

**Prepared Remarks of  
NADA 2019 Chairman Charlie Gilchrist  
Automotive Press Association/NADA Luncheon  
Detroit Athletic Club  
Detroit, Mich.  
Tuesday, October 8, 2019**

Good afternoon. Thank you to the members of the Automotive Press Association for being here today.

When I was elected NADA vice chairman two years ago, I knew that franchised dealers would be dealing with a number of serious issues.

Fuel economy rules would need to be finalized for the model years after 2021. The recall crisis, sparked by Takata, was easing. But as long as automakers continued to issue recalls before manufacturing enough replacement parts, parts shortages would remain a problem for dealers.

Unfair stair-step incentive programs were still tools used by some OEMs. And while NADA made a very compelling case against their use, there was no guarantee dealerships would be purged of these harmful programs.

Our dealership workforce, especially in service departments, was aging. And the pipeline for new technicians wasn't nearly full.

And, of course, the sales plateau we're now in would only increase the pressure we were already feeling in our new-car departments.

But trade agreements or auto tariffs were nowhere on my list.

As you know, tariffs and trade have been front and center for the auto industry since about Day One of the Trump administration.

When it comes to tariffs, the auto industry has been clear from the beginning: Broad-based auto tariffs, like the ones that are being threatened on a "national security" basis, would wreak havoc on our industry.

A 25-percent tariff on autos and auto parts would lead to increased prices for consumers, which would lead to fewer sales, which would lead to job losses.

According to the Center for Automotive Research, an across-the-board 25-percent tariff on all imported cars, trucks and parts would lead to the loss of 117,000 of the 1.1 million jobs at franchised dealerships. That's an average of 7 jobs per dealership.

That's untenable and unacceptable. And I don't think for a second that President Trump wants that.

So, what's going on here?

I believe, at the heart of this, there is a genuine desire on the part of the President to address three main issues.

One, the loss of manufacturing jobs in the U.S. over the past 30 years. Two, the ballooning U.S. trade deficit. And three, an unlevel international trade playing field that puts the U.S. at a significant disadvantage in many areas, even with our strongest trading partners.

It's this last part that I want to explore a bit further.

As we know, the auto industry is built on an integrated global supply chain, with all manufacturers sourcing parts from a vast network of suppliers around the world.

These tariff-free exchanges, created through trade deals like NAFTA, allow OEMs to ship parts and products across multiple borders without tariffs before final assembly and retail sale.

NAFTA has greatly enhanced the global competitiveness of the U.S. auto industry – and when I say “U.S. auto industry,” I'm obviously talking about both U.S. brands, and international brands that have built manufacturing and assembly facilities here in America.

This edge in competitiveness has allowed dealers to offer our customers more choices at better prices.

What else has NAFTA allowed?

Well, because of NAFTA, the U.S. has become an exporter.

First, the United States sends more than 71 percent of our vehicle exports to either Canada or Mexico. And taken together, the NAFTA region is the third largest producer of light- and medium-duty vehicles and second largest producer of automotive parts in the world. In fact, it represents roughly 28 percent of the global market for new vehicles.

NAFTA also greatly benefits U.S. consumers by serving the U.S. market.

Canada and Mexico supply U.S. auto manufacturing plants with more than \$58 billion in motor vehicle parts. 48 percent of auto parts sold in the U.S. are imported from Mexico and Canada.

And 25 percent of all new vehicles sold in the U.S. are imported from Mexico and Canada.

North America is by far the largest source of vehicles sold by U.S. dealers. FCA, Ford, and GM alone were responsible for more than 35 percent of the 8.7 million imported units that were sold in the U.S. in 2017.

And NAFTA has created jobs – here in the U.S.

There is more U.S. content in the average Canadian- or Mexican-built vehicle than there is in a vehicle assembled in any other country. According to Center for Automotive Research estimates of NAFTA content, the typical Mexican-assembled vehicle includes between 20-30 percent U.S. and Canadian content. In contrast, the average vehicle imported from outside the region has North American content of just 3.5 percent.

Trade is an essential element of a healthy and competitive U.S. automotive and parts industry. Trade allows U.S. industries to remain cost competitive with production in other global regions and support U.S. exports, specialize in the areas of motor vehicle and parts industries where the U.S. has a comparative advantage, and achieve economies of scale for production of vehicles that do not sell as well in the U.S. market as they do in other global regions.

We cannot escape, nor should we try to undo, the reality that the U.S. auto industry is built on a favorable trading relationship with our two biggest trading partners – Canada and Mexico.

This is why I think President Trump is unfairly accused of not understanding the U.S. auto industry. I think the President understands the U.S. auto industry perfectly.

Because what is one of his highest trade priorities? Renegotiating and strengthening NAFTA for the 21<sup>st</sup> century.

The U.S.-Mexico-Canada Agreement – better known as USMCA – that the President has negotiated will maintain auto production and distribution in North America. It will preserve the global competitiveness of the U.S. automotive industry. And it will enable dealers to continue providing affordable vehicle options for American consumers.

But it will do more than that. Approval of USMCA will reduce the threat of tariffs on vehicles and parts by exempting those produced in North America. That is a big deal.

And beyond that, modernizing NAFTA just makes sense for our industry, our economy, and U.S. workers.

This is what the framework proposed by the Trump administration accomplishes. And that is why today, I'm proud to announce that NADA strongly supports the passage of USMCA.

Congress will soon get what's called implementing legislation for USMCA. And Congress should pass USMCA to preserve competition in the auto industry, and to enable dealers to continue providing affordable vehicles to millions of Americans without interruption – and they should do so expeditiously.

The auto industry has a lot to contend with today. And I'm talking about on the business side, on the regulatory side, and yes on the political side as well.

With all that's going on, we need to take advantage of the USMCA agreement. The USMCA is win for us. Let's make it happen.

Thank you, and I'll be happy to take some of your questions.

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