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Testimony of Robert Burns on behalf of  
the PeopleForBikes Coalition and  
Bicycle Product Suppliers Association

Docket No. USTR-2018-0018

Members of the Section 301 Committee, thank you for the opportunity to testify on behalf of the PeopleForBikes Coalition and the Bicycle Product Suppliers Association. Both of these organizations are 501(c)(6) industry associations which represent American manufacturers and suppliers of bicycles, parts, accessories, and services. The U.S. bicycle industry is concerned about the proposed 25 percent tariff on the import of electric assist bicycles and motors from China that could hinder its growth for years to come.

Electric assist bicycles are hybrid human and electric powered bicycles that come equipped with a small electric motor to enhance the pedal power of the rider. They are growing rapidly in popularity as many American bike riders age and people seek new ways to commute and recreate. As the bicycle becomes a more integral component of the transportation system in the United States, e-bikes are also beginning to appear in our bicycle sharing systems.

For the past 23 years, I have been the Vice President and General Counsel for Trek Bicycle Corporation. Trek currently holds board seats in both the PeopleForBikes Coalition and the Bicycle Product Suppliers Association. I am also the President of BCycle, one of the country's largest bike sharing providers. BCycle is in 50 US Cities. For over 40 years, Trek has been designing, engineering, manufacturing, and selling bicycles. Trek began in 1976 with two men working in a barn in Waterloo, Wisconsin, and has grown to a company that employs more than 2,600 people that manufacture and sell our products worldwide. Today, Trek makes its bicycles in Asia, Europe and the United States. We continue to manufacture high end products such as complete bicycles and frames in our factory in Waterloo, Wisconsin. However, like all bicycle companies, Trek utilizes and depends on a global supply chain.

Annually, the U.S. bicycle industry generates an \$88 billion economic footprint that supports 768,663 American jobs in engineering, marketing, research and development, management, service and sales. Our products are sold at 16,747 retailers across the United States. While these retailers are predominantly small Mom and Pop local businesses, they still depend on a global network of manufacturers and suppliers to service their communities and to support local employment. Electric assist bicycles are an increasingly critical part of these sales, helping to bolster the number of jobs and retailers in our industry.

Since 2002, sales of electric assist bicycles have grown dramatically in the United States, reflecting changes in our customer's preferences. This category has seen 75 percent year over year annual growth

in the Independent Bicycle Dealer market segment. In fact, electric assist bicycles accounted for 9.8 percent of U.S. wholesale bike sales in the first quarter of 2018. This is up from 5.5 percent of the total market sales in the first quarter of last year. These sales mirrored the growth of the e-bike market between 2016 and 2017, when sales increased by 92 percent. Across the United States there are hundreds of companies that engineer, design, market, or sell electric assist bicycles and their components. We anticipate more companies will introduce electric assist bicycles to the market in the coming years. Each of these companies is concerned the proposed tariffs will seriously undermine this increasingly important sector of the U.S. bicycle industry.

In the bike industry, our products are not typically imported under heading 8711 of the Harmonized Tariff Schedule, which generally applies to motorcycles and mopeds. However, due to their small electric motor, electric assist bicycles are classified and imported under harmonized tariff schedule codes 8711.60.00 and 8711.90.01. A company that wants to import just the motor does so under the tariff code 8501.31.40, which also has a proposed 25 percent tariff. These HTS classifications are broad in scope, and apply to a wide variety of electrically powered or motorized motorcycles, mopeds, scooters, and other types of cycles, or their motors. Imports under these classifications have grown rapidly in recent years, as Americans seek innovative, quiet, and low-impact solutions to their mobility needs. For example, heading 8711.60.00 has grown by 145.7 percent in dollars between identical date ranges in 2017 and 2018. China is also the dominant source country for these goods, accounting for 78 percent of imports in dollar value in 2017. As noted above, electric assist bicycles in the U.S. have followed a similar trajectory in recent years.

In today's marketplace, sales of electric assist bicycles are critical to maintaining a healthy domestic bicycle industry and to generating jobs in the United States. These bicycles have helped offset declines to other categories such as road bikes, and they are helping to ensure that retail and service shops operate a profitable business. But this is not just about the sale of the bike. Electric assist bicycle customers also support our industry through their purchase of other products, such as helmets, locks, components, apparel, accessories, and service. Therefore, the loss of an e-bike sale also has significant downstream negative impacts on our industry's bottom line.

The bicycle industry cannot absorb a 25 percent tariff without a significant price increase that would be borne by American customers. Like other consumer products that are imported, the tariff on bicycles is typically multiplied as it moves through the supply chain. For example, an electric assist bicycle with an import value of \$1,200 would require a tariff of \$300, for a total effective cost of \$1,500 at import. While a product like this may have previously sold for about \$2,999 at retail, we anticipate that the 25 percent tariff would increase the retail price to approximately \$3,649. This is \$650 higher than the price without the tariff. A price increase of this magnitude risks making electric assist bicycles unaffordable to a significant portion of our potential customers.

While the proposed tariff has the potential to hurt the jobs that our industry supports in areas such as engineering, marketing, and sales, it is also unlikely to have any positive effect on domestic manufacturing. Across the U.S. bicycle industry, virtually 100 percent of the electric assist bicycles sold in the U.S. are manufactured overseas. And, 100% of the motors used in these products are manufactured overseas. Simply put, there is no domestic manufacturing footprint protected by the proposed 25% tariff, which is the intended use of tariffs. The U.S. bicycle industry is investing in engineering, research and development, and marketing to continue to provide our customers with a better and more affordable product. A 25 percent tariff on the import of electric assist bicycles will hinder this

investment and result in the loss of these jobs. A 25 percent tariff on imported motors for electric bicycles will discourage the industry from efforts to assemble these products in the U.S.

Like other industries, we rely on a global supply chain to provide our customers with a high quality and affordable product. An electric assist bicycle is made of hundreds of components. The majority of these components are not manufactured in the U.S. so it would be impossible to simply move our manufacturing footprint from Asia to the United States to avoid a 25 percent tariff. Companies in the U.S. bicycle industry that manufacture bicycles domestically still rely on imported components.

We share your goal of cracking down on intellectual property theft on the part of China. Intellectual property is critical to U.S. bicycle companies which continue to develop innovative, high-quality products for our customers. We make a concerted effort to safeguard these secrets. However, in the case of electric assist bicycles, the U.S. bicycle industry has not encountered efforts by China to make a counterfeit and lower quality product. Therefore, we do not believe a 25 percent tariff on electric assist bicycles and their motors from China will reduce the intellectual property theft experienced by the U.S. bicycle industry.

If implemented, these proposed tariffs will chill the growth of the bicycle industry's fastest growing product segment. A 25 percent tariff increase will put at risk these much needed sales and American jobs, resulting in negative ongoing impacts to the U.S. bicycle industry for years to come.