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July 27, 2009

The Honorable Ron Kirk
United States Trade Representative
600 17th St., N.W.
Washington, DC 20508

Re: Docket Number USTR-2009-0017

Dear Ambassador Kirk:

On behalf of the Retail Industry Leaders Association (RILA) please accept these comments in response to the United States Trade Representative's (USTR) July 9, 2009 Request for Comment (Docket Number USTR-2009-0017) regarding Notice of Proposed Measure and Opportunity for Public Comment Pursuant to Section 421 of the Trade Act of 1974: Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China. The U.S. International Trade Commission (ITC) has proposed tariffs of 55 percent *ad valorem* in the first year, 45 percent *ad valorem* in the second year, and 35 percent *ad valorem* in the third year. USTR is now requesting public comments on possible actions before making a recommendation to the President on the appropriate action, if any, to take.

By way of background, RILA promotes consumer choice and economic freedom through public policy and industry operational excellence. Our members include the largest and fastest growing companies in the retail industry--retailers, product manufacturers, and service suppliers--which together account for more than \$1.5 trillion in annual sales. RILA members provide millions of jobs and operate more than 100,000 stores, manufacturing facilities and distribution centers domestically and abroad.

RILA has interest in this proceeding because some of our members sell, service, and install the subject tires in their retail stores and service centers. RILA members have seen a dramatic slowdown in consumers replacing worn and unsafe tires with new ones as economic hardships force families to shift resources to more urgent needs. Chinese tire imports account for 17 percent of domestic consumption, primarily in the lower tier of the market, which means that the consumers that can least afford to replace worn tires

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may see significant additional costs if the ITC recommendation is enacted. Consumer reaction to such increased costs would logically be expected to delay even further replacing worn tires, which would make U.S. drivers, passengers, cars, and roadways less safe.

While industry evidence is difficult to obtain, RILA members have anecdotally reported that consumers are increasingly letting tire treads wear down to dangerous levels and delaying purchases of new tires. For example, RILA members report a significant increase – 31 percent – in the number of disclaimers being issued to customers. Disclaimers are issued to customers who refused advice to replace tires after a technician has determined their current tires are not safely "roadable."

In addition, retailer statistics on mounting services indicate a 43 percent increase in the number of requests to mount used tires. This means people are buying used tires instead of new ones and asking a service center to mount the used tires for them. This behavior may be attributed to the difficult economic environment, and increased tire costs are likely to contribute to further such actions by consumers. In the interest of public safety, RILA respectfully requests that USTR not recommend punitive tariffs that will have the effect of increasing costs or shutting off a supply of moderately priced tires that tend to be purchased by consumers with modest means.

Appropriate tire treading is especially important in inclement conditions where the treading helps to channel snow and water away from the tires. Worn tires, which don't have treads deep enough to properly channel water, can cause the automobile to ride up on top of the water, or hydroplane, which significantly hampers the ability of the operator to steer or stop the car. Proper tire treading is equally important in snowy conditions.

According to the American Automobile Association (AAA), it can cost consumers between \$360 to \$640 to replace four ultra-high-performance tires for a basic vehicle and even more for trucks and sports utility vehicles (SUVs), depending on the vehicle's make and model and the manufacturer's recommendations. AAA also points out that these prices do not include installation, disposal, and other fees, which can add an additional \$40-\$100 to the final purchase price. According to the estimates provided by AAA, the average consumer can be expected to spend between \$400 to \$740 to replace a set of four tires. This amounts to a substantial economic burden on families at a time when the U.S. Bureau of Labor Statistics reports that unemployment reached 9.5 percent in June of 2009 with projections of the rate climbing above 10 percent later this year.

For many American consumers, tire replacement is not something factored into household budgets in contrast to regularly recurring bills like mortgage payments,

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utilities, and insurance premiums. Consumers are usually alerted by a technician during an annual inspection that the treading on their tires has worn down to unacceptable levels and the tire should be replaced. This reality of an unexpected and unbudgeted cost highlights the importance of making quality tires available to consumers at affordable prices, a market which is currently served by off-brand tire imports from China and other countries.

The tariffs recommended by the ITC can be expected to raise price imports of passenger vehicle and light truck tires from China out of their current niche in the low-cost market, thereby depriving consumers access to low-cost alternatives to premium (and more profitable) tires. As U.S. production has shifted away from economy tires to more premium brand titles, there may be a significant delay before imports from other countries are able to fill the void of the low-cost market and at potentially higher prices. The 55 percent duty recommended by the ITC would represent approximately a tax on consumers of hundreds of thousands of dollars at the worst time possible.

Industry's sales of replacement tires for passenger, light truck, and performance models are 13 percent lower than last year. As consumers have curbed their appetite for new automobiles since the recession began, they are also holding onto their vehicles longer (the median age of a vehicle in 2007 was 9.2 years as compared to 6.5 years in 1990) or are purchasing more used vehicles, which are rarely sold with new tires.

Anecdotal evidence collected by RILA members suggests that consumers are wearing down their tread depths to unsafe levels. Experts suggest that tires have a minimum tread depth of 4/32 for rainy conditions and a minimum of 6/32 for icy and snowy conditions. According to most state laws, tires with tread depths of 2/32 of an inch must be legally replaced, and data entries collected by service stations have historically shown tread depths of 3/32 or 4/32 on tires that are being replaced. In recent times, technicians at RILA members' service stations report an increasing number of recorded depths of 0/32. The National Highway Traffic Safety Administration (NHTSA) reports that tire failures of all types cause more than 600 fatalities and 33,000 injuries annually. As consumers forgo replacing worn tires due to economic difficulties, any limitation on the supply of low-cost tires as a result of increased duties on passenger vehicle and light truck tires from China could have an unfortunate consequence of making U.S. roads less safe.

In sum, imposing the ITC's recommended tariffs is clearly not in the public interest. The cost to public safety and to consumers already having difficulty making ends meet is immeasurably greater than any benefit to a single industry or its workers. Accordingly, RILA urges USTR to not recommend imposing this draconian remedy.

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RILA appreciates the opportunity to submit these comments and thanks you for your consideration of these views. If you should have any questions regarding these comments, please do not hesitate to contact me by phone at (703) 600-2046 or by email at stephanie.lester@rila.org.

Sincerely,

A handwritten signature in black ink that reads "Stephanie Lester". The signature is written in a cursive style with a horizontal line at the end.

Stephanie Lester

Vice President, International Trade