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September 6, 2018

VIA ELECTRONIC FILING

The Honorable Robert E. Lighthizer  
United States Trade Representative  
Office of the United States Trade Representative  
600 17th St. NW  
Washington, D.C. 20508

Docket No.: USTR-2018-0026

Dear Ambassador Lighthizer:

During my testimony on August 20<sup>th</sup> I presented comments on the proposed tariff increases as they relate to bicycles and bicycle products and the effects they would have on my businesses and as well as American consumers. I requested that the USTR remove Harmonized Tariff Schedule headings that include these goods from the list of items that will be subject to a tariff increase. I also proposed a reduction of the *de minimis* threshold for tariff exemptions and I warned that should these tariffs be exempted on *de minimis* shipments it would make a very bad situation catastrophic for my company and many USA based retailers.

Importantly, I proposed a solution that would protect my business: The simple solution is to reduce *de minimis* threshold for tariff exemptions from \$800.00 to \$50.00 dollars. It was clear from the members' reactions, questions and requests for more information that this idea has merit but was not familiar to the committee.

To put this in perspective, when the *de minimis* value for imports was at \$200 prior to 2016, many foreign based direct to consumer retailers enjoyed a competitive advantage. In 2016 the *de minimis* value for imports was increased from \$200 to \$800, giving international retailers a huge advantage over American retailers that pay local and federal taxes, employ American workers and collect state sales tax. Immediately, international retailers seized the opportunity to lure business away from American retailers.

One example of a foreign retailer who uses the *de minimis* to my disadvantage is UK based retailer Chain Reaction Cycles, who advertises duty-free purchase of bicycles for American

consumers. In addition to taking advantage of the current *de minimis* duty exemption, they also provide purchase guidelines that encourage customers to create separate orders for high-priced items in order to keep total value below \$800 and avoid paying import duty. In addition, because no formal customs entry is required for a *de minimis* shipment, these products are not required to have documentation of their compliance with current U.S. safety regulations at their point of entry, and may pose a risk to the public. Below is an example taken directly from [chainreactioncycles.com](http://chainreactioncycles.com) on September 4<sup>th</sup>, 2018:

**DUTY PAID on all bikes<sup>†</sup>**  
**FREE SHIPPING on orders over \$49\***

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*<sup>†</sup>for a limited time only. Please place orders for bikes separately from other goods and if you wish to order more than one bike, please do so in separate orders.*

*\*excludes any customs duty, applicable taxes and also excludes shipping of complete bicycles and other bulky items.*

**Customs information**

**NEW! - From March 10th 2016 if your order total is under the duty threshold of \$800\* (\*inclusive of all shipping charges), you will not have to pay import duty. (Prior to March 10th 2016 the import duty threshold was \$200)**

**\*USA – Duty Paid on All bikes\***

ALL Customs duties due on bike purchases in the United States will be paid by Chain Reaction Cycles. This will be applied automatically at Checkout, meaning once you've completed your order online and paid for postage, it's a hassle free delivery process right to your door, no delay at Customs or additional charges to worry about!

Please place orders for bikes separately from other goods and if you wish to order more than one bike, please do so in separate orders.

As president of Advanced Sports Enterprises (ASE), I oversee one of the U.S.'s largest online stores for bicycles and bicycle accessories. We operate warehouses in California, Pennsylvania, and North Carolina, our global headquarters is located in Philadelphia, and we operate brick and mortar locations in twenty-one states. Across these operations we employ nearly 2,000 Americans. The *de minimis* duty-exemption is a direct threat to the success of this business and those jobs. With the existing tariff of 11 percent on most bikes, and three to eight percent on many other parts and accessories, I am already at a substantial disadvantage to overseas retailers that sell bicycles to Americans without paying any duties. An increase of 25 percent to the existing 11 percent tariff on complete bicycles would make this competitive advantage insurmountable.

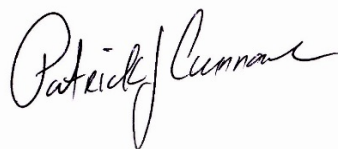
Unlike foreign consumer-direct retailers, we also bear the expense of providing regulatory compliance certifications at the port of entry to guarantee that our products are compliant with current safety standards and we are obligated to collect sales tax.

If additional tariffs are imposed on bicycle products, and the unfairness of the current *de minimis* duty exception is not corrected, American consumers will be purchasing even more of these goods from foreign retailers that do not pay any duty, tariff, or federal, state, and local taxes.

To combat this loophole, I encourage in the strongest possible terms that the Section 301 Committee lower the *de minimis* threshold on goods imported from China to \$50 in order to provide American businesses a level playing field and put a halt to the flow of retail dollars to foreign businesses. Please keep in mind that the *de minimis* threshold for shipments into China is 60 Yuan or about \$8.75 while the *de minimis* into Canada is \$15.00, \$173.00 into the United Kingdom, and \$170.00 into the European Union. Our nation's *de minimis* \$800 exceeds these global norms and hurts my business.

I thank you for considering my input as you evaluate how to best protect the advanced technology, intellectual property, and sustainability of American businesses under Section 301.

Sincerely,



Patrick Cunnane  
CEO, Advanced Sports Enterprises

CC    Senator Dianne Feinstein (D-CA)  
      Senator Kamala Harris (D-CA)  
      Senator Richard Burr (R-NC)  
      Senator Thom Tillis (R-NC)  
      Senator Patrick Toomey (R-PA)  
      Senator Robert Casey (D-PA)  
      Congressman Brendan Boyle (D-PA)  
      Congressman Jared Huffman (D-CA)  
      Congressman Kevin McCarthy (R-CA)