



ORAL TESTIMONY OF
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NATIONAL AUTOMOBILE DEALERS ASSOCIATION

before the

U.S. Department of Commerce

on the

**Section 232 National Security Investigation of Imports of Automobiles, Including
Cars, SUVs, Vans and Light Trucks, and Automotive Parts**

July 19, 2018

Good Morning. My name is Peter Welch. I'm the President and CEO of the National Automobile Dealers Association. NADA represents more than 16,800 franchised automobile and commercial truck dealer members, representing both domestic and international brands that sell new and used motor vehicles, and engage in service, repair, and parts sales throughout the United States. Last year our dealer members sold 17.1 million new cars and light-duty trucks, 410,000 new heavy-duty commercial trucks, and 15.3 million used vehicles -- that's 32.8 million units in total and over a trillion dollars in sales. In the aggregate, our dealer members directly employ over 1.1 million Americans in well-paying jobs and are responsible for at least as many indirect jobs with suppliers, contractors, and others. As a rule, our dealer members do not directly import or export vehicles or vehicle parts. Our members are retailers; they stock, sell, and service what the American public wants to buy, own, and drive -- and can afford.

We filed two sets of detailed written comments, so I'm not going to re-plow that territory. Instead, I'd like to share with you a new study that we commissioned by the Center for Automotive Research (the "Center"). The study is entitled: *Consumer Impact of Potential U.S. Section 232 Tariffs and Quotas on Imported Automobiles and Automotive Parts* -- copies are attached to my written testimony.

Before I turn to the new study, let me reiterate a couple of important points from our written comments:

FIRST: NADA believes that there is no basis for a finding by the Department that the importation of autos or auto parts to the United States threatens our country's national security.

SECOND: NADA recognizes the importance to the United States of leveling the trade playing field; eliminating of unfair trade practices; and keeping America's automotive industry strong. We are committed to working with the Administration in the pursuit of those goals, and our written comments set forth a number of alternative strategies for doing so.

Turning now to the study, let me first say that the Center for Automotive Research is the premier economic research firm in the automotive world. The Center's new study does not focus on the statutory factors involved with making Section 232 national security determinations; rather, it focuses on the potential impacts of any Department recommendations to the President for the imposition of new tariffs or quotas. The Center studied six scenarios: a 25% tariff; a 10% tariff; and, in the alternative, an 80% quota – if imposed on imported autos and auto parts from all countries. And, the same scenarios if imports from Canada and Mexico were excluded.

Let's go over some of the key findings. If a 25% tariff were applied to all imported vehicles and auto parts, and 100% of that tariff were passed on to consumers, the following would occur:

- The average price of all new vehicles sold to U.S. consumers would rise by \$4,400. Prices would rise \$6,875 for imported vehicles and \$2,270 for U.S.-built vehicles due to their imported parts content.
- Annual new vehicle sales would drop by 2 million units.
- U.S. GDP would fall by \$59.2 billion and nearly 715,000 Americans would lose their jobs.
- For dealerships alone, annual revenues would fall by \$66.5 billion (\$4 million per store) and 117,000 dealership employees (an average of 7 per dealership) would have to be laid off.

A 25% tariff applied to all imported autos and auto parts would harm auto manufacturers, dealers, consumers, and the economy as a whole. But the hardest hit would be our customers. The average price a new car already hovers around \$35,000. According to Edmunds, in the past year interest rates on new car loans have risen 86 basis points and now average 5.82% -- with more increases on the horizon. The average monthly car payment for a new vehicle now stands at \$533 per month with an average loan term of 69 months. Our customers are already strapped to make those payments. A \$4,400 tariff on top of that would increase new car payments to \$611 per month (a \$78 per month increase) – and put the purchase of a new car out of the reach of many Americans.

New tariffs or quotas would also reduce competition and consumer choice; increase the cost of used vehicles; and raise the cost of getting vehicles serviced and repaired.

So, what's NADA's request today? Only that the Administration fully and carefully consider not only the new study we are submitting with my testimony, but all the data and analyses provided to the Department during this investigation. As a nation, we can and should work together to address genuine trade concerns, without hurting American consumers and small businesses.

On behalf of NADA, we thank you for your consideration.