

June 25, 2020

VIA REGULATIONS.GOV

The Honorable Robert E. Lighthizer
United States Trade Representative
Office of the U.S. Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

Re: Request for Comments on Additional Modifications to the 301 Action to Address COVID-19: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation

Docket ID: USTR-2020-0014-0001

Dear Ambassador Lighthizer:

In accordance with the notice published in the *Federal Register* on March 25, 2020, the PeopleForBikes Coalition (PeopleForBikes) respectfully writes to update its prior comment dated March 30, 2020, which requested that the Office of the United States Trade Representative (USTR) consider granting exclusions from the Section 301 tariffs on goods imported from China for several categories of bicycles, components, and accessories, including adult bicycles, tires, inner tubes, and helmets.

Circumstances have changed significantly since our prior comment was filed in March 2020. In our comment we noted that we believed that many Americans would turn to bicycles as a key form of transportation and recreation in order to respect the social distancing requirements that state and local officials had put in place. We dramatically underestimated how true this statement would prove to be. Americans are purchasing and riding bicycles at unprecedented levels due to COVID-19. This has placed immense stress on the American supply chain for bicycle products. We respectfully ask that you consider granting or extending exclusions for the products specified below for an additional 12 months in light of the effects of COVID-19 on the U.S. bike industry. This will allow American bike companies to replenish depleted inventories and continue identifying new sources of production, while still being able to supply the United States with the level of goods that is currently needed.

A. Introduction

The PeopleForBikes Coalition is the sole industry association for American manufacturers and suppliers of bicycles and bicycle products. We have approximately 200 members representing

companies of all sizes. Our members encompass businesses that serve every facet of the domestic bicycle market, including complete bicycles, parts, components, and accessories. Our membership is a true cross section of the U.S. bicycle industry.

Our industry carefully monitors trends in ridership and sales in order to ensure we are meeting the needs of American bike riders. As a result of COVID-19, the needs have become so great that our supply chain cannot manage the current demand. We desperately need to bring more bicycle products to the market, quickly and affordably.

Our industry finds itself in unique and unforeseeable circumstances. Until the spread of COVID-19, many of our members were heavily focused on analyzing their global supply chains and identifying new sources for products. Sales had trended down in 2019, and many companies had substantially reduced their imports from China. The current circumstances have created an entirely different environment.

We no longer have the luxury of utilizing existing inventory and waiting for new facilities in third countries to come online. Inventories are depleted and retailers are waiting for shipments to enter the United States to receive basic safety and maintenance products like inner tubes. We anticipate that imports from China will increase substantially in the near term, as that is the only country that has the current capacity to meet the extreme levels of demand we are observing.

Given these circumstances, we believe that additional relief from the Section 301 tariffs for bicycle products is warranted in order to stabilize the U.S. supply chain and ensure that Americans can maintain steady access to an affordable stream of bicycle products.

B. Bike Riding and Bike Purchases Have Increased Dramatically Due to COVID-19

At this point, the surge in American bike riding and bike sales has been well-documented in the mainstream media:

- “Bicycle sales boom during coronavirus pandemic: ‘They’re buying bikes like toilet paper,’” Chicago Tribune (June 14, 2020) (noting largest spike in bicycle sales since the oil crisis of the 1970’s).
- “Why bike riding has soared in popularity during the pandemic,” Today (June 19, 2020).
- “Pandemic leads to a bicycle boom, and shortage, around world,” U.S. News (June 14, 2020).
- “Thinking of buying a bike? Get ready for a long wait,” The New York Times (May 18, 2020).
- “Milwaukee begins closing streets to through traffic to provide more space for walking and biking,” Milwaukee Journal Sentinel (May 27, 2020) (Noting 200% increase in trail usage nationally reported by Rails-to-Trails Conservancy).

These reports reflect a rare bright spot in an American economy that has been severely impaired by COVID-19. The recognition of bike shops as an essential business in the Department of Homeland Security’s Cybersecurity and Infrastructure Security Agency’s Essential Critical

Infrastructure Workforce guidance, and the related state and local stay at home orders that followed the guidance, enabled most bicycle retailers and service providers to remain open this Spring. They were able to meet a crucial and growing need of American shoppers by providing bicycles, replacement parts, and repair services. That demand has continued to build into the summer, and has provided a badly needed boost to community businesses.

Most bike shops in the U.S. are small businesses, an area that has been particularly hard hit during the COVID-19 slowdown. Bike shops have been able to persevere as one of the more resilient sectors of the economy. They have continued to employ Americans, generate badly needed tax revenue, and model how to effectively implement safety measures for retail businesses. American bicycle brands have also been able to stabilize and continue providing jobs in fields like engineering, design, marketing, sales and logistics.

While the recent sales trends are a major boost for small business bike shops, which saw overall sales decline in 2019, it is now leading to supply chain problems and the inability to deliver basic products to American shoppers. These businesses now face a new threat – there are no goods to sell due to depleted inventories.

This is not just a matter of convenience or profit – the shortage of bicycle products in the marketplace is beginning to manifest itself as a serious safety issue. Already retailers are retrofitting products like inner tubes to fit in tires that they were not designed for. If we continue to face product shortages, we will put Americans in the position of riding increasingly dangerous bicycles as they cannot obtain the repair parts they need. Several quotes from a recent article in the industry trade publication, *Bicycle Retailer & Industry News* are revealing:

- A California based retailer “said he’s run out of 26” tubes and is having to substitute 27.5”.”
- A major Florida based distributor reports “[i]nventory has been spotty on all essential repair parts Comfort saddles, freewheels, wire bead tires, tubes, baskets, baby seats, have all seen outages”
- Another California based retailer states “We’re running out of helmets”
- A major Minnesota based distributor reports that they have seen “massive sales volume increases in all tire categories”

“P&A shortages mirror bike delays,” *Bicycle Retailer & Industry News* (June 22, 2020).

Our industry sales data back up these reports. We do not yet have figures for May 2020, but both March and April 2020 saw the following dramatic increases in sales relative to the same months in 2019:

Product	March Sales Change (Units)	April Sales Change (Units)
Adult bikes	76%	155%
Children's bikes	40%	90%
Tires/Tubes	40%	55%
Helmets	34%	53%
Saddles	38%	109%
Bike racks	40%	53%
Bike pumps	31%	40%

C. The American Bicycle Industry Needs Tariff Relief for Several Key Product Categories to Rebuild the U.S. Supply

In light of these circumstances, we ask that you exclude or extend existing exclusions for several key bicycle product categories. This will allow the U.S. bicycle industry to serve the national interest by ensuring that American bike companies can:

- Meet current demand: We are not currently bringing enough products to the U.S. market to meet the monthly demand of our customers. We will not be able to meet the current demand without importing goods from China.
- Replenish depleted inventories: Most companies have exhausted their inventories over the last three months. Accordingly, American bike businesses will need their import volume to exceed their current sales levels in order to rebuild their supply and ensure that temporary spikes do not result in the inability to provide goods to their retail networks or customers.
- Protect American consumers: Americans need affordable, safe bicycle products in unprecedented volumes for both transportation and recreation needs. Reduced tariffs will ensure that the U.S. bike industry can deliver tested and certified products when Americans need them, where they need them, and at a reasonable price.

We specifically ask that you consider granting or extending Section 301 exclusions for the following products for an additional 12 months in order to help the bike industry meet these objectives:

1. All bicycles classified in U.S. Harmonized Tariff Schedule (HTSUS) subheading 8712.00.2500 (List 3) (product-specific exclusions have been previously granted in this subheading and are set to expire on August 7, 2020);
2. All bicycles classified in HTSUS subheading 8712.00.3500 (List 3) (product-specific exclusions have been previously granted in this subheading and are set to expire on August 7, 2020);
3. All bicycles classified in HTSUS subheadings 8712.00.1510, 8712.00.1520, and 8712.00.1550 (List 3) (these products, children's bikes, are subject to a current product exclusion that is set to expire on August 7, 2020).

4. Bicycle tires of rubber classified in HTSUS subheading 4011.50.0000 (List 3) (one product-specific exclusion was previously granted in this subheading and is set to expire on August 7, 2020);
5. Bicycle inner tubes of rubber classified in HTSUS 4013.20.0000 (List 3) (several product exclusion requests for this product were previously denied);
6. Bicycle safety helmets classified in HTSUS 6506.10.3045 and 6506.10.6045 (List 4a) (bicycle helmets classified in HTSUS 6506.10.3045 are subject to a current product exclusion that is set to expire on September 1, 2020, and several exclusion requests for bicycle helmets imported under HTSUS 6506.10.6045 are pending);
7. Bicycle lights and visual signaling equipment classified in HTSUS 8512.10.2000 and 8512.40.0000 (List 4a) (these products are subject to current product exclusions that are set to expire on September 1, 2020).

We have specifically selected these products for several reasons: 1) we will likely need to import significant quantities of these products from China because the volume that the U.S. market currently needs are not presently available in third countries (bicycles - particularly kid's bikes -, helmets, inner tubes, tires and lights); 2) they are critical repair parts that are in danger of running out (tires and tubes); and 3) they are crucial safety equipment that Americans need to ride their bikes (helmets and lights).

For all of the products identified above (other than bicycle safety helmets which share a HTSUS subheading with other types of non-bicycle helmets), we specifically request that all products imported under the relevant HTSUS subheadings be excluded from the Section 301 tariffs.

D. Conclusion

Thank you for considering our request as you analyze which products merit exclusion from the Section 301 tariffs. The effects of COVID-19 on our industry have been dramatic and unanticipated. We are grateful for your consideration of the unique needs of the U.S. bicycle industry at this time.

Please contact us if you require any further information about this request.

Respectfully submitted,



Alexander F. Logemann
Policy Counsel
PeopleForBikes Coalition