



August 9, 2018

COMMENTS to U.S. TRADE REPRESENTATIVE

My name is Bill Smith and I am the President and CEO of Huffy Corporation having been employed by Huffy these last 25 years and the last 8 years as CEO. I have spent all of my career in the Sporting Goods industry and most of that time in the bicycle segment. I would like to thank the members of the Section 301 Committee for allowing me the opportunity to provide you my perspective on the proposed tariffs.

Huffy has been producing bicycles since 1892 and has sold over 200 million bicycles over the last 126 years. We are headquartered in Dayton Ohio and have been since our founding. We employ over 200 people in the U.S. in various locations with over 700,000 sq. ft. of warehouse space in Long Beach California and Savannah Georgia. Huffy brand bicycles can be found in thousands of retail outlets across the country from big box stores to sporting goods stores and independent bicycle retailers. We will ship over 4 million bicycles to our customers in 2018.

Huffy is the #1 selling bicycle brand and the #1 importer of bicycles in America and has been since 1977. We import over 4 million bicycles made in China annually for our retail customers each year. The bicycle industry imported 15.7 million bikes last year and Huffy had the largest market share of the industry's total imports at 26%. Of those 15.7 million bikes imported last year 14.6 million or 93% came from China. Huffy imported over 4 million bikes from China resulting in a 28% market share of those bikes imported from China.

I am not here to offer opinions on the President's foreign trade policies. I am not here to argue the validity of tariffs or the United States right to protect its Intellectual Property rights or competitive issues relating to domestic manufacturing. I have come to speak on behalf of the bicycle industry representing \$81 billion in consumer spending. I am here to represent the Americans employed throughout the bicycle industry by manufacturers, retailers and many other entities. Our industry operates through thousands of retail outlets from big box retailers to "mom and pop" independent retailers who together sell over 17 million bikes annually to American consumers who are mostly Middle Class.

This proposed tariff is a significant threat to Huffy and to the bicycle industry as a whole which I will explain shortly. Before doing so I want to address two very important concerns raised by the administration and the 301 Committee regarding Intellectual Property and anti-competitive pricing from China.

First, the bicycle industry, and in particular the mass market segment in which Huffy competes is a low technology, high volume, high value segment. There are very few

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patents and very few if any Intellectual Property issues between American bicycle brands and China bicycle producers. There are none at all to my knowledge. The

imposition of a 25% tariff under the guise of Intellectual Property protection or punishment is a fallacy as no such issue is present in the bicycle industry.

Second, the assumption the proposed 25% tariff provides competitive relief to a domestic industry is 20 years too late. The time to enact such tariffs was 20 years ago when Huffy along with other U.S. bike manufacturers Roadmaster and Murray (now defunct) petitioned the US Trade Commission for relief from aggressive pricing from Chinese importers. Our request was denied on the grounds that the administration was not going to interfere in developing economic relations with China due to problems with the bicycle industry. The failure to support our request subsequently resulted in Huffy closing three domestic bicycle plants and the termination of over 2,000 employees. Roadmaster and Murray suffered the same fate; factories closed, employees were laid off. And bicycle production in the U.S. largely ceased. Today over 95% of all bicycles sold in the U.S. are imported. This proposed tariff is too little too late. The tariff solves no problems. It only creates problems. Huffy imports over 4 million bicycles a year from China. There is no other country in Asia or Europe that can provide the volume Huffy requires as China is the largest bicycle producer in the world. There is no domestic parts infrastructure to protect as most bicycle components are also produced in China

As I stated earlier, this proposed tariff is a serious threat to Huffy, the over 200 people directly employed by Huffy and the thousands upon thousands of Americans employed by our industry. This proposed tariff disregards the fact our industry is already paying an 11% Duty on ALL imported bikes regardless of country source. This represents an estimated \$98 million tax on American bicycle consumers based on the U.S. Department of Commerce Import Data. Remember, more than 95% of all bicycles sold in the U.S. are imported. Simply our industry has no immediate viable alternatives to using China as our main source.

The implementation of an ADDITIONAL 25% tariff on bicycles produced in China results in total import tax rate of 36%! This additional 25% tariff will increase average retail prices of bicycles sold in the mass retail segment, which represents 85% of the bicycle industry unit volume, by increasing the average retail price from \$100 per bike to \$125 per bike.

The average retail price for a bicycle in the independent bike dealership is \$500 which equates to a \$125 price increase from \$500 to \$625 per bike. These are extraordinary price increases for middle class Americans who make up the clear majority of our riders.

This proposed tariff will have a devastating impact on bicycle sales as consumer demand will plummet. MORE IMPORTANTLY, it will devastate the American bicycle industry across all segments disproportionately impacting 4,000 independent bicycle dealers whose very livelihood depends on the sale of bicycles.

For perspective, the recently implemented 25% tariff on the nascent electric bike category will derail this new industry initiative before it even gets off the ground.

Bicycling is an integral part of American culture. It is currently an affordable and healthy activity producing zero emissions. It is good for the environment. It is safe, and it is fun. American cyclists are already paying an 11% import duty on their bikes. To raise the total duty and tariffs to 36% will devastate this American past time.

I urge you to exempt the Bicycle Category from this proposed new tariff because Americans are already paying an 11% Import Duty and the damage to our industry of a 25% tariff far outweighs the benefits of including our industry in this foreign trade policy debate.

Sincerely,



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