



June 29, 2018

Via regulations.gov

Honorable Wilbur L. Ross, Jr.
Secretary
U.S. Department of Commerce
Herbert Clark Hoover Building
1401 Constitution Avenue, NW
Washington, D.C. 20230

Re: Section 232 National Security Investigation of Imports of Automobiles, Including Cars, SUVs, Vans, and Light Trucks, and Automotive Parts; 15 CFR Part 705; Docket No. DOC-2018-0002.

Dear Mr. Secretary:

The National Automobile Dealers Association (NADA) represents over 16,800 franchised automobile dealers, all of which are physically located in the United States, and which sell new and used motor vehicles and engage in service, repair, and parts sales. As a general matter, franchised automobile and truck dealerships neither import nor export light-duty automobiles or automobile parts. Together they employ more than 1,200,000 people nationwide, yet a significant percentage are small businesses as defined by the Small Business Administration.

On May 23, 2018, the Department of Commerce (DOC) self-initiated an investigation to determine the effects on the national security of imported automobiles, including cars, SUVs, vans and light trucks, and of imported automotive parts. Soon after, a notice of the investigation was published requesting public comment and setting a public hearing for July 19 and 20, 2018.¹ The notice provided interested parties with a 23-day period in which to file initial written comments, data, analyses, and other information pertinent to the investigation. Since this likely will be the most complex Section 232 investigation ever conducted given the vast and varied nature of the potential “articles” involved, NADA requested an extension of the comment period which was granted last week.²

In addition to these comments, NADA has filed a separate request to testify at the July 19, 2018 public hearing and intends to file rebuttal comments by the July 13, 2018 deadline.

¹ [83 Fed. Reg. 24735-7 \(May 30, 2018\)](#).

² [83 Fed. Reg. 28801 \(June 21, 2018\)](#).

It has been reported that there is at least some desire to conclude this Section 232 investigation well before the 270-day “deadline”.³ Of course, given the massive potential impacts of this investigation, adequate time should be afforded for the investigation to be conducted thoroughly and with care and transparency. In addition, the Secretary should not hesitate to consider the option of terminating this Section 232 investigation if, after a complete review of the public comments and testimony and of input provided by the Department of Defense (DOD) and other federal agencies, it appears that the Administration’s trade goals may be better served through the use of alternative processes and tools.

I. BACKGROUND ISSUES FOR THIS SECTION 232 PROCEEDING

A. Introduction

This investigation was initiated under Section 232 of the Trade Expansion Act of 1962, as amended,⁴ and is governed by the DOC’s procedural regulations.⁵ When this investigation is concluded, the DOC is expected to issue a report to the President discussing how the importation of automobiles and automobile parts impacts the national security of the U.S. Based on such findings, that report may include recommendations for action or inaction. Specifically, if the Secretary finds that automobiles and automobile parts are being imported into the U.S. in such quantities or under such circumstances as to threaten to impair the national security, he shall so advise the President in a report along with any recommendations. The President will then make decisions as to whether any actions, including any tariffs or quotas, are warranted, and shall make a report to Congress.

The statute, the DOC’s regulations, and the May 30, 2018 notice outline the issues that must be considered during this Section 232 proceeding. A primary focus will be on the nature and scope of the imported and domestic automobile and automobile parts industries in question, and how domestic and imported automobile and automobile parts production relate to national defense requirements. The investigation will also consider a variety of broader potential economic issues and impacts for the U.S., including those involving American automobile and automobile parts customers and American dealership employment.

B. Definition of Automobiles and Automotive Parts

Before undertaking the required statutory and regulatory analysis, the DOC should carefully consider and fully define this investigation’s scope. Historically, when a Section 232 proceeding is initiated and an opportunity for public comment and testimony is provided for, interested parties have the advantage of reviewing a detailed request or application laying out the nature and scope of the “articles” involved.⁶ In this instance, there is no such document (or at least

³Politico, *Commerce plans to wrap up auto import probe by August*. June 22, 2018.

⁴ [19 USC 1862](#).

⁵ [Part 705 of the National Security Industrial Base Regulations \(NSIBR\); 15 CFR Part 705](#).

⁶ [15 CFR 705.5](#).

none has yet to find its way into docket). Moreover, the Secretary of Defense often files a document addressing potential national defense requirement issues. To date, no such filing has been made. Thus, except as found in the title to this investigation, there is no full description of the nature and scope of the universe of articles involved.

Regarding “automobiles,” NADA urges the DOC to define them to include only *on-road, light-duty imported motor vehicles, including cars, SUVs, vans, and light trucks*. Medium and heavy-duty trucks, tractors, and trailers should explicitly be excluded. One option for doing so would be for the DOC to reference the definitions used by the U.S. Census Bureau in its Vehicle Inventory and Use Survey (VIUS).⁷ In other words, the DOC should clarify that this investigation only extends to automobiles with a gross vehicle weight rating (GVWR) of less than 10,000 pounds. With respect to the “automotive parts” covered by this investigation, NADA urges the DOC to define them to include *only those parts imported exclusively for use in the manufacture of, or as replacement parts for, automobiles with a GVWR of less than 10,000 lbs.*

C. Prior Section 232 Investigations

The DOC’s history of engaging in Section 232 proceedings is instructive and provides guidance for this investigation.⁸ To date, the DOC appears to have engaged in 28 investigations since 1962. Two of those, involving steel and aluminum imports, were conducted by this Administration.⁹ Most the investigations involved one specific imported article or a much smaller group of articles than are involved in this proceeding. Of the 26 investigations conducted by prior administrations, 14 were initiated in response to applications filed by non-governmental interested parties, and 12 were initiated in response to the request of one or more federal government entities.

1. Where Findings Were Made That Importation of The Articles in Question, In Such Quantities and/or Under Such Circumstances, Had A Negative Impact Upon the National Security

Historically, where Section 232 investigations resulted in national security impact findings and where the DOC made recommendations for import adjustments, hostile or unreliable exporters were involved, and the adjustments made were directed at specific countries. Of the 26 investigations conducted by prior administrations, only eight resulted in findings by the Secretary of Commerce that importation of the articles in question, in such quantities and/or under such circumstances, had a negative impact upon the national security.

Of those eight, the President acted in only five instances to limit imports, each involving oil imports.¹⁰ Two of those instances, actions were taken against two clearly hostile enemies of the U.S.: an oil embargo involving Iran and an oil ban involving Libya. Strong Section 232 actions are

⁷ [VIUS Definitions](#).

⁸ See Appendix A for a summary chart of Section 232 investigations preceding the present Administration.

⁹ See Appendix B for a summary chart of the recently-concluded steel and aluminum investigations.

¹⁰ See Appendix A.

clearly justified when the exporting nations involved cannot be trusted as reliable sources of “articles” considered critical to national security. Regarding automobiles and automotive parts, a national security interest finding will be very difficult given that the imported “articles” are from reliable sources and the source countries are military allies (e.g., Canada, Mexico, South Korea, Japan, and the European Union).

The other three instances involving national security interest findings and oil exports arose during the 1970’s in relation to an OPEC embargo. In those cases, the President imposed temporary fees on oil imports (Carter 1979 and Ford 1975) and an adjustable licensing fee (Nixon 1973). Specifically, the Carter investigation arose immediately after the OPEC embargo and involved the imposition of non-Section 302 import fees. The Nixon and Ford cases also involved the imposition of non-Section 302 fees that were temporary in nature.

In 1989, it was determined that certain imports of crude oil and refined petroleum products threatened to impair the U.S. national security. This determination was primarily based on peacetime supply disruption risks and on potential damage to the economy from resulting price spikes. Even after finding that oil imports threatened national security, no adjustments to imports were imposed pursuant to Section 232. Instead, the administration recommended several cost-effective reforms, including the permitting of oil exploration in Alaska, licensing reforms for nuclear power, the removal of tax disincentives for domestic oil exploration, and increases to the emergency oil reserve inventory.

Another example of reforms taken outside of adjusting imports pursuant to Section 232 occurred with the 1981 investigation of ferroalloys, where two of the fourteen imported ferroalloys (high carbon ferrochromium and high carbon ferromanganese) were found to threaten national security. Rather than imposing tariffs on these metals, President Reagan initiated a stockpile upgrade program to ensure greater domestic availability of those products of concern. A third example involved the 1994 Section 232 investigation of imported crude oil and refined petrol products, again finding that they threatened national security. President Clinton decided against adjusting imports under Section 232, based on evidence that they would have an inflationary effect, would result in significant non-petroleum sector job losses, would diminish the competitiveness of energy-intensive export companies, and would strain relations with trading partners. Each of these concerns is relevant to the automobile and automotive parts imports investigation.

Unlike today where the U.S. is far less dependent on foreign oil, imported oil historically was critical to America’s national security and to a prosperous U.S. economy. Moreover, America is not now in a state of emergency such as existed during the 1970’s energy crises, or that arguably existed during the Cold War or during the first Iraq War. Importantly too, the economy today is flourishing, unemployment is low, and America’s domestic automobile and auto parts industry has the production capacity to meet the nation’s national security needs.

Earlier this year, the Administration concluded investigations involving imported steel and aluminum “articles”, in which national security findings were made together with

recommendations to the President for action, and actions were in fact taken by the President. The following discussion addresses those investigations.

a. Steel Imports

The recently concluded Section 232 investigation involving steel imports determined that they posed a threat to national security. The amount of steel products imported into the U.S. were found to be nearly four times the amount exported and were priced substantially lower than U.S. produced steel, resulting in a negative operating net income for the industry since 2009. China has the capacity to produce as much steel as the rest of the world combined, and the fear is their exports will continue to impede U.S. producer markets until they are put out of business. Numerous steel mill closures, a substantial decline in employment, and a loss of sales and market share for domestic producers and a recognition that domestic steel production is essential for defense requirements and critical infrastructure needs led to the Secretary's recommendations and the President's imposition of a global tariff of 25% on imported steel designed to enable an 80% capacity domestic utilization rate.

The automobile and automotive parts industries are operating in very different circumstances. For one, they haven't (recently) experienced any such level of plant closures or job losses. To the contrary, the automobile and automotive parts industries are quite profitable and are currently operating at over 80% capacity. Moreover, they are in balance, with little or no overproduction. And automobile and automotive parts, be they imported or domestically produced, are very price competitive. Lastly, as described herein, U.S. domestic production capacity more than meets national security needs for today and the foreseeable future.

b. Aluminum Imports

As in the steel investigation, the Section 232 investigation on aluminum imports also resulted in a finding that they threatened national security. Despite growing demand in the U.S. and abroad, domestic production and production capacity has decreased over time. In 2016, aluminum imports were some 90% of the market. Since 2012, 6 smelters have permanently shut down and only one of the 5 remaining U.S. smelters produces the high-purity aluminum required for critical infrastructure and defense aerospace applications. Furthermore, Chinese overproduction has suppressed global aluminum prices and flooded world markets with cheap product. The administration determined that the U.S. is in danger of losing the capability of producing aluminum and companies supporting the defense sector are at risk. Thus, the President imposed a 10% tariff on aluminum imports from all countries, with the aim of increasing domestic production to about 80% of production capacity.

One major reason the automobile and automotive parts industries are vastly different is that they can more than meet national security needs through domestic production alone. And, unlike in the aluminum industry where restarting smelters once they shut down is made very difficult due to high capital costs and other challenges, automakers have been and are continuing to invest heavily in the U.S., opening some fifteen major new U.S. manufacturing

plants in the last 25 years. Simply, the automobile and automotive parts industries are thriving and are by no means in need of reinvigoration.

In sum, a national security risk determination pursuant to Section 232 need not necessarily lead to recommendations for import tariffs or quotas, let alone to their imposition by the President. In fact, as illustrated by several past Section 232 proceedings, it often has proven beneficial for the national security and the domestic economy to consider and impose alternative strategies.

2. Where A Finding Was Made That Importation of The Articles in Question, In Such Quantities and/or Under Such Circumstances, Did Not Have a Negative Impact Upon the National Security

In several instances where the DOC conducted investigations resulting in no national security findings, and thus where no actions were taken under Section 232, the government nonetheless implemented strategies to address legitimate trade-related concerns, with the goal of benefitting domestic industry and/or improving national security. These have included voluntary agreements with exporting nations, stockpiling initiatives, licensing reforms, the removal of tax disincentives, and government-industry working groups. The following examples are of investigations where previous administrations have remedied domestic production issues without resorting to the imposition of tariffs or quotas pursuant to Section 232.

The 1992 investigation involving imported integrated circuit ceramic packaging, viewed by some as integral for producing weapons, found that annual sales fell 20%, 28%, and 27% respectively from 1990-92, and that 92% of unit sales come from imports. Moreover, at least four of the eight domestic producers were not profitable, and several had left the market. Even so, while the Clinton administration did not find those imported articles to pose a threat to national security, it nonetheless moved forward with strategies geared toward helping the industry with research and development funding, while at the same time taking pains not to hurt the domestic economy. By contrast, today's domestic automobile and automotive parts industries are booming compared to the ceramic packaging industry in 1992.

In a 1988 investigation involving imported ball bearings, the Reagan administration did not find a national security threat, yet expanded a Federal Acquisition Regulation to require the domestic "Buy American" procurement of antifriction ball bearings used in military equipment (e.g., super precision bearings for jet engines and certain precision bearings used in guidance systems). Thus, even where the articles in question were used in important military equipment, the administration opted for a non-Section 232 approach, which sufficed to address key concerns without imposing undue burdens on the economy.

In 1986, the Reagan administration opened trade talks with Japan, Taiwan, West Germany, and Switzerland, which at the time accounted for 77% of all imported metal cutting and forming machine tools. To be sure, it did so with a threat that import curbs would be unilaterally imposed if export restraints weren't adopted voluntarily. This successful negotiated process was welcomed by the industry and is to this day widely considered to be one of the greatest trade successes of the Reagan administration.

In certain of these investigations, the DOC concluded that the imported articles at issue greatly benefited the U.S. economy through lower prices (e.g., crude oil in 1994) and through more competitive domestic production (e.g., glass lined chemical processing equipment in 1981). Moreover, several investigations determined that articles imported from countries deemed reliable did not pose a threat to national security, given that the U.S. could be reasonably confident that it would have continued access to such imports in the future.

3. Summary

Certain Section 232 investigations resulting in “no action” recommendations reflected a recognition that tariffs and quotas are rarely the best option for the U.S. economy in general, or for American consumers specifically. Fortunately, there are plenty of tools in the federal government’s toolbox for use when addressing harmful trade imbalances, insufficient domestic production, and the chronically unfair trade practices of other nations.

Prior Section 232 investigations suggest that when determining if a finding should be made that current imports of automobiles and automotive parts do or do not have a negative impact upon the national security and thus do or do not warrant the imposition of tariffs or quotas, the DOC may appropriately recognize that:

1. domestic U.S. production can meet current and prospective national security requirements; and
2. imports are primarily from reliable sources located in countries that are our allies.

Moreover, even where national security findings have been made, many Section 232 investigations have involved a balancing of the benefits of imposing potential tariffs or quotas against the potential harms they might cause the American economy and American consumers. As described in detail herein, the automobile industry, including the dealers who sell new automobiles and automotive parts, is doing relatively well with strong sales and reasonable profits. Certainly, America’s automobile dealerships are not seeking the imposition of new tariffs or quotas on the automobiles or parts they sell or on the parts they are made of. The legitimate fear is that any new tariffs or quotas will result in higher vehicle prices and reduced choice for the American automobile buying public.

II. NATIONAL SECURITY EFFECTS OF IMPORTED AUTOMOBILES AND AUTOMOTIVE PARTS

NADA fully appreciates the Administration’s trade goals, which include, but are not limited to:

- enhancing the domestic production, sale, and export of goods and services, including automobiles and automotive parts;
- curbing unfair foreign trade practices involving automobiles and automotive parts and an array of unrelated goods and services; and
- reducing America’s trade deficits and fostering additional domestic jobs for Americans.

But, the Section 232 authority is but one of several tools available for use in attempting to achieve these trade goals. The potential benefit of using any one of those tools can be offset by the challenges involved in doing so. For example, a Section 232 investigation requires that the DOC to make a finding of negative impacts on national security. As discussed above, this has not always been easy to do. Moreover, as also discussed above, even when national security impact findings can be made, tariffs or quotas may not be justified.

When announcing this Section 232 investigation, the Secretary stressed the need to determine whether the importation of automobile and automotive parts “threaten to impair the national security”.¹¹ The DOC further indicated that:

*If the Secretary finds that automobiles and/or automotive parts are being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security, the Secretary shall recommend actions and steps that should be taken to adjust automobile and/or automotive parts imports so that they will not threaten to impair the national security.*¹²

The statute and the DOC’s regulations lay out in detail the criteria that must be considered when evaluating the impact or potential impact of imports on national security.¹³ In addition, the May 30, 2018 Federal Register notice listed key issues reflecting the Section 705.4 criteria.¹⁴ In a typical Section 232 proceeding, the applicant lays out its discussion and arguments for how the regulatory criteria are implicated. In this instance, the investigation was self-initiated so there is no application document detailing how and why the regulatory criteria are called into question. The lack of an equivalent document for public consideration presents a challenge for interested parties looking to file constructive comments and present hearing testimony as there is no initial statement indicating why the statutory and regulatory criteria are implicated.

It is also typical in a Section 232 investigation for the Secretary of Defense to be consulted and to provide input of paramount importance to the national security issues in question. In this instance, the Secretary of Defense has been consulted but DOD has yet to issue a formal report to the DOC. Without the ability to review and respond to DOD’s input (and that of other relevant agencies), interested parties seeking to present comments and testimony designed to assist the DOC with its analyses are placed at a disadvantage.

In any event, NADA’s following initial comments address the specific criteria set out in the DOC’s regulations and in the May 30, 2018 Federal Register notice.

¹¹ [May 23, 2018 DOC Press Release](#).

¹² 83 Fed. Reg 24735 at 24736.

¹³ [19 U.S.C. §1862\(d\); 15 CFR 705.4](#).

¹⁴ 83 Fed. Reg 24735 at 24736.

1. The quantity and nature of imports of automobiles, including cars, SUVs, vans and light trucks, and automotive parts and other circumstances related to the importation of automobiles and automotive parts.

Unlike for those Section 232 investigations involving one or two specific articles being imported from one or two countries, determining the nature and scope of the articles of concern in this proceeding will be a Herculean task. “Automobiles” and “automotive parts” are potentially broad terms. It would be appropriate for the DOC to limit its investigation to “cars”, “SUVs”, “vans”, and “light-trucks”, so long as those terms are well defined. As discussion above in the context of the need for a GVWR cutoff, it would be appropriate for the DOC to define the universe of imported “automotive parts” to include only those parts imported *exclusively* for use in the manufacture or assembly of, or as replacement parts for, automobiles. The need for appropriate definitions is illustrated by current Chapter 87 of the Harmonized Tariff Schedule of the United States Annotated, which refers to hundreds of vehicle and automotive parts, only a small percentage of which warrant coverage as “automobiles” and “automotive parts” for purposes of this investigation.¹⁵

A. Automobiles

At first glance, it might appear to be a relatively easy task to identify those automobiles bought by American customers that are assembled in the U.S., that are imported from countries with which the U.S. has trade agreements, or that are imported from somewhere else. Moreover, it might appear to be a relatively easy task to identify if the manufacturer or assembler of those vehicles is a firm/nameplate headquartered in America, or elsewhere. Lastly, it also might appear to be an easy task to identify the domestic (American) content of those vehicles. But these are not easy tasks as the world’s automobile manufacturing and assembly industry, and the supply chain upon which it relies, is extremely complex.

By way of example, given the complexity of determining the country of manufacture for the parts used to domestically assemble automobiles, it is not unusual for foreign nameplate automobiles assembled in the U.S. to have a higher “domestic parts content” than domestic nameplate automobiles also assembled in the U.S. Moreover, NADA is unaware of a single domestically manufactured or assembled automobile that doesn’t contain at least some imported parts. To be sure, determining any new automobiles actual domestic vs. imported parts content is complicated. Clearly, the domestic vs. imported parts content for all the automobiles U.S. dealers sell, wherever they are manufactured or assembled, varies widely.¹⁶

¹⁵ [2018 HTSA Revision 5 \(effective 2018-06-01\)](#)

¹⁶ Based on 2017 AALA Rankings (which include Canadian parts):

Most domestic parts content:

U.S. assembled, U.S. owned nameplate:	Jeep Wrangler 4 Door: 75%
U.S. assembled, foreign owned nameplate:	Kia Optima: 83%
Foreign assembled, U.S. owned nameplate:	FCA Dodge Grand Caravan: 70% (Canada)
Foreign assembled, foreign owned nameplate:	Honda CRV: 75% (Canada)

Currently, 56% of all automobiles purchased from America’s franchised dealers are assembled in the U.S. by both domestic and foreign nameplates. The other 44% of all vehicles purchased from America’s franchised dealers are imported, with half of those from Canada or Mexico.¹⁷ This ratio has existed since at least the Great Recession (which saw the bankruptcy of two domestic nameplate manufacturers).

B. Automotive Parts

When American consumers purchase new automobiles from NADA’s member dealerships, that were manufactured or assembled in the U.S., it is likely that at least some of the parts used in the assembly or manufacture of those vehicles were imported from other countries. In addition, when American consumers take their vehicles to a dealership service or body shop for maintenance or repair, the parts used for that work may well have been imported. American consumers and American vehicle service businesses, also buy parts from dealership parts departments, some of which may have been imported.¹⁸

2. Domestic production and productive capacity needed for automobiles and automotive parts to meet projected national defense requirements.

NADA expects that the DOD will provide the DOC with information on the number of automobiles it and its contractors purchase each year, together with estimates of the nature and volume of automotive parts it and its contractors purchase each year. As noted above, the DOC must then determine which of those automobiles and parts are imported, and for those DOD automobiles that are domestically manufactured, which contain imported parts of potential concern. As discussed above, not all imported articles and not all foreign countries raise national defense concerns, especially where it can be determined that the sources for those parts are reliable. Should the DOC elect to take an expanded view of “projected national defense requirements,” it could apply the same analyses to the universe of automobiles and automotive parts purchased by certain other federal agencies, such as the CIA, NSA, FBI, etc.

Least domestic parts content:

U.S. assembled, U.S. owned nameplate:	Ford Fusion: 25%
U.S. assembled, foreign owned nameplate:	Mercedes Metris Cargo: 1%
Foreign assembled, U.S. owned nameplate:	Chevy Spark: 2% (Korea); Buick Envision: 2% (China)
Foreign assembled, foreign owned nameplate:	Several are at: 0%.

Appendix C outlines two often cited references for determining an automobile’s parts content.

¹⁷ See Appendix D for a Breakdown of Model Lines and Auto Sales by Country (May 2018 YTD).

¹⁸ In 2017, franchised dealerships sold over \$33 billion in automotive parts, including those sold as part of the service or repair of customer and inventory vehicles, those sold wholesale to other service facilities and body shops, and those sold over-the-counter in the parts department.

NADA urges the DOC to recognize, that America now and for the foreseeable future has the domestic production and productive capacity necessary to meet the automobile and automotive parts purchase needs of the federal agencies referred to above. Importantly, NADA's 100% American member dealerships often deliver automobiles and sell automotive parts to DOD and to other federal, state, and local government agencies (and their contractors) here in the U.S. In addition, NADA's members often service and repair government vehicles using both domestically-produced and imported parts. Rest assured that they stand prepared and equipped to meet the needs of those agencies for automobiles and automotive parts both now and for the foreseeable future.

3. The existing and anticipated availability of human resources, products, raw materials, production equipment, and facilities to produce automobiles and automotive parts essential to the national defense.

New light-duty automobile sales currently are strong and have been for several years. In some cases, domestic manufacturing and assembly plants are running at 80 to 100% capacity and are doing so in the context of a booming economy with low unemployment and tight raw material supplies. Yet, despite the healthy nature of America's automobile industry and the strong demand for American-produced automobiles and automotive parts, the industry has never wavered in its ability to produce and supply the automobiles and automotive parts necessary to meet national defense needs. And if the predictions of some hold true that the industry is at or is nearing a production peak, the DOC can anticipate that the human resources, products, raw materials, production equipment, and facilities will continue to be sufficiently available to enable the domestic automobile and parts industry to maintain necessary levels of production and distribution capacity to meet national defense critical automobile and automotive parts demands.

4. The growth requirements of the automobiles and automotive parts industry to meet national defense requirements and/or requirements to assure such growth, particularly with respect to investment and research and development.

Recognizing that the DOD is expert regarding such matters, NADA urges the DOC to consider the large, ongoing investments automakers are making in the U.S., and the predicted increases in domestic production capacity that will result. These capacity increases, coupled with imports of automobiles and automotive parts from friendly and reliable sources, will more than allow the industry to meet present and future national defense requirements.

5. The impact of foreign competition on the economic welfare of the domestic U.S. automobiles and automotive parts industry essential to our national security.

As noted above, the domestic automobile and automotive parts industry is very complex. Domestically-owned firms/nameplates manufacture or assemble automobiles in America and abroad for sale by NADA's 100% American dealers to U.S. customers, as well as for export to foreign markets. Those vehicles are manufactured using both domestically and foreign-

produced parts. Likewise, foreign-owned firms/nameplates do the same. As a result, American consumers benefit by having available for purchase at highly competitive prices a wide variety of new automobiles and automobile parts.

6. The displacement of any domestic automobiles and automotive parts causing substantial unemployment, decrease in the revenues of government, loss of investment or specialized skills and productive capacity, or other serious effects.

Imported automobiles and automotive parts aren't displacing the production, distribution, and sale of domestically produced automobiles and automotive parts, and this aren't causing substantial unemployment, decreases government revenues, a loss of investment or specialized skills and productive capacity, or other serious effects. In fact, American consumers benefit greatly from a broad choice of automobiles to choose from. Moreover, millions of American jobs are directly tied to the automobile and automotive parts industries, be they with parts producers and importers, parts distributors and suppliers, automobile manufacturers and importers, retailers (including dealerships and parts stores), finance companies, and on and on. Franchised dealerships alone employ more than the 1.2 million people and could employ even more if not for the tight labor marketplace. As alluded to below, should new tariffs or quotas be imposed on imported automobiles or automotive parts, it's American consumers that will suffer the most as they encounter higher prices, reduced choice, and potential job losses.

7. Any other relevant factors that are causing or will cause a weakening of our national economy.

The automobiles and automotive parts currently imported into the U.S. largely strengthen, not weaken, our national economy by providing American consumers with unparalleled choice and affordability. Of course, our economy arguably could be further strengthened by a growth in automobile and automotive parts exports facilitated by the removal of barriers to entry employed by foreign nations. However, as discussed above, the best tools for achieving the goal of enhanced exports do not include the imposition of tariffs or quotas on imports. Instead, they will result in significant negative impacts on NADA's 100% American automobile dealers and the American working families and American businesses who buy automobiles and automotive parts from them.

8. The extent to which innovation in new automotive technologies is necessary to meet projected national defense requirements.

Cutting edge and future automotive technologies may raise national security issues. For example, certain minerals used in the production of hybrid and plug-in electric automobile batteries are relatively rare, suggesting that imported batteries or minerals for domestic battery production could prove to be less than reliable. Of course, even if such a determination is ever made, through the section 232 process or otherwise, several strategies short of tariffs and quotas would be available for use in encouraging domestic battery production and the domestic mining of key minerals.

9. Whether and, if so, how the analysis of the above factors changes when U.S. production by majority U.S.-owned firms is considered separately from U.S. production by majority foreign-owned firms.

Given the complexity of the American automobile industry and the fact that majority U.S.-owned firms/nameplates and majority foreign-owned firms/nameplates almost all export and import automobiles and automobile parts to and from the U.S., and numerous other countries, these factors are unlikely to be affected by any shifting of production from foreign-owned firms to domestic-owned firms. In fact, having many competitors with production capacity in the U.S. increases the strength of supply chains, thereby reinforcing America's national security by providing manufacturers with additional sourcing options, and consumers with wide variety of competitive automobiles to choose from.

10. Any other relevant factors.

The readiness of military service members and their families, most of whom depend on reliable personal transportation by automobile, will likely be severely and adversely impacted by the higher prices and reduced choices associated with the imposition of new tariffs or quotas on imported automobiles and automotive parts.

III. POTENTIAL CONSUMER AND DEALER IMPACTS ARISING FROM THE IMPOSITION OF NEW TARIFFS OR QUOTAS ON IMPORTED AUTOMOBILES AND AUTOMOTIVE PARTS¹⁹

As discussed at length above, the DOC is unlikely to be justified in finding that imported automobile and parts negatively impact America's national security. Nonetheless, if the DOC were to make such a finding, however unjustified, it would then be important for the Secretary to recognize and fully consider the potential downside impacts any new tariffs or quotas would have on American automobile and automotive parts purchasers, and on American franchised automobile dealerships.²⁰ The potential impact of any new tariff or quota will vary depending on the where the specific automobile at issue was manufactured or assembled, where the parts it contains were made, who its dealers are, and even down to the specific customer level.

A. The Franchised Dealership Industry

The 16,800 strong, 100% all-American, franchised dealership industry and its all-American customer base are critical to the U.S. economy. According to 2017 data²¹:

¹⁹ Several recent studies attempt to characterize the potential economic impacts of any tariffs or quotas that might result from this Section 232 proceeding. See Appendix E.

²⁰ Franchised automobile dealerships typically do not import or export light-duty automobiles or automobile parts.

²¹ NADA, [NADA Data 2017: Annual Financial Profile of America's Franchised New-Car Dealerships](#), (2018).

- 17.4 million new light-duty vehicles (and at least as many used vehicles) were sold to customers, ranging from working families to business fleets to government agencies. This is up from less than 10.4 million in 2009, during the Great Recession.
- Those 16,800 dealers had over \$1 trillion in total sales.
- Their 1.2 million employees (up from less than 900,000 in 2009) earned over \$66 billion in total annual compensation.
- They sold over \$33 billion in automotive parts, including those for the service or repair of customer and inventory vehicles, those sold wholesale to other service facilities and body shops, and those sold over-the-counter in the parts department.

B. Potential Dealership and Customer Impacts of the Imposition of new Tariffs or Quotas

Potential dealership and customer impacts arising from any new tariffs or quotas will flow from at least the following four basic scenarios:

1. Tariffs or quotas on automobile imports.

Some (or all) of the cost of the tariffs could be passed on in the form of higher auto prices. Alternatively, tariffs and quotas are likely to cause a reduction in the number, or even the elimination of, imported vehicle models, thereby reducing competition and customer choice. Higher prices and reduced supplies will depress demand. Certain dealerships will lose sales as prospective customers are forced to consider other new or used automobiles. Arguably, even if demand were to shift toward domestically built models, or if importers were to decide to shift production to the U.S., capacity, labor, retooling, and other constraints could prevent that demand from being met, at least in the short run. Also, given that imported automobiles are disproportionately small, fuel-efficient models, customers in the market for such vehicles will be disproportionately impacted.

By way of example, the average transaction price for an automobile in March 2018 was \$35,450. If a 25% tariff were to be imposed on the dutiable value of an imported automobile retailing for that amount, and the full tariff amount were to be passed on, its average price would exceed \$43,000. The average prospective buyer would finance \$38,700, assuming the typical 90% amount financed, and the buyer is able to cover the higher down payment. Financing \$38,700 at today's average interest rate of 5.2% for 69 months would result in a monthly payment of over \$650; an increase of over \$140/month. This increase would cause a significant number of prospective buyers to no longer afford that vehicle, forcing them to turn to lower-priced new vehicles or to the used vehicle market.

Since used automobiles are substitute goods for new vehicles, when the price of new automobiles rise, used automobile prices also rise. This effect has the unfortunate result of inflicting economic pain on those working families and other customers who can only afford to be used vehicle customers. So, if new automobile prices increase due to tariffs or quotas, and

prospective buyers shift into the used marketplace, prices will increase with higher demand, resulting in some Americans being knocked out of the personal automobile market altogether.

2. Tariffs or quotas on automotive parts imports.

Some (or all) of the cost of such tariffs could be passed on in the form of higher parts prices. Higher prices will lead to higher cost domestically produced automobiles consistent with their imported parts content, on the continued availability of those parts, and on the price of competing parts. Dealership parts sales will be impacted to the extent that the parts they sell (as described above) increase in price. As automobile and parts prices increase, dealers will likely lose sales as prospective customers turn to other new or used parts and automobiles.

Historically, a fall-off in dealership sales leads to a correlated fall-off in dealership employment. For example, if at 17 million annual new vehicle sales franchised dealerships employ 1.2 million people, they predictably would employ only 970,000 people when selling 14 million new vehicles per year. Using this analysis, if a 25% tariff were imposed on all imported new automobiles and automotive parts, the resulting disruption in sales could lead to a decline in dealership employment of up to 200,000 thousand Americans. NADA has commissioned a comprehensive study that, based on reasonable price impact assumptions and using appropriate models, will show potential dealership and consumer impacts resulting from the several tariff/quota scenarios. NADA intends to submit the results of that study in conjunction with its public testimony in this proceeding

3. Retribution tariffs or quotas on automobiles manufactured/assembled, and automotive parts made, in the U.S.

As might be expected, nations whose automobile or automotive parts exporters are hit with new U.S. tariffs or quotas may elect to impose retribution tariffs or quotas on American manufactured/assembled automobiles and automotive part exports. For various reasons, these could result in higher prices not only for American exports, but also for those same automobiles and parts if sold by dealerships in the U.S. Moreover, to the extent exports decline, some number of American workers are likely to lose their jobs, making it more difficult for them to purchase new and used automobiles and parts from their American dealers. Either way, higher prices and fewer customers will negatively impact dealerships and the Americans they employ.

4. Retribution tariffs or quotas on other goods or services produced in the U.S.

Nations whose automobile or automotive parts exporters are hit with new U.S. tariffs or quotas may also elect to impose retribution tariffs or quotas on any number of other American exports (e.g., agricultural, consumer, and technology products). If the demand for those goods and services falls leading to a decline in exports, American workers whose jobs depend on those exports will suffer, perhaps knocking them out of the market for new or used automobiles and parts. And, it will also negatively impact all dealerships (and their employees) located where

those customers typically shop for automobiles and parts, especially in small towns and in rural America where the dealership customer base is less diverse economically.

Other expected impacts resulting from the potential imposition of new tariffs or quotas include:

- A loss of taxes. Vehicle sales are major revenue generators for all levels of government, but particularly at the state level. For example, in 2017 alone, new vehicle sales in Ohio generated \$883 million in taxes.
- A decline in fleet turnover. Any decline in new vehicle sales inhibits fleet turnover, which in turn undermines the benefits associated with getting safer, cleaner, and more efficient vehicles onto the road.
- Deferred maintenance and repair. Higher parts prices will lead to a deferred demand for automobile service and repair which could raise safety concerns, , in addition to economic impacts.
- Higher insurance rates. As crash parts prices increase, so too will the cost of accident repairs and the cost of automobile insurance.

In sum, the potential imposition of tariffs and quotas, and the potential retribution that could result, would lead to serious inflationary increases in the prices consumers pay for cars and other products and, worse yet, to job losses for working families. These will vary from state to state depending on their level of employment associated with imported automobiles and parts, and their level of employment associated with industries targeted by retribution actions.

IV. Conclusion

NADA does not believe that the Secretary can (or should) find that automobile and automotive parts imports, in current or foreseeable quantities or circumstances, have a negative impact upon the national security. Nonetheless, even if such a finding were to be made, it would be inappropriate for the Secretary to recommend that the President impose broad-based tariffs or quotas on imported automobiles and auto parts, given that the economic costs of doing so would clearly outweigh any benefits, and given that there are better options and tools available for helping to achieve the President's goals.

Respectfully submitted,



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Appendix A

Summary of Section 232 Investigations

Found a national security threat, action suggested, action taken under section 232			
Year	Import	Reasoning	Action Taken
1982 (Reagan)	Oil	<p>Libyan policy and action, supported by crude oil revenues, were hostile and unfriendly to the U.S. Reagan wanted to ensure that the U.S. did not become dependent on Libyan crude oil, and therefore vulnerable to Libyan action. No longer considered Libya as a reliable supplier of U.S. energy needs.</p> <p>Initiator: Presidential Request</p>	Embargo on crude oil produced in Libya.
1979 (Carter)	Oil	<p>A second energy crisis in the wake of the Iranian revolution. The revolution, and resulting lowering of their oil production (lowering world production by 7%), led to speculation that other disruptions may occur. The crisis brought a GNP reduction of 3.6%, and a 2-year inflation increase of almost 3%. The U.S. was slightly less dependent on OPEC than in the previous crisis and had reserve options through other countries such as Norway. Thus, they could embargo Iran in response to the new Ayatollah and the Iran Hostage Crisis.</p> <p>Initiator: Secretary of the Treasury</p>	Terminated all oil imports from Iran.
1979 (Carter)	Oil	<p>Extreme supply shortages and high prices. Excessive and growing dependence on oil imports were decreasing confidence in the dollar, and if downward pressures on the dollar become severe enough, it poses a national security threat to the U.S.</p> <p>Initiator: Secretary of the Treasury</p>	Initially eliminated all fees and tariffs on imported petroleum. A year later (1980), implemented the Petroleum Import Adjustment Program, including a fee on oil and gasoline imports to be passed on to consumers (later deemed illegal by federal courts).
1975 (Ford)	Oil	<p>Little domestic production of oil as the US was very reliant on foreign producers. Congress was acting slowly regarding finding a comprehensive energy program. Ford felt that this fee would help to bring jobs back to Americans and reduce the growing reliance on foreign oil rich countries who want to erode the political power of the U.S. and its allies.</p> <p>Initiator: Secretary of the Treasury</p>	New system of supplemental fees (\$1) on oil imports. The fee was met with a lot of pushback (feeling that it would hurt consumers) and was subsequently reduced to zero.
1973 (Nixon)	Oil	<p>Huge oil shortage and spike in prices after an OPEC embargo. Could not afford to have tariffs on imported oil, as domestic production was not nearly enough to support U.S. needs.</p> <p>Initiator: Chairman of the Oil Policy Committee</p>	Immediately suspended existing tariffs and changed the existing quota method to a long-term program with adjustable license fees for importers.

Found a national security threat, recommended no action under section 232, alternative action taken			
Year	Import	Reasoning	Alternative Action
1989 (Reagan)	Crude Oil, Petrol Products	Declining domestic oil production, rising oil imports, and growing Free World dependence on potentially insecure sources of supply raised several concerns, including vulnerability to a supply disruption. Action under section 232, such as an oil import fee, would not be cost effective and would impair rather than enhance national security. Initiator: National Energy Security Committee	Urged Congress to take certain actions to increase domestic production. Included natural gas reform (to substitute for oil), permitting exploration in Alaska and the Outer Continental Shelf, licensing reform for the viability of nuclear power, and removing tax disincentives for oil exploration and development.

Found a national security threat, recommended no action under section 232, no action taken			
Year	Import	Reasoning	Result
2000 (Clinton)	Crude Oil, Petrol Products	1998 US imports accounted for 51% of consumption compared to 45% in 1994. 22% of all U.S. petroleum imports were from Persian Gulf countries. However, reliable oil suppliers outside of the Persian Gulf region were increasing (over 50% of imports) and expected to continue to increase. The breakup of the Soviet Union, along with the Middle East Peace Process, had eased tensions and reduced the likelihood of war (a possible limit to access of Middle Eastern oil). Oil import adjustment could result in significant job loss, diminish the competitiveness of energy-intensive export companies, and strain relations with trading partners. Overall, the costs to the economy of an import adjustment outweighed the benefits. Initiator: Secretary of Commerce	No action. Continue policy goals set forth in the April 1998 Comprehensive National Energy Strategy.
1995 (Clinton)	Crude Oil, Petrol Products	The costs of an import adjustment on oil would outweigh any benefit to national security. They were worried about the diminishing percentage of domestic production of oil and leaving the U.S. vulnerable to a supply disruption (due to political or economic problems in the Persian Gulf region). In case of war, would the U.S. be able to national security oil needs? A tariff would be inflationary and result in the loss of significant jobs in the non-petroleum sectors. It would diminish the competitiveness of energy-intensive export companies, and strain relations with trading partners. The low oil prices from OPEC oil were benefitting the U.S. economy. Initiator: Independent Petroleum Association of America	No action. Continue current policies aimed at increasing energy security through a series of energy supply enhancement and conservation/efficiency measures.

No national security threat found, no action recommended, alternative action taken			
Year	Import	Reasoning	Alternative Action Taken
1993 (Clinton)	Integrated Circuit Ceramic Packages	Not an immediate threat, but the industry was in a dangerous place, losing 20%, 28%, and 27% sales in 1990-92. 92% of units were imports. The world supply of epoxy resin (needed for the packages) was extremely scarce (and expensive) after a plant exploded in Japan. Initiator: Coors Electronic Package Company	4-part action plan: 1. Manufacturing Center of Excellence for Ceramic Packages to address domestic production deficiencies 2. Ceramic Materials Research and Development Program to ensure qualitative superiority 3. Process and Product Qualification program 4. Government-Industry Working group on Ceramic Packages.
1992 (HW Bush)	Gears and Gearing Products	Decrease in anticipated gear requirements and defense procurements, optimism about the US's technological competitiveness. Percentages of domestic shipments had stayed steady for the aerospace and marine sectors of the industry, of which a substantial majority of shipments were defense shipments. Only around 2% of shipments by the automotive and industrial sectors (the sectors where import % was rising) were for defense. Initiator: American Gear Manufacturers Assoc.	Joint DOC-DoD Packaging Action Plan led to low cost electronic packaging initiative.
1988 (Reagan)	Anti-Friction Bearings	The DOD had in place a Federal Acquisition Regulation requiring domestic procurement of bearings under 30 mm used in military products and were drafting regulations to expand it to cover all bearings used in military products. They felt this would resolve the issue, so the U.S. could produce ample amounts of bearings. The decline in domestic production was attributed to an increase in international competition (lower wage rates), a rise in end-product imports with already embedded bearings, and an overvalued dollar. Initiator: Anti-Friction Bearing Manufacturers Assoc.	"Buy American" restrictions on super precision bearings for jet engines and miniature and instrument precision bearings for guidance systems. The administration initiatives improved conditions.
1986 (Reagan)	Metal Cutting & Forming Tools	Imports supplied 43% of U.S. demand, with the four chief suppliers accounting for 77% of the imports. Machine tools are responsible for the production of weapon systems, missiles, tanks, planes, etc. Initiator: National Machine Tool Builders' Assoc.	Opened talks with Japan, Taiwan, West Germany, and Switzerland (the principal suppliers) to seek voluntary export restraint pacts - under the threat of unilaterally imposed curbs if the accords not concluded satisfactorily.
1984 (Reagan)	Ferroalloys	In the event of an emergency, the US did not have the capacity to produce enough of two of the fourteen ferroalloys (high carbon ferrochromium and high carbon ferromanganese). The other 12 ferroalloys were not a threat. Initiator: The Ferroalloys Association	2 actions: 1. stockpile upgrade program for the conversion by domestic companies of stockpile ores into the high carbon ferroalloys (lessen the amount needing conversion, increase capacity utilization) 2. removing the Generalized System of Preferences eligibility for high carbon ferromanganese (ensures domestic availability).

Found no national security threat, recommended no action, no action taken (1972-Present) ¹		
Year	Import	Reasoning
2002 (W Bush)	Iron Ore and Semi-Finished Steel	Found no evidence of dependence on either import, and no threat to the production capability of either industry to satisfy national security needs (DOD requirements) in the case of a national emergency. Initiator: House members Stupak (D-MI), Oberstar (D-MN)
1989 (HW Bush)	Uranium	Initiator: Secretary of Energy
1989 (HW Bush)	Plastic Injection Molding Machines	PIMMs are used to manufacture a wide range of parts used in defense applications (including missile nose cones). U.S. producers were found to be able to expand production by about 100%. With reliable imports, and the 80,000 existing machines producing non-critical items, emergency defense requirements were easily met. Initiator: The Society of the Plastic Industry, Inc.
1983 (Reagan)	Nuts, Bolts, Screws	If a large mobilization were to occur, imports of fasteners would be reliable. The industry's difficulties are not due only to import penetration, but also to general economic conditions (early 1980s recession). General economic recovery can be expected to significantly help the industry. Historically, the fastener industry has been able to surge its production in times of high demand (WW2, Vietnam War, Korean War). While scenario-based requirements would result in a domestic shortfall in fasteners, imports can help reduce the shortfall. Import penetration alone is not causal to the reduced capacity. Initiator: Secretary of Defense
1982 (Reagan)	Glass Lined Chemical Processing Equipment	The increase in imports has not affected productive capacity, nor the number of skilled workers required for this equipment in emergency periods. While the industry reflects the sluggishness of the economy, there is no need for additional domestic production capacity. Imports have even been beneficial, ensuring that the quality stays high and prices stay reasonable due to the high competition. The imports are also from countries that are reliable and friendly. Initiator: Ceramic Coating Company
1978 (Carter)	Nuts, Bolts, Screws	Initiator: Presidential Directive
1973 (Nixon)	EHV Power Circuit Breakers, Reactors, Transformers	Initiator: General Electric Co.

¹Prior to 1972 there were two investigations under Nixon (Precision Ball Bearings and Ferroalloys), and four investigations under Johnson (Watch Parts, Anti-Friction Bearings, Tungsten Mill Products, and Ferroalloys). In each of these investigations no threat to national security was found and no action was recommended. However, we cannot determine if any alternative actions were taken.

Appendix B

Recent Section 232 Investigations by the Current Administration

2018 section 232 decisions under the Trump administration		
Import	Reasoning	Result
Steel	Domestic production capability is essential for defense requirements and critical infrastructure needs (in 2017, critical industries were consuming 54 million metric tons of steel annually, up from 33.68 million in 1997). Imports are nearly 4 times exports and are priced substantially lower than U.S. produced steel. This has caused numerous steel mill closures, a substantial decline in employment (35% in the industry), and a loss of sales and market share for domestic producers. The domestic industry has been operating with a negative net income since 2009. China can produce as much steel as the rest of the world combined, which means increasing competition in the future for domestic producers as other countries move more steel to the U.S. after China impedes on their other markets. The potential weakening of the U.S. internal economy is a threat to national security.	A tariff of 25% on all imported steel products from all countries. This is expected to reduce imports by about 37%, and thus enable an 80% capacity utilization rate.
Aluminum	Despite growing demand in the U.S. and abroad, domestic production and production capacity have continuously decreased. Only one of the 5 remaining U.S. smelters produces the high-purity aluminum required for critical infrastructure and defense aerospace applications, leaving the U.S. vulnerable in the event of further shutdowns. Chinese overproduction has suppressed global aluminum prices and flooded world markets (Chinese 2016 overproduction alone exceeded the total U.S. production in 2016), and their industrial policies encourage continued development and domination of the entire aluminum product chain. The U.S. is in danger of losing the capability of producing aluminum, and U.S. downstream companies supporting the defense sector will be increasingly impacted. The potential weakening of the U.S. internal economy is a threat to national security.	10% tariff on imports from all countries. This tariff rate should raise U.S. production to about 80% of production capacity. It should also adjust for the price distortions in downstream aluminum product sectors caused by global overcapacity and overproduction (mainly by China).

Appendix C

Description of and References to Two Rating Systems for the Domestic vs. Foreign Parts Content of Automobiles Sold by U.S. Dealers

[American Automotive Labeling Act \(AALA\)](#)

1. Each passenger vehicle must be labeled with the following six items of information:
 - The percentage U.S./Canadian equipment (parts) content
 - The names of any countries other than the U.S. and Canada which individually contribute 15 percent or more of the equipment content, and the percentage content for each such country (a maximum of two countries)
 - The final assembly point by city and state (where appropriate), and country
 - The country of origin of the engine
 - The country of origin of the transmission
 - A statement which explains that parts content does not include final assembly (except the engine and transmission), distribution, or other non-parts costs.
2. The percentage of US/Canada content is calculated on a “carline” basis rather than for each vehicle and can be rounded to the nearest 5 percent.
3. Vehicle manufacturers must calculate the equipment content percentages for their carlines before the beginning of the model year:
 - Manufacturers estimate the number of vehicles and subgroups of vehicles that will be built within in each carline, e.g. high-line models vs. base models
4. For each car line, the calculation of US/Canadian content percentage also includes:
 - The U.S./Canadian content (by value) of each item of motor vehicle equipment that will be used to assemble the vehicles within the carline;
 - The total value of each equipment item, i.e., the price the manufacturer will pay for it (this information is typically provided by the manufacturer's suppliers); and
 - The total number of each of the equipment items that will be used to assemble the vehicles within the car line during the model year.

[Cars.com American-Made Index \(AMI\)](#)

1. U.S. assembly is a critical component of AMI eligibility, but not the only one. AMI considers five major factors for eligibility to zero in on the economic impact of a given model:
 - Assembly location
 - Domestic-parts content as determined by AALA
 - Engine sourcing
 - Transmission sourcing
 - Factory jobs provided by each of the automaker’s US plants

2. Because AALA doesn't distinguish between US and Canadian parts content, AMI analyzes engine and transmission sourcing and incorporates them into their index to tease out if a car has more US or Canadian content.
3. AMI disqualifies cars below the top 40% of the current crop of domestic-parts content ratings as well as any models being discontinued without a U.S. built successor.
4. For cars that are assembled in the U.S. and in other countries, the AMI also accounts for foreign production of a particular model.
5. AMI doesn't count fleet only nameplates and doesn't include vehicles with a GVW of 8,500 pounds or more.

Differences between two rating sources:

1. AALA is mainly about the source of the content of the vehicle.
2. AMI considers the number of factory jobs provided by each of an automaker's US plants.
3. AMI considers assembly location, number of factory workers in the US in addition to the content source data from AALA when determining the "Americanness" of a vehicle.

Appendix D

Breakdown of Model Lines and Auto Sales by Country (May 2018 YTD)

The charts below show the breakdown of each automaker's model lines. Each model line is placed in the country/region in which the final assembly of the vehicle takes place. The model lines assembled in North America are then broken down into the U.S., Canada, and Mexico. Two sources were used to create the above tables, Wards Auto and the AALA data from NHTSA. Wards Auto does not differentiate final assembly locations inside North America. The AALA data was used to break down North American model lines into Canada, Mexico and the U.S. Because of this, the total number of model lines are not equal, but represent the best information we have available. Data shown represent model lines through May 2018.

Model Lines May 2018 YTD									
	China	India	Japan	North America	Serbia	South Korea	Thailand	Turkey	EU
Audi				1					12
BMW				4					17
Daimler				5					19
FCA			1	21	1			1	5
Ford		1		23					1
GM	2		1	39		3			4
Honda			13	14					1
Hyundai				4		13			
Isuzu			1	1					
Jaguar and Land Rover									14
Kia Motors				4		10			
Mazda			8	1					
Mitsubishi			5				1		
Nissan			13	15		1			1
Porsche									6
Subaru			4	4					
Tesla Motors				3					
Toyota			24	13				1	1
Volkswagen				7					5
Volvo	1								8
Grand Total	3	1	70	159	1	27	1	2	94

North American Model Lines			
	Canada	Mexico	U.S.
Audi		1	
BMW			4
Daimler			3
Fiat Chrysler	5	2	13
Ford	4	3	15
General Motors	2	3	30
Honda	2	2	9
Hyundai		1	4
Isuzu			1
Jaguar Land Rover			
Kia Motors		2	1
Mazda		1	
Mitsubishi			
Nissan		3	11
Porsche			
Subaru			4
Tesla Motors			3
Toyota	1	1	10
Volkswagen		5	2
Volvo			
Grand Total	14	24	110
Note: 11 models with no sales are not included.			
Note: 24 models recorded as NA units in Ward's Auto but not in AALA, are all categorized into US sales.			

The four charts below show each automaker's total U.S. unit sales by country of final assembly, and the % those new vehicle sales by country of assembly (YTD May 2018). The North American unit sales and % shares are then broken up into the U.S., Canada, and Mexico. These charts are based on combination of Wards and AALA data.

YTD Units May 2018									
	North America	Japan	China	South Korea	European Union	Turkey	Serbia	India	Thailand
Audi	20,632				67,839				
BMW	44,332				98,137				
Daimler	44,893	26			102,390				
Fiat Chrysler	851,090	1,493			54,633	5,249	747		
Ford	1,017,872				12,330			16,854	
General Motors	1,133,856	21	15,086	63,097	6,149				
Honda	597,939	8,556			34,766				
Hyundai	177,839			133,828					
Isuzu	1,008	275							
Jaguar Land Rover					50,231				
Kia Motors	87,862			108,459					
Mazda	29,453	107,578							
Mitsubishi		45,476							10,702
Nissan	455,697	135,162		40,582	4,158				
Porsche					24,529				
Subaru	123,230	139,791							
Tesla Motors	24,725								
Toyota	686,729	270,349			724	21,908			
Volkswagen	132,148				11,809				
Volvo			859		36,895				
Grand Total	5,429,305	708,727	15,945	345,966	504,590	27,157	747	16,854	10,702

Share of new vehicle sales by final assembly location (May 2018 YTD)									
	North America	Japan	China	South Korea	European Union	Turkey	Serbia	India	Thailand
Audi	23.3%				76.7%				
BMW	31.1%				68.9%				
Daimler	30.5%				69.5%				
Fiat Chrysler	93.2%	0.2%			6.0%	0.6%	0.1%		
Ford	97.2%				1.2%			1.7%	
General Motors	93.1%		1.2%	5.2%	0.5%				
Honda	93.2%	1.3%			5.4%				
Hyundai	57.1%			49.4%					
Isuzu	78.6%	21.4%							
Jaguar Land Rover					100.0%				
Kia Motors	44.8%			45.8%					
Mazda	21.5%	78.5%							
Mitsubishi		80.9%							19.1%
Nissan	71.7%	21.3%		6.4%	0.7%				
Porsche					100.0%				
Subaru	46.9%	53.1%							
Tesla Motors	100.0%								
Toyota	70.1%	27.6%			0.1%	2.2%			
Volkswagen	91.8%				8.2%				
Volvo			2.3%		97.7%				

North American Units (May 2018 YTD)			
	Canada	Mexico	U.S.
Audi		20,632	
BMW			44,332
Daimler			44,893
Fiat Chrysler	210,121	42,931	598,038
Ford	76,097	99,710	842,065
General Motors	141,939	76,660	915,257
Honda	256,405	56,619	284,915
Hyundai		12,705	165,134
Isuzu			1,008
Jaguar Land Rover			
Kia Motors		53,361	34,501
Mazda		29,453	
Mitsubishi			
Nissan		141,126	314,571
Porsche			
Subaru			123,230
Tesla Motors			24,725
Toyota	32,391	13,430	640,908
Volkswagen		89,126	43,022
Volvo			
Grand Total	716,953	635,753	4,076,599

North American % Share (May 2018 YTD)			
	Canada	Mexico	U.S.
Audi		100.0%	
BMW			100.0%
Daimler			100.0%
Fiat Chrysler	24.7%	5.0%	70.3%
Ford	7.5%	9.8%	82.7%
General Motors	12.5%	6.8%	80.7%
Honda	42.9%	9.5%	47.6%
Hyundai		7.1%	92.9%
Isuzu			100.0%
Jaguar Land Rover			
Kia Motors		60.7%	39.3%
Mazda		100.0%	
Mitsubishi			
Nissan		31.0%	69.0%
Porsche			
Subaru			100.0%
Tesla Motors			100.0%
Toyota	4.7%	2.0%	93.3%
Volkswagen		67.4%	32.6%
Volvo			

Appendix E

Select Studies and Analyses Referencing Potential Impacts of New Tariffs or Quotas Resulting from the Section 232 National Security Investigation of Imports of Automobiles, Including Cars, SUVs, Vans, and Light Trucks, and Automotive Parts

Robinson, Sherman, et al., “Trump’s Proposed Auto Tariffs Would Throw US Automakers and Workers Under the Bus.” *Peterson Institute for International Economics*, 1 June 2018.

If 25% tariffs are imposed on automobiles and automotive parts, production in those industries would fall 1.5% and cause 195,000 U.S. workers to lose their jobs over a 1-3 year period. In the case of retaliation tariffs on the same products, production would decrease 4%, 624,000 U.S. jobs would be lost, and 5% of the workforce in the U.S. auto and parts industries would be displaced.

Francois, Joseph, et al., “The Estimated Impacts of Tariffs on Motor Vehicles and Parts.” *The Trade Partnership*, Trade Partnership Worldwide, LLC, 29 May 2018.

The tariffs would result in a net loss of 157,000 U.S. jobs. Tariffs would add about \$6,400 to the price of a \$30,000 car. GDP would decline by 0.1 percent as higher costs, net job losses, and declines in producer and consumer spending power work their ways through the economy.

Riley, Brian, “Trump’s Car Tax Would Boost Average New Car and Truck Prices by \$1,262 to \$5,089.” *National Taxpayers Union Foundation*, 30 May 2018.

A 25% import tax increase would cause the average price of imported cars to increase by \$4,205 per vehicle. Prices for cars assembled in the U.S. would increase by an average of at least \$1,262 per vehicle. The total federal tax on cars, pickup trucks, and motor vehicle parts would increase by more than \$65 billion.

Murphy, John, et al., “Automotive Industry- Industry Overview.” *Bank of America*, 20 June 2018.

Based on planned capacity additions, aggregate North American capacity is set to grow from roughly 21 to 22 million units in the next five years. Investors should maintain a cautious view on the auto industry as tariffs will bring margin compression (should tariffs be absorbed by the auto value chain); price inflation (should tariffs be passed on to the consumer); significant delays in capital investments; localization of capacity; along with significant volatility and implications for economic activity, which could hamper auto demand.

Schuster, Jeff. “No One Wins.” *LMC Automotive*, 22 June 2018.

400,000 jobs would be lost over a three-year period, purely from imposing tariffs on imported vehicles. U.S. GDP growth would be cut by 0.5% annually. U.S. vehicle sales would decline by up to 11% annually (equivalent to 2 million units) if 100% of the increase from the tariff is added to the price of vehicles. If 50% of the price increase is passed on to consumers, U.S. vehicle sales would see a decline of 5.4%.