



Submitted via www.regulations.gov
Docket No. DOC-2018-0002

June 29, 2018

The Honorable Wilbur L. Ross, Jr.
Secretary
U.S. Department of Commerce
1401 Constitution Avenue, N.W.
Washington, DC 20230

Re: Auto Care Association, Automotive Aftermarket Suppliers Association (AASA), and Automotive Industries Association (AIA) of Canada – Joint Comments Concerning Section 232 National Security Investigation of Imports of Automobiles, Including Cars, SUVs, Vans and Light Trucks, and Automotive Parts

Dear Mr. Secretary,

The Auto Care Association, Automotive Aftermarket Suppliers Association (AASA), and Automotive Industries Association (AIA) of Canada appreciate the opportunity to provide comments to the Department of Commerce (Commerce) concerning the Section 232 National Security Investigation of Imports of Automobiles, Including Cars, SUVs, Vans and Light Trucks, and Automotive Parts. This submission is timely filed in accordance with Commerce's notice of request for public comments and extension of public comment period published in the *Federal Register* on May 30, 2018 and June 21, 2018, respectively.¹

The Auto Care Association

The Auto Care Association, a Bethesda, Md.-based trade association, has nearly 3,000 member companies and affiliates that manufacture, distribute and sell motor vehicle parts,

¹ *Notice of Request for Public Comments and Public Hearing on Section 232 National Security Investigation of Imports of Automobiles, Including Cars, SUVs, Vans and Light Trucks, and Automotive Parts*, 83 Fed. Reg. 24735 (May 30, 2018); *Public Comments and Public Hearing on Section 232 National Security Investigation of Imports of Automobiles, Including Cars, SUVs, Vans and Light Trucks, and Automotive Parts; Extension of Comment Period*, 83 Fed. Reg. 28801 (June 21, 2018).

accessories, tools, equipment, materials, supplies and services. Auto Care Association member companies operate or otherwise represent more than 150,000 manufacturing facilities, repair shops, parts stores and distribution outlets that provide parts and services designed to keep vehicles on the road longer, perform better and drive safer.

Our members include businesses with global operations that depend on well-established, integrated supply chains to maintain their competitiveness and ensure that their product offerings meet the needs of their demanding customers.

Automotive Aftermarket Suppliers Association (AASA)

AASA exclusively serves manufacturers of aftermarket components, tools and equipment, and related products, an important part of the automotive parts manufacturing industry which supports 871,000 American jobs. AASA is a recognized industry change agent – promoting a collaborative industry environment, providing a forum to address issues and serving as a valued resource for members. AASA is the light vehicle aftermarket division of the Motor & Equipment Manufacturers Association (MEMA). “AASA, The Voice for the Automotive Aftermarket Supplier Industry”

The Automotive Industries Association (AIA) of Canada

AIA is a national association that represents Canada’s aftermarket industry – an industry that contributes \$21 billion a year to the national economy, employs almost 400,000 Canadians and plays a critical role in keeping the 26.5 million cars on Canada’s roads in safe condition. AIA’s nearly 1,650 members include major retailers, wholesalers, manufacturers and warehouse distributors

Trade ties between Canada and the U.S. are vital to the economic well-being of each country, and importantly, to the livelihoods of many people. Each day, \$2.4 billion worth of goods and services cross the Canada – U.S. border. Almost 9 million jobs in the U.S. depend on trade and investment with Canada and the jobs of nearly 1.9 million Canadians are tied to exports to the U.S.

The Auto Care Industry

The auto care industry, also commonly referred to as the automotive aftermarket, is the segment of the automotive industry comprised of manufacturers, remanufacturers, distributors, wholesalers and retailers of all vehicle replacement parts, accessories, tools, equipment, chemicals and services. The industry includes parts, accessories and services for light vehicles and medium and heavy-duty trucks. Any product or service that a vehicle may need after it is assembled by the original equipment (OE) manufacturer is an auto care industry product or service.

Imports in the Auto Care Industry and Effects on National Security

The auto industry has an international footprint and comprises of integrated supply chains that are long and global. Our industry relies on and benefits greatly from imports, including raw materials and intermediate goods, to remain competitive while supporting a broad range of U.S. jobs throughout the supply chain in both the U.S. and Canada. Through comparative advantage, countries have become more efficient and productive when specializing in certain tasks, resulting in parts and components to cross borders multiple times before final assembly.

In fact, Canada is the third largest exporter of auto parts into the U.S., accounting for \$9,761,823,647 in total exports into the United States.² However, Canada also is a major customer of U.S. made auto parts, importing \$31,271,168,369 worth of auto parts from the United States, accounting for 36.5% of total exports from the U.S. into Canada.³

Clearly, auto parts trade benefits the economy of the U.S. and Canada, creating jobs on both sides of the border not only for manufacturers, but the wholesalers, retailers, and repair shops that are downstream in the supply chain. Ultimately, consumers in North America benefit through the availability of affordable repairs for their vehicle, much of it due to free trade between our countries.

Impact of Tariffs or Quotas on the U.S. and Canada Auto Care Industry

The tariffs contemplated by this investigation will have a severe negative impact on the auto care industry in North America. Sourcing determinations are made by our manufacturing members months and years in advance. Even minimal adjustments to tariffs would require a significant investment and force our members in the U.S. and in Canada to modify their supply chains, find new sources for parts, face new capacity or quality issues and likely pass the increased costs downstream to the consumer. All of these factors and disruptions could cause companies to be less competitive in North America and in global markets, or even force them to cease operations.

Further, imposing additional tariffs on auto parts and components would increase their price substantially, making it more difficult for working Americans and Canadians to afford a new car or the cost of repairing the vehicle they currently own. Due to increased repair costs, U.S. and Canadian consumers may be forced to forgo necessary repairs and maintenance which undermines the operating safety and efficiency of consumers' vehicles.

² *U.S. Exports of Automotive Parts*, United States Department of Commerce, Bureau of the Census, Foreign Trade Division, https://www.trade.gov/td/otm/assets/auto/AP_Trade.pdf

³ Id.

The Honorable Wilbur L. Ross, Jr.
June 29, 2018
Page 4

Another serious concern is the additive nature of potential tariffs on automobiles and automotive parts, which could be on top of existing tariff or duties, including the Section 232 tariffs on steel and aluminum or the Section 301 tariffs on imports from China.

In fact, when taking into account the cost of the tariff likely being passed on to consumers, the rising prices and decreased demand will ultimately hurt U.S. and Canadian jobs, small family-owned businesses that comprise our industry, as well as the car owner, our ultimate customer.

Policy Recommendations

Considering the joint benefits from auto parts trade between our countries, we urge the Trump administration to consider the need and severity of imposing tariffs on imported autos and auto parts, as well as the unintended negative consequences of such action. Instead, we respectfully recommend the Trump administration instead seek solutions that facilitate trade and create competitive value chains that benefit the global growth of our industry.

We appreciate the opportunity to provide comments in this investigation. We look forward to continuing this dialogue and welcome the administration to contact us if there are any additional questions.

Respectfully submitted,

Bill Hanvey
President and CEO
Auto Care Association

Bill Long
President
Automotive Aftermarket Suppliers Association (AASA)

JF Champagne
President
Automotive Industries Association (AIA) of Canada