

June 5, 2020

Ambassador Robert E. Lighthizer  
United States Trade Representative  
Office of the United States Trade Representative  
600 17<sup>th</sup> Street NW  
Washington, DC 20508

**Re: Section 301 – China Trade Action Comments Concerning the Extension of Particular Exclusions**

Dear Ambassador Lighthizer,

The Auto Care Association appreciates the Office of the U.S. Trade Representative's ongoing efforts to address unfair trade policies and practices that jeopardize United States competitiveness and innovation. As you evaluate requests to grant extensions on specific Section 301 product exclusions, we are writing to provide additional information about our industry and challenges our members are facing during the COVID-19 pandemic.

The Auto Care Association is a trade association with 3,000 member companies representing the entire automotive aftermarket supply chain, including manufacturers, distributors, retail stores and independent automotive repair shops. Our industry is a significant sector of the U.S. economy. We represent 538,000 businesses that employ 4.7 million people and generated revenue of more than \$405 billion in 2019 (2% of the nominal GDP).<sup>1</sup>

As explained in our 301 investigation comments and hearing testimonies,<sup>2</sup> our industry services and provides unique parts covering every year, make and model vehicle on the road today. Our members have built supply chains over the past two decades to develop products that meet a high standard of safety and quality while supporting the demand of the U.S. aftermarket.

The variable production line of broad parts in low volumes needed by our industry to support vehicle maintenance and repair requires a tremendously complex network of smaller sub-suppliers that does not exist in the U.S. and would be both time- and cost-prohibitive to replicate.

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<sup>1</sup> "2019 Digital Auto Care Factbook: 28<sup>th</sup> Edition," <https://www.autocare.org/factbook19> at 4, 12.

<sup>2</sup> Auto Care Association Comments Concerning Proposed Modification of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation, Submitted in Docket No. USTR-2018-0026 (Sept. 6, 2018).

Since the imposition of Section 301 tariffs, many members have explored sourcing options outside of China, and some have been successful (at an overall higher cost). However, in many cases, attempting to move manufacturing out of China would require several years to qualify a new supplier, redevelop and retool individual parts, and undergo a validation and approval process, in addition to the tremendous monetary startup investment required.

In some cases, companies have no choice but to continue manufacturing in China due to manufacturing challenges in other countries, such as capacity issues, quality control, absence of material supply, infrastructure and logistics to easily produce and move product.

Absent the tariff exclusion on these products, prices would increase substantially, delaying safety-critical repairs and making it difficult for U.S. consumers to afford cost-effective options when repairing their vehicles.

Additionally, COVID-19 is causing unprecedented challenges for many industries in the U.S. as most Americans have been under shelter-in-place orders. Over the past two months, the Auto Care Association has been conducting monthly surveys to assess the impact the pandemic is having on our industry.

“Overall, COVID-19 is having a substantial impact on the business performance, investments, staffing and demand for products and services for companies across the aftermarket, regardless of size or business type.”<sup>3</sup> In the latest report, we continue to find members’ overall outlook for the next 12 months to skew negative.<sup>4</sup>

- Two-thirds of aftermarket companies are seeing demand reductions in excess of 10%.
- One-third of companies are highly concerned about their cash position, particularly service and repair shops.
- 40% of companies have had to lay off staff or furlough workers.
- Nearly half of the industry is experiencing disruptions in their supply chains.
- Nearly two-thirds of companies are experiencing a high level of impact on their business performance and investments.

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<sup>3</sup> Market Insights with Mike: Pandemic Impact and Outlook on the Auto Care Industry, Apr. 23, 2020. <https://www.autocare.org/what-we-do/market-intelligence/market-insights-with-mike--pandemic-impact-and-outlook-on-the-auto-care-industry/>

<sup>4</sup> Market Insights with Mike: COVID-19 Disrupting Supply Chains for Half of Auto Care Industry; Legal Considerations for Operations, May 29, 2020. <https://www.autocare.org/what-we-do/market-intelligence/market-insights-with-mike--covid-19-disrupting-supply-chains-for-half-of-auto-care-industry:-legal-considerations-for-operations/>

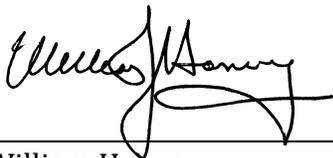
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Our industry has a global footprint and any changes to the supply chain can cause a ripple effect. Re-sourcing and developing a reliable supply chain require several years to complete with efforts currently strained by the COVID-19 pandemic. Travel restrictions and shutdowns in countries around the world have also delayed re-sourcing plans.

Extending Section 301 tariff exclusions is an effective way to provide immediate relief to businesses already struggling to stay afloat as a result of the current pandemic. It will allow companies access to capital to pay employees and suppliers, improve cash flow and reserves, and continue efforts to fully develop alternate sources. Most importantly, it will ensure the U.S. automotive aftermarket is prepared to support the U.S. economy as it reopens.

We appreciate the opportunity to share insight on behalf of our members and we urge you to consider these challenges when evaluating tariff exclusion extension requests of vehicle parts. We welcome the administration to contact us if there are any additional questions.

Respectfully submitted,



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William Hanvey  
President and CEO  
**Auto Care Association**

CC: Philip Butler  
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