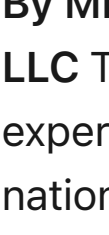




Tariffs and Fleets: A Permanent Cost Driver



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Trusted strategist with more than 40 years of experience navigating the intersection of public policy, national security, transportation, trade, sustainability, and regulatory affairs. For nearly a decade, I have focused on ensuring that the fleet voice is heard in Washington and in state capitals, advising both public and private stakeholders on how policy decisions translate into operational realities.

Why Tariffs Now Matter for Every Fleet

Tariffs are no longer abstract trade policy — they are a permanent cost variable embedded across your fleet's Total Cost of Ownership. They can add thousands of dollars to a single battery pack, double the cost of steel components, and delay vehicle orders by months. What once felt like distant geopolitics now determines whether a replacement plan stays on track.

In 2024 and 2025, tariff actions landed directly on fleet balance sheets. They increased the cost of vehicles, batteries, semiconductors, and the steel used in upfits and depot equipment. Tariffs could raise U.S. battery costs by more than 50% — a heavy blow to fleet electrification timelines. Tariffs became the reason a city delayed garbage truck replacements or a delivery fleet postponed electrification.

Understanding Tariffs in Plain English

At its core, a tariff is a tax on imported goods. The United States Customs and Border Protection (CBP) collects these duties when shipments arrive. Rates are set by federal law or presidential action and are determined by the product's Harmonized System (HS) code.

Every product that crosses a border carries an HS code — a universal product number used by customs worldwide. Think of HS codes as the VIN of global trade. A brake rotor, wiring harness, telematics modem, or an entire truck all carry HS codes, and the code dictates the duty rate that applies.

Key Tariff Categories Affecting Fleets

- Section 301 tariffs cover a wide range of goods from China. In 2024, tariffs on imported electric vehicles rose to 100%, lithium-ion EV batteries to 25%, and many electronics to similar levels. These measures are phasing in through 2026.
- Section 232 tariffs apply to steel and aluminum under national security provisions. In June 2025, rates on aluminum were raised from 25% to 50%. Exceptions exist for certain trading partners, but the higher duties immediately drove up costs for service bodies, racks, lift gates, shop equipment, and charging housings.
- The United States-Mexico-Canada Agreement (USMCA) rules of origin require that vehicles and parts contain a high percentage of North American content to qualify as duty-free. Even U.S.-assembled vehicles can face duties if key subcomponents like batteries or electronics fall short of the threshold.
- Anti-dumping and countervailing duties (AD/CVD) impose extra fees on products deemed unfairly subsidized or dumped. Fleets have seen these duties hit tire imports and specialty steels.
- Safeguard tariffs are temporary surcharges used when surges in imports threaten domestic industries. Past safeguards on solar panels raised the cost of depot solar projects.

Example: A public fleet sourcing overseas tires faced a 15% anti-dumping duty. For 400 police vehicles, that translated into about \$90,000 in additional yearly cost.

Where Tariffs Hit Fleet Operations

- Vehicles are directly affected. Imported electric vehicles and some medium- and heavy-duty trucks carry higher sticker prices. Even U.S.-built models may include components subject to duties.
- Batteries represent a major cost exposure. A \$40,000 pack with a 25% duty adds \$10,000. Across 50 vehicles, that equals \$500,000 in added expense. A public transit agency delayed an electric bus order when transit buses became more expensive due to tariffs.
- Steel and aluminum duties raise the cost of service bodies, trailers, racks, lift gates, shop lifts, and depot canopies. One Midwest fleet reported a 12% increase in lift-gate prices within weeks of the June 2025 steel tariff hike.
- Semiconductors and electronics remain a critical weak point. Between 2020 and 2023, semiconductor shortages sidelined deliveries, forced cancellations, and extended vehicle lifecycles. Tariffs now add another layer of cost. Electronic Control Units (ECUs), the "brains" of modern vehicles, contain dozens of chips often imported from Asia, and duties on these subcomponents can raise ECU costs by double digits. Battery management systems rely on sensors and power electronics often covered by Section 301 duties. Advanced driver assistance systems (ADAS), including cameras, radar, and lidar, also depend on imported semiconductors vulnerable to duties. Telematics hardware introduces further exposure because the modems and processors that power fleet tracking are frequently imported and highly price-sensitive. Congress responded with the CHIPS and Science Act, which aims to expand U.S. chip production. In the near term, however, semiconductors remain a major tariff risk.
- Aftermarket parts such as tires, brakes, wiring harnesses, and electronic modules have seen price increases of 5–10% per update, adding up to six-figure annual costs in large fleets.
- Infrastructure projects like depot charging, solar canopies, and shop expansions rely on steel and aluminum inputs that are more expensive under current tariffs.

Public vs. Private Fleet Impacts

- Public fleets face rigid budget cycles and procurement rules. When bids exceed appropriations, they must delay procurements, reduce order volumes, or scale back specifications. The political visibility of missed replacements is high, especially for garbage trucks, buses, and police vehicles.
- Private fleets have more flexibility but must answer to shareholders. Chief Financial Officers (CFOs) often delay tractor purchases, split orders across suppliers, or pursue alternate sourcing. They can use trade tools like Foreign-Trade Zones, bonded warehouses, and duty drawback to hedge risk, but volatility still shows up on the balance sheet.
- Shared challenges include budget shocks, lead-time uncertainty when manufacturers reprice or delay deliveries, reliability risks from extended asset life cycles, and pressure to adopt new procurement models like cooperative purchasing, supplier diversification, or index-based contracts.

Measuring Tariff Risk

Fleet leaders should treat tariff exposure as a measurable cost variable within Total Cost of Ownership (TCO) models.

- Stress-test cost exposure in Total Cost of Ownership (TCO) models. A 10% duty is typical in anti-dumping cases. A 25% duty is now common on batteries and electronics. A 50% duty applies to steel and aluminum as of June 2025.
- Battery stress test example: A \$40,000 battery at a 25% duty adds \$10,000. For 10 trucks, that is \$100,000. For 25 trucks, \$250,000. For 50 trucks, \$500,000.
- Monitor timing carefully. Tariffs can take effect within weeks. Two fleets ordering the same model in different months may face very different costs. Monitoring the Federal Register and U.S. Trade Representative notices is essential.
- Maintain a tariff risk register. Catalog key parts, note HS codes, assign exposure levels, and update quarterly. Even a simple spreadsheet can highlight risks and help procurement teams plan around them.
- Communicate clearly. Use "tariff exposure per vehicle" charts for boards, councils, or CFOs. Demonstrate proactive management instead of reactive surprise.

A simple register like the one below can help procurement teams see tariff exposure clearly. Even a basic spreadsheet can provide powerful visibility when updated quarterly.

Component	Country of Origin	HS Code	Current Duty Rate	Effective Date	Impact Category
Battery Pack	China	8507.60	25%	2025-01-01	High
Steel Body	China	7308.10	25%	2025-06-01	High
Aluminum Fenders	China	7607.11	50%	2025-06-01	High
Semiconductor Chips	South Korea	8542.31	0%	Ongoing	Medium
ECU (Electronic Control Unit)	Japan	8507.32	0%	Ongoing	Medium
ADAS Camera	Germany	9006.31	0%	Ongoing	Medium
Lidar Sensor	France	9006.40	0%	Ongoing	Medium
Tire (Specialty)	India	4010.11	15%	Ongoing	Medium
Brake Pads	USA	3915.90	0%	Ongoing	Low
Wiring Harness	Mexico	8539.10	0%	Ongoing	Low

Mitigation Strategies for Fleet Leaders

- Negotiate tariff clauses with OEMs and suppliers —require documentation, cap pass-through costs, and set price-change thresholds.
- Stagger orders over time to reduce exposure to sudden duty increases.
- Diversify suppliers and product categories so fleets are not dependent on a single source.
- Use trade tools: Foreign-Trade Zones (defer duties; fix tariff status on entry), bonded warehouses (improve cash-flow management), and duty drawback (refunds on exports/cores).

⚠️ Federal incentives are changing. With the passage of the One Big Beautiful Bill Act (OBBA), many clean-vehicle tax credits are being phased out. The Section 45W Commercial Clean Vehicle Credit, the Section 30C Alternative Fuel Infrastructure Credit, and the Section 30D Clean Vehicle Credit are set to expire or sunset by September 30, 2025. This means fleets must act quickly to capture remaining benefits, and then prepare for higher cost exposure once these incentives disappear.

👉 Fleets should note specifically that they will lose access to the 30D Clean Vehicle Credit for individuals, the 45W Commercial Clean Vehicle Credit for businesses and tax-exempt organizations, and the 30C Alternative Fuel Infrastructure Credit for depot charging projects.

- Leverage incentives that are currently available under the Inflation Reduction Act. These include the Section 45W Commercial Clean Vehicle Credit, which provides up to \$7,500 for vehicles under 14,000 pounds and up to \$40,000 for heavier vehicles and is available to businesses and tax-exempt organizations (how to claim); the Section 30C Alternative Fuel Infrastructure Credit, which provides a 30 percent credit for qualifying depot charging projects in designated census tracts (how to claim); and the Section 30D Clean Vehicle Credit, which is available to retail buyers subject to income and price caps (how to claim).
- Monitor legislative changes (e.g., accelerated expirations of credits, new fees on EVs/hybrids).
- Tie contracts to index-based pricing for steel, aluminum, and batteries to reduce exposure to cost spikes.
- Maintain safety stock of high-risk components so essential operations are not disrupted.
- Pursue cooperative purchasing agreements to reduce costs via pooled demand.
- Train procurement staff to monitor trade notices and update tariff risk registers quarterly.

Additional Recommendations Post-OBBA

- Act immediately to capture existing federal clean-vehicle and charging credits before they expire.
- Revise TCO and tariff risk models to include post-credit scenarios, and advocate for state-level or alternative incentive programs to close the gap once federal support sunsets.

Looking Ahead: Tariffs as a Permanent Variable

Battery pack prices fell to about \$115 per kilowatt-hour in 2024, but tariff increases can erase those gains. Steel duties doubled overnight in June 2025. Battery duties jumped by 25% in a single proclamation. Policymakers can expand coverage to new categories at any time.

The lesson is clear: tariffs are now a permanent planning variable. Like fuel and labor, they fluctuate but will not disappear. Fleet leaders should assume tariff exposure in every bid, embed stress tests in every TCO model, anticipate incentive cliffs, and treat tariff management as a core discipline.

Closing Message

Fleets do not set trade policy, but they do control preparedness. Leaders who measure exposure, negotiate smarter contracts, diversify supply chains, and leverage incentives will protect budgets and sustain service. Those who ignore tariffs will face delayed replacements, budget overruns, and reduced reliability.

Tariffs are a permanent cost driver. Fleet leaders must now master tariff management with the same rigor they bring to fuel, labor, and safety. A final imperative: communicate results clearly to boards, councils, shareholders, and communities — turning tariff preparedness into a visible demonstration of financial stewardship and operational resilience.

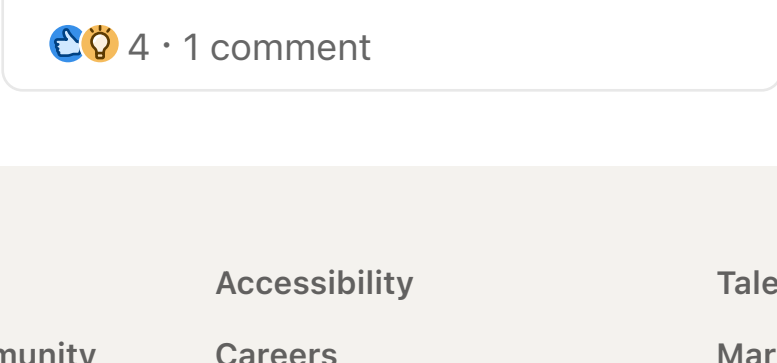


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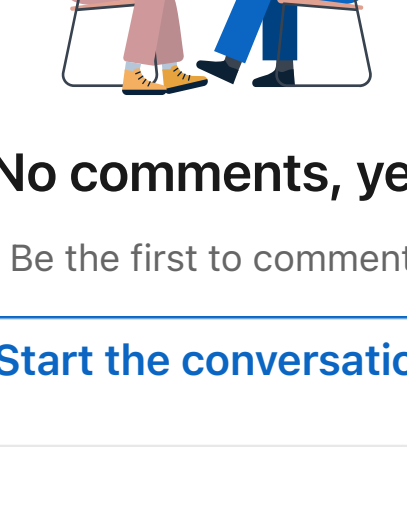
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