August 24, 2018

Statement by Jimmy Chittim, President, Flying Circle Bags
Before the Hearing on the Proposed Determination of Action Pursuant to Section 301 Regarding China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation.

Thank you for providing us the opportunity to testify this morning on an issue that is extremely important for my company and for my industry.

My name is Jimmy Chittim. I am the President of Flying Circle Bags. Flying Circle is a manufacturer and distributor soft-sided travel bags that are sold in a variety of stores, foreign and domestic. Flying Circle is a certified woman-owned, small business. We have been in business for 30 years, and, in that time, we have grown from a company of 5 workers to today, where we proudly employ 23 workers here in the United States.

Our company is located in Boerne, Tx which lies about 30 miles North of San Antonio. In our relatively small town, we are considered a major employer. We consider our employees to be members of an extended family of which 3 members have been with the company since its inception 30 years ago.

Travel goods are luggage, handbags, backpacks, briefcases, wallets, smart phone cases, and related fashion accessories.

Flying Circle strongly opposes the inclusion of travel goods on the proposed $200 billion list. 95% of Flying Circle's product line is made in China.

A new punitive tariff on U.S. imports of travel goods from China, on top of the high tariffs we, Flying Circle, already pay on these products, would impose a huge burden on our company.

There is no other source that can meet the requirements for our product. When my mother started Flying Circle, we sourced our materials domestically and sewed everything in Texas. When China became an attractive manufacturing option, we stayed in Texas as long as we could. It became clear very quickly that our competitors, who were now established in China, were able to produce luggage so inexpensively that we had to make a move or shut the doors.

In 2003 we went to Acuna, Mexico which is across the border from Del Rio, TX. We packed up most of our sewing machines and drove them across the border with the hopes of reducing our manufacturing costs. After 2 years of cutting and batching in the US and sewing in Mexico, we had made little progress towards becoming competitive on price and it was becoming harder to find accessories like material, zippers and snaps here in the US at an affordable price.

In 2005, we finally gave in and found a company in Shanghai that we could work with. Our partners in and around Shanghai are able to produce intricate designs, very quickly, and at a cost that allows us to be affordable to our customers.

An example of one of those intricate products is this backpack shown here before me. The skill set required to produce a pack like this has slowly migrated out of the workforce over the last 15 years as expert sewers have gone on to other jobs or retired. Finding and training someone to sew at this level would be extremely difficult if not impossible for a small company in our area. Additionally, since most of my sewing machines are still in Mexico, I would have to re-purchase a lot of equipment at considerable cost.

Perhaps the most daunting aspect of recreating a high-speed and high-capacity sewing operation is machine maintenance and repair. As anyone who has been around any kind of sewing operation will tell you, sewing machines need constant attention and finding a full-time, qualified maintenance technician would be next to impossible.

A new 10% duty would have been extremely difficult to absorb for a company of our size. With the increase in duty to 25%, we will have no choice but to immediately reduce staffing and attempt to raise prices. Raising our prices is particularly problematic as our biggest customer is 18-35, male and on a limited income. As a company, we have always tried to position ourselves as suppliers of really exciting and functional gear at affordable prices.

Looking closer at the proposed tariffs. We already pay a 17% import duty on most of our items. A 42% tax on our product would erase any profit margins and would be sustainable for only so long before we would have to close down.

We support the Administration's efforts to improve the protection of intellectual property rights in China, but we don't believe tariffs on our products will achieve this goal.

Thank you for your time and consideration in this matter. I would be happy to take any questions.