



August 10, 2018

RE: Docket No. USTR-2018-0026-0001

The Honorable Robert E. Lighthizer
United States Trade Representative
600 17th Street NW
Washington, D.C. 20508

Dear Ambassador Lighthizer:

On behalf of the Trek Bicycle Corporation (Trek), I am writing to request to testify before the Section 301 committee regarding the proposed tariffs on \$200 billion of goods imported from China. These tariffs, first proposed as a 10 percent increase and recently raised to a possible 25 increase, will have a dramatic effect on Trek's operations and sales.


Trek is an American company founded and based in Waterloo, Wisconsin. I serve as Vice President of Marketing and Supply Chain at Trek, providing me with extensive knowledge of how our company sources its wide range of products, including complete bicycles, frames, components, helmets, and apparel. My testimony will address how the proposed tariffs will affect Trek's operations, whether our company would have to increase retail prices for our customers, our ability to source goods from alternative countries, and whether Trek has experienced any issues related to the theft of intellectual property from China. A copy of my full testimony is attached.

My contact information is:

Roger Gierhart
Vice President of Marketing and Supply Chain
Trek Bicycle Corporation
801 W. Madison St.
Waterloo, WI 53594
Phone: (920) 478-2191 Ext. 12575
Email: roger_gierhart@trekbikes.com

Thank you for considering Trek's input as you complete your review of the proposed tariffs.

Sincerely,


Roger Gierhart

Testimony of Roger Gierhart on behalf of
Trek Bicycle Corporation

Docket No. USTR-2018-0018-0026-0001

Members of the Section 301 Committee, thank you for the opportunity to testify today. My name is Roger Gierhart and I am here today on behalf of the Trek Bicycle Corporation. I am currently employed by Trek as Vice President of Marketing and Supply Chain. In this role, I am responsible for forecasting sales, ordering products from our vendors, transportation, distribution, trade compliance, marketing and the pricing our products.

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 have also expanded our production to include almost every product used on the bicycle or by a bike rider. We assemble fully custom bicycles domestically in our factory in Waterloo, Wisconsin. However, like all bicycle companies, Trek utilizes and depends on a global supply chain. The 10 to 25 percent tariff increase that has been proposed as part of the Section 301 investigation includes a significant portion of the products we make and would have major impact on Trek's bottom line.

Trek is one of the largest bicycle companies in the U.S., with domestic sales approaching \$500,000,000.00. We sell our products to 1,600 independent bicycle retailers nationwide (your local bike shop). We are also partners with and manufacture the bicycles for BCycle, LLC, one of the leading providers of bikeshare services in America. BCycle currently operates in 50 cities in the United States. With operations at this scale we anticipate that the proposed tariffs, if approved at a rate of 25 percent, would result in Trek paying an additional \$30,000,000 in tariffs each year. Trek will be forced to pass these costs on to the consumer, raising prices on adult bicycles, kid's bicycles, components, and key bicycle safety equipment like helmets.

The bike industry depends heavily on Chinese manufacturing to supply goods for the global bicycle market. Approximately 93% of complete bicycles are sourced from China. At least 40% of imported bicycle components are sourced from China. Trek is no different, and our company manufactures significant portions of its products in China. For example, all of our company's helmets, kid's bikes, and our most popular models (Marlins, FX hybrids, Dual Sports, Verves) are exclusively produced in China for the U.S. market.

If the tariff increases are finalized, we anticipate that brands like Trek will have few options but to pass these costs through the supply chain to our customers. One of our biggest concerns is the effect that these tariffs will have on the small business owners and their employees that sell Trek products. Sales of complete bicycles ultimately drive the purchase of other goods and services from these local bike shops. Tires and tubes wear out and must be replaced. Drivetrains need adjustment and maintenance. Customers need comfortable and visible apparel while biking. Riders, and particularly children, need helmets to stay safe in the event of an accident. All of these needs drive demand for parts and accessories, as well as for the repair work that shop

mechanics provide. If the price of complete bicycles and related products goes up, we expect to see diminished demand for these downstream goods and services that will risk the profitability of bicycle retailers.

Trek is sympathetic to the underlying issues driving the Section 301 investigation. When we develop cutting edge products for our customers, we are protective of our intellectual property rights for these inventions and improvements. However, Trek has not experienced serious issues related to its technology or intellectual property as a result of sourcing our products from China. We have not been pressured by the Chinese government to turn over our intellectual property in order to do business there, or otherwise been forced to release information related to our technological innovations. Nor have we experienced hacking of our computer systems or other assets that house business-sensitive information. Accordingly, we don't believe bicycles or bicycle products are connected to the issues that lie at the heart of the Section 301 investigation. Similarly, we do not think bicycles are implicated in China's future technology plans as they are not part of the Made in China 2025 plan.

In the case of Trek, the likely effect of the proposed tariffs will be higher prices for our goods, and in turn, fewer sales of our products. This risks the 2,600 jobs that Trek directly provides, and the thousands of jobs provided by 1,600 independent retailers that sell our products. We respectfully ask that the Trade Representative remove bicycles and bicycle products from the list of goods affected by either a 10 or 25 percent tariff increase, particularly goods imported under tariff headings 8712 and 8714. A complete list of tariff headings that implicate our products will be included in our official written comment.

On behalf of Trek Bicycles, thank you for the opportunity to testify today.