



ORAL TESTIMONY OF

CODY LUSK, PRESIDENT AND CEO

AMERICAN INTERNATIONAL AUTOMOBILE DEALERS ASSOCIATION

before the

U.S. Department of Commerce

on the

Section 232 Automobile and Automotive Parts Imports Investigation

Federal Register Docket Number: DOC-2018-0002

July 19, 2018

Good afternoon. My name is Cody Lusk, and I am the President and CEO of the American International Automobile Dealers Association. Thank you for the opportunity to provide testimony on behalf of America's 9,600 international nameplate automobile franchises. These dealers have a positive economic impact both nationally and in the communities they serve, providing over half-a-million American jobs.

AIADA's dealers see new opportunities to grow and thrive in this economy, but worry that possible 25 percent tariffs will negatively affect their ability to operate and provide work for thousands of Americans.

Across the United States and in communities large and small, Americans are employed in the international nameplate automobile industry, including the 577,000 who are employed at AIADA dealerships. With an annual payroll of \$32 billion, these dealerships also account for an additional 527,000 indirect jobs. In 2016, they sold 8.4 million vehicles, or 59 percent of total U.S. retail market share.

As data shows, over half a million Americans stand to be adversely impacted should 25 percent tariffs be put into place on imported autos and auto parts. A recent study by the Peterson Institute for International Economics (PIIE) found that if those tariffs go into effect, there would be a total of 195,000 American jobs lost. Additionally, should countries then retaliate in-kind and place tariffs on the U.S., the job loss would more than triple to an astounding 624,000.

Another study by LMC Automotive on the effects of a 25 percent tariff on automobiles found that sales of new cars and trucks will also be impacted. Assuming automakers and dealers absorb at least half the cost of a 25 percent tariff, these tariffs would lead to a loss of 1 million annual unit sales. If the full burden of the tariff is passed on to the consumer that would jump to a loss of 2 million units per year.

Global trade is an engine of economic growth and is a proven strategy for building global prosperity. Open trade and investment policies play a vital role in allowing international nameplate dealers, many of whom operate second and third generation family businesses, to compete on a level playing field in cities and towns across the U.S.

Tariffs that take the form of taxes on consumers would significantly impact new car sales through higher prices, reduced demand, restricted choice, and new obstacles for customers seeking auto loans. Reasonably priced new cars keep American families safe on our roads, allowing them to travel to and from school, work, and community events. When Americans are

priced out of safe, affordable transportation, those who least can afford it will be the first to suffer.

When the cost of new autos rises by even the smallest amount, via regulation, tariffs, or taxes, auto dealers become concerned that those new costs will reduce sales.

A recent CAR study found that on average, new vehicle prices would rise by \$4,400 if a 25 percent tariff is imposed. For imported vehicles, costs would increase \$6,875. Even among U.S.-built vehicles – all of which include imported parts – prices would go up \$2,270. The impact of this means higher monthly payments for American car shoppers.

Declining sales would have a clear and definable impact on America's international nameplate dealer community. The same CAR study estimates that annual revenues for auto dealerships would decrease by \$66.5 billion overall as a result of a new 25 percent tariff, and 117,000 dealership employees in communities across the country would lose their jobs. It's worth noting that numbers like these would cause a dramatic downstream impact on not just dealership operations, but the American economy as a whole.

AIADA respectfully disagrees with the position that imported autos and auto parts are being brought into the United States in such quantities or under such circumstances as to threaten to impair the national security. In fact, foreign manufacturer investment in our communities and workers has strengthened our economy and greatly broadened consumer choice.

AIADA and its 9,600 American auto dealers strongly support a pro-growth economic agenda, and believe it can be accomplished with a positive trade message, not the threat of tariffs. Trade keeps our economy open, dynamic, and competitive, and helps ensure that America continues to be the best place in the world to do business.