March 12, 2018

President Donald Trump
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Re: **Section 232 National Security Investigation of Imports of Steel and Aluminum Tariffs**

Dear Mr. President,

Last week, you issued a presidential proclamation to impose a 25 percent tariff on steel imports and a 10 percent tariff on aluminum imports following findings in the Department of Commerce’s Section 232 National Security Investigation of Imports of Steel and Aluminum.

While the Auto Care Association supports the administration’s efforts to rebalance trade and protect the national security of the United States, we believe imposing global tariffs on steel and aluminum imports could have unintended negative consequences on the U.S. economy and automotive industry.

**The Auto Care Association and the Auto Care Industry**

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, 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.

The auto care industry, also commonly referred to as the automotive aftermarket, is the part of the automotive industry that deals with the manufacture, remanufacture, distribution, wholesaling and retailing 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 the original equipment (OE) manufacturer assembles it is an auto care industry product or service.

The motor vehicle aftermarket is a significant sector of the U.S. economy:

- We employ 4.6 million people (3.2 percent of the workforce) and reported sales of more than $368 billion (2 percent of the nominal GDP) in 2016.¹

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- The U.S. auto care industry includes 533,000 businesses that form a coast-to-coast network of independent manufacturers, distributors, retailers and repair shops.
- Our industry’s integrated grid of companies and organizations provides parts, products and vehicle service and repair for 272 million cars and trucks on U.S. roads today.

**Impact of Steel and Aluminum Tariffs on the U.S. Automotive Industry**

According to the Department of Commerce’s Bureau of Economic analysis, the value added by “primary metal manufacturing” totaled $53.6 billion in 2016. The value added by manufacturers downstream that require steel as an input totaled $930 billion in 2016, more than 17 times more than the primary metal industry. Additionally, primary metal manufacturing employed 375,000 people in 2016 while steel-consuming manufacturers downstream employed 5.5 million people in 2016.

Although we support the administration’s goals to protect the U.S. steel industry and steel mill workers, the disparity in numbers demonstrates that the U.S. steel-consuming industries contribute a more significant percentage of U.S. GDP and have more at stake with the imposition of these tariffs than the U.S. steel-producing industry. Steel imports are currently protected by a number of anti-dumping and countervailing duty orders and the imposition of further import restrictions that artificially raise steel prices would do additional harm to U.S. steel-consuming manufactures in the global marketplace.

Our members report that imports are necessary because domestic producers cannot, and do not, produce certain types of steel needed for certain auto parts they manufacture. These types of steel are either not available in the United States or there is insufficient domestic production capacity and therefore must be imported. The auto care industry operates on tightly integrated global supply chains. Even minimal adjustments to tariffs would force our members to modify their supply chains, find new sources for steel and likely pass the increased costs downstream to the consumer, causing these companies to be less competitive in the U.S. and in global markets.

Additionally, although Canada and Mexico are currently exempt from the tariff order, we are concerned that other trading partners will retaliate by imposing tariffs on U.S. exports and/or U.S. companies would experience limited access to other exports markets.

We urge the administration to reconsider this action and continue investigating the impact of steel and aluminum tariffs on the U.S. economy. Specifically, we urge the Department of Commerce to send questionnaires to affected stakeholders in order to better understand steel-consuming sectors, steel shortages and availability for specific products or quality specifications, and lead and delivery times of domestic producers.

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2 U.S. Bureau of Economic Analysis, "Value Added by Industry," [https://www.bea.gov/itableitable.cfm?ReqID=51&step=1#reqid=51&step=2&isuri=1](https://www.bea.gov/itableitable.cfm?ReqID=51&step=1#reqid=51&step=2&isuri=1) (accessed March 11, 2018). Downstream steel consuming manufacturers are: fabricated metal products; machinery; computer and electronic products; electrical equipment, appliances and components; motor vehicles, bodies and trailers, and parts; and other transportation equipment.

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Lastly, we request that the administration develop an efficient process for U.S. companies to file exceptions for product exclusions. Many of our members are small or medium size companies who may not have the resources to submit an extensive exclusion request.

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We support the administration’s efforts to improve U.S. competitiveness in the global marketplace, but urge the administration to consider the severity of imposing tariffs on steel and aluminum and the unintended negative consequences not only on the U.S. automotive industry but also other steel-consuming industries and the overall U.S. economy. We look forward to continuing this dialogue and welcome the administration to contact us if there are any additional questions.

Sincerely,

[Signature]

William Harvey
President and CEO
Auto Care Association

CC:

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