

## **Hearing Testimony**

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Auto Care Association**

**U.S. International Trade Commission, Investigation No. 332-591  
*Economic Impact of Section 232 and 301 Tariffs on U.S. Industries***

**Day 2 Public Hearing – July 21, 2022**

Every day, 228 million Americans spend over an hour and a half in their cars. We spend an average of 28 minutes driving to work every morning; we take our children to and from school or soccer practice; we go see family and friends, and we rely on the independent automotive industry to keep our vehicles able to do exactly those things.

Good morning. My name is Bill Hanvey and I am the President and CEO of the Auto Care Association. Thank you for the opportunity to testify. We are a trade association with over 7,000 member companies and represent an industry of over 500,000 businesses.

I am just one of the voices of the \$435 billion auto care industry, also known as the automotive aftermarket. Together, we employ over 4.5 million hardworking Americans and represent a significant sector of the nation's economy. We are the industry that keeps America moving forward.

That's why it is so important to me that I show you the devastating economic impact that the Section 301 tariffs have had on our industry.

For those unfamiliar with the auto care industry, please allow me to share some background information. Our members manufacture, distribute, sell parts and perform vehicle repairs to ensure the safety of the driver and their passengers, the pedestrians, and other drivers on the road.

In the auto sector, once a vehicle leaves the dealer's lot, it enters the aftermarket. Our thousands upon thousands of parts are used to service the 292 million vehicles on U.S. roads today. In some cases, such as older cars, aftermarket parts may be the only choice available.

Aftermarket parts production is broad-range, low-volume, and offers limited runs. Our industry relies on imported parts through a complex global network of suppliers and even smaller sub-suppliers.

China is a critical trading partner and manufacturing hub for the aftermarket industry. Our members have worked with suppliers in China for many years to develop products that meet a high standard of safety and quality. Drivers often choose an aftermarket part because they are as good or better than OEM parts and are far more affordable.

The tariffs being imposed on parts imported from China pose special challenges to our industry as we attempt to source components and parts at a fair price for Americans who need to repair their vehicles.

Section 301 tariffs were first imposed in 2018 – and the economic impact on aftermarket business operations has been devastating. The cash flow impact of financing the tariff is causing severe financial stress.

Our members are suffering: many report a price increase of more than 25% and reduced profitability, as they are unable to pass on all tariff-related costs to maintain the same profit margins.

Absorbing these costs places a significant strain on a business's bottom line, which makes it impossible to expand employment, reinvest in the company, grow or flourish. These costs prevent us from helping Americans from moving forward and the US economy booming.

Cost increases that are passed through the supply chain ultimately raise prices for U.S. consumers who experience higher repair costs, likely leading to the delay of critical vehicle maintenance procedures.

Next, I want to shift the focus because it's important to remember that it's not just the importers who are impacted by the Section 301 tariffs; it's the U.S. exporters, as well. Our U.S. exporter members rely on imported auto components for final assembly in the U.S. before exporting to other global markets. But, because U.S. importers are subject to the China tariffs, U.S. companies can't compete with local importers, who aren't subject to China tariffs, making them less competitive in the global market.

The tariffs take a toll on our members and their employees alike. Our members are struggling to keep their businesses above water due unprecedented challenges companies have had to face during the COVID-19 pandemic, exorbitant freight rates and the damage tariffs have had on cash flow.

With varying levels of inventory costs, members also struggle to accurately track and price inventory. The burdens of the tariffs leave our members having to monitor and track tariff-related issues, from rates and effective dates to exclusions coming and going.

Every department is forced to spend its time trying to monitor these tariff-related issues when they should be able to devote time to growing their business.

Many of our members have explored shifting their production or sourcing outside of China, but it's simply not feasible. The startup investment associated with facilities, quality control, and compliance would be time and cost-prohibitive.

I hope my testimony provides meaningful insight into the impact the Section 301 tariffs have had on our industry and members' businesses.

We want and need stability, certainty, and predictability to effectively make strategic decisions. We appreciate the opportunity to testify, and I am available to answer any questions.

Thank you.