original tires still intact on the chassis.

The level of tire replacement of course varies by chassis and the operating environment in which the chassis are subject to. In the chassis pool environment, the equipment owner ("IEP") such as Flexi-Van and not the user is responsible for chassis maintenance and repair including tire damage.

Maintenance and repair is by far the largest expense for an equipment pool and tire cost is by far the largest component of pool M&R expenditures. By way of example, chassis in the Los Angeles, Long Beach pool area have on average 5 tires replaced a year. In addition to the tire costs, tire work is often done at marine terminals with a labor rate of \$150 per hour.

The intermodal biased tube tire mounted on a two-piece rim remains the standard for the entire U.S. marine intermodal chassis fleet. It has been that way since the 1960s and it is our full expectation that the current 10x20 bias ply tire mounted on a two-piece rim will continue to be used for many years to come.

If circumstances force the chassis leasing industry to switch to tubeless bias or radial tires, this would have dire financial consequences for our industry and the shipping public:

- It would result in a material disruption to chassis availability and the efficient flow of container cargo in the United States. In order to switch over to tubeless bias or radial tires, all eight existing tires must be removed from the chassis.
- In addition, all two-piece rims would have to be replaced with single piece rims since tubeless bias or radial tires cannot be used on two-piece rims. Based on the existing chassis fleet equipped with bias tube tires This unnecessary change out using marine terminal union labor would cost the industry almost \$1 billion.
- This would not only be a huge financial expenditure but would force the industry to discard valuable, functioning assets. Such a wholesale change out would require many thousands of chassis to be taken out of service.
- This would cause an operational nightmare for repair vendors and marine and rail terminals as well as for the terminal operators themselves, where most chassis now reside while they are not in active service.

The bias tube intermodal tire has demonstrated its efficacy for more than five decades in the U.S. intermodal marine chassis industry. This tire is a very specialized segment of the Chinese tire manufacturing industry. It is a separate like product.

For the above reasons, we request that intermodal bias tube tire of the 10 x 20 size, mounted on a two-piece rim, be designated a separate like product distinct from the current scope of this case and found not to be injuring the domestic industry.

Thank you again for the opportunity to present these comments. I am happy to answer any questions that the Commissioners or staff may have. Thank you.