



Testimony of Clark Plucinski, Chairman, Certified Automotive Parts Association (CAPA)

U.S. Department of Commerce Hearing on Section 232 National Security Investigation of Imports of Automobiles and Automotive Parts

Thursday, July 19, 2018

Good morning. My name is Clark Plucinski, and I serve as the Chairman of the Certified Automotive Parts Association, or CAPA. On behalf of CAPA's members, which include Insurers, Consumers, Collision Repairers and Distributors, and the general motoring public, I am grateful for the opportunity to testify today.

Joining me here today is David Snyder, from PCI, the Property Casualty Insurers Association of America. Together we urge the Department of Commerce to consider unintended impact of potential automotive parts tariffs on the cost of auto insurance repair claims.

The Certified Automotive Parts Association, founded in 1987, is the nation's only independent, non-profit certification organization for automotive crash parts whose sole purpose is to ensure that both consumers and the industry have the means to identify high-quality parts via the CAPA Quality Seal.

The analysis being undertaken by the Department of Commerce to issue tariffs under Section 232 of the Trade Expansion Act requires data that provides detail of any actual national security impact related to automobile parts that are manufactured outside of the United States. CAPA has not been able to ascertain any source of such data. Without this type of data, it would be difficult to prove any impact on National Security by automobile repair parts that are manufactured outside of the United States.

However, we believe the impact of any tariffs on certified automobile replacement parts will have a significant adverse economic impact on: consumers, automobile repair providers, business and industry.

Unlike commodities that may be subject to Section 232 tariffs, automotive parts are made for specific vehicles, so you cannot simply obtain these parts from a domestic source as you could for steel or aluminum. Tariffs would likely cause disruption in the supply of replacement parts and could impede the ability of vehicle owners, collision repair facilities and auto insurers, to promptly repair vehicles and get them back on the road.

In 2017, 31 individual countries each exported more than \$100 million (USD) in automotive parts to the United States.¹ While the country of origin² will vary based on the part and the repair, any increase in the cost of parts will increase the cost of the repair. To illustrate the point, each year approximately 15 percent of vehicles are involved in an accident that causes damage to one or both vehicles. Considering that around 60 percent of automotive parts are imported, PCI has estimated that a 25 percent tariff could increase insurance vehicle damage claims costs by as much as 2.7 percent, or 3.4 billion dollars. That estimate is included in joint written comments submitted separately by PCI along with other insurance trade associations.

Keep in mind, that estimate only reflects insurance claims costs; it does not reflect the increased costs that would be borne directly by households and businesses that pay for repairs on their own, nor does it consider the costs incurred by those whose vehicles become a “total loss” and would have to be replaced, and the reduced number or repair jobs for collision repair facilities. It should also be noted that motor vehicle theft rates could well rise, as many stolen vehicles are sold for their parts.

Further impacts will be felt in the economy as a whole. Workers in the United States depend on their automobiles for their daily transportation needs. Getting to their jobs, making sure their children get to school, and a myriad of other tasks. Vehicles need timely repair and maintenance. Any delays, or cost increases, to safe repair and maintenance will have negative consequences. Consumers, facing yet another demand on their budgets, could find themselves

¹ Center for Automotive Research, NAFTA Briefing: Review of current NAFTA proposals and potential impacts on the North American automotive industry, April 2018.

² According to Center for Automotive Research, 85 percent of imported metal stamped parts come from Canada, Taiwan, Mexico, South Korea and China. Metal stamped parts are the type most commonly used in collision repair. Source: NAFTA Briefing: Review of current NAFTA proposals and potential impacts on the North American automotive industry, April 2018

having to make the dangerous choice of forgoing needed vehicle repairs, leading to more rapid deterioration and depreciation of their vehicles.

On behalf of consumers, the thousands of businesses that provide certified automotive replacement parts, and many major insurers, we ask that the needs of hardworking Americans and consumers are fully considered in the Department's analysis regarding the importation of automobiles and automotive parts as threat to national security.

We urge the Department of Commerce to look for ways to open global markets and increase exports. Increasing the price of automotive parts and causing delays will cause harm to most Americans. A vibrant U.S. economy depends on the timely accessibility of automobile repair parts manufactured in both the United States, and globally, which is critical to the national economy. Americans need economic stability rather than the burden of these potential tariffs to shoulder. Should the Administration impose restrictions on imports, we urge the Administration to exempt closely aligned markets that supply substantial percentages of U.S. auto part imports, or to establish a process through which interested domestic parties can petition for product exemptions in a timely and transparent manner.

We strongly urge the Department of Commerce to ensure a competitive market for the automobiles and the parts necessary to repair and maintain them.

Again, thank you for the opportunity to appear before you this morning.