



Chairman Smith and Ranking Member Sanchez, esteemed members of the Subcommittee on Trade and the whole Committee on Ways and Means, thank you for giving me the opportunity today to present on such an important issue. My name is Jonathan Root. I am the President of Commercial and Chief Financial Officer at Harley-Davidson.

Back in 1903, our founders – William Harley and Arthur, William and Walter Davidson – sparked a transportation revolution and a motorcycle culture that would grow and spread across generations and geographies.

122 years later, as a global manufacturer, we still proudly and authentically stand up for the things we believe in most: the rebel spirit in all of us, unity, individuality and personal freedom.

Today, Harley-Davidson employs over 5,500 people globally, of which over 4,500 are employed in the United States, including those with the IAM and USW unions across our manufacturing sites in Wisconsin and Pennsylvania.

While our corporate HQ is still a stones' throw away from the original work shed in downtown Milwaukee, our powertrain operations in Menomonee Falls creates the H-D heartbeat by manufacturing engines and transmissions for all our H-D motorcycles.

In Tomahawk, north-central Wisconsin, we have been making motorcycle parts for nearly 60 years.

And in Pennsylvania, our York Vehicle Operations plant has been a staple in the local community for 50 years. With almost 1,300 employees working here, three assembly lines build 33 iconic models of American designed and developed motorcycles with our skilled American union employees.

As I mentioned previously, while proudly American, Harley-Davidson is also a global company.

We have a facility in Brazil, where we assemble motorcycles and powertrains using sub-assembled kits from our Tomahawk and York plants for our customers in Brazil. I would like to note that this facility was created in direct response to trade barriers erected by the Brazilian government intended to limit imports.

Lastly, we also have a facility in Thailand that allows us to manufacture closer to growing markets in that region and to benefit from the Regional Comprehensive Economic Partnership as part of the ASEAN initiative.

The U.S. has long been, and remains, the key market for heavyweight motorcycles, with engines larger than 601 cubic centimeters. Wisconsin and Pennsylvania-made motorcycles, account for over 95% of our U.S. sales. The U.S. remains our largest workforce, largest country of production, and accounts for the majority of Harley-Davidson's global sales. However, we are under incredible pressure at home and abroad through uneven and unfair trade practices. I'd like to highlight the scale of the imbalance:

As you are likely aware, the EU has scheduled a devastating total tariff of 56% for H-D motorcycles - meaning 50% as a retaliatory tariff plus the base 6% import duty, irrespective of the place of their manufacture.





This is a shocking comparison to the 0 to 2.4% import duty that international motorcycle brands are able to take advantage of when accessing the U.S. market, whether they manufacture in Europe, Asia or elsewhere.

It should be noted that from 2018 to 2021, Harley-Davidson exports to the EU have already faced an additional 25% tariff, which cost an estimated \$166 million as we tried to avoid passing costs onto customers in an attempt to secure the Company's future in Europe.

However, a 56 % tariff is indefensible and will impact our ability to sell motorcycles in Europe.

Continuing with retaliatory tariffs, a 25% tariff is currently being applied to all motorcycles imported into Canada from the U.S. since March 4<sup>th</sup> – another clear effort to politically target Harley-Davidson as an American icon.

Harley-Davidson competes in other foreign markets with luxury taxes up to 150%, as well as additional non-tariff barriers relating to everything from licensing barriers to emissions pricing.

Using Denmark in the EU to further emphasize my point, a Harley-Davidson Road Glide, after adding a 25% VAT and an incredible 150% luxury tax, already costs the customer around \$77,000.

But should the EU's additional 50% retaliatory tariff be applied, this would balloon the price of this motorcycle in Denmark to an eye watering \$124,000 – over 4 times the cost to a customer in the U.S., where this model starts from \$28,000.

What was a dream of personal expression and freedom on the road, is turned into an unattainable luxury for many prospective Harley-Davidson customers in Europe.

Turning to Asia, many countries levy high duties and high taxes on motorcycles coming from the U.S. as standard practice.

A few examples of duties and taxes associated with U.S. produced motorcycles follow:

- Thailand imposes a 60% import duty, a 30% excise tax and a 7% VAT.
- Indonesia charges a 40% import duty, an exorbitant 95% luxury tax and 12% VAT.
- Vietnam has an import duty of 40%, an excise duty of 21% and 8% VAT.
- And India has historically imposed a 100% import duty on US motorcycles, 3% excise duty and 28% VAT.

All the countries I mentioned as examples have no import duties on motorcycles from other ASEAN countries, as part of negotiated trade agreements among those countries.

Lastly, I'd like to mention China, which also imposes high tariffs – 30% import duty and 25% retaliatory tariffs and 13% VAT – and a cascade of non-tariff barriers.

Harley-Davidson supports a fair and reciprocal U.S. trade agenda with our trading partners.





For too long, the trade policy imbalance has permitted manufacturers to use cheap labor and cheap duties from developing and emerging economies to enter the U.S. market at a distinct advantage over companies that remain dedicated to the American worker, like Harley-Davidson.

While at the same time our US-made vehicles are met with huge import tariffs, and other restrictions to enter other markets.

My ask here today is a simple one, and that is fairness. It is very clear that Harley-Davidson is being discriminated against and politically targeted by the EU and Canada. Moreover, competitor brands should not be allowed to take advantage of low-cost manufacturing and preferential import duty when accessing the U.S. market.

I want to thank the Committee again for the opportunity to testify.

As you continue your important work to create a more level playing field for American manufacturers, I remain at your disposal to share Harley-Davidson's experience and, most importantly, to help reduce barriers to American motorcycles and ensure fair treatment for our Company.

We hope that the opportunity to feel the wind in your face, experiencing the freedom of riding the world's finest motorcycle, an American icon for over 120 years – a Harley-Davidson – will continue to grow for more riders globally for hundreds of years more.

Thank you and I look forward to answering your questions.

