Travel Goods ASSOCIATION

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August 24, 2018

Statement by Nate Herman
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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 our industry.

My name is Nate Herman. I am the Director of Government Relations at the Travel Goods Association. TGA is the international organization for the travel goods industry, representing manufacturers, distributors, retailers, promoters, sales representatives, and suppliers of luggage, handbags, backpacks, briefcases and computer bags, totes, wallets, and business and travel accessories.

If implemented, this 25% tariff would be on top of the incredibly high 17.6% to 20% tariffs we already pay on U.S. imports of travel goods.

President Trump says he wants to tax China to stop them from stealing U.S. technology and intellectual property. But, as we all know, China doesn't pay the tariffs, we do – in the form of a huge new hidden tax on our member companies and, in turn, their customers, hardworking American families.

Why is this bad? 84% of all travel goods sold in the United States today are imported from China. Further, virtually no travel goods are manufactured in the United States. This has been true for decades. The Trump administration agreed with this analysis when President Trump last summer granted duty-free access for U.S. imports of travel goods from developing countries under the U.S. Generalized System of Preferences program.

Further, there is no way to easily or quickly move the production of travel goods to other sourcing countries, especially more complicated and technical travel goods. Most importantly, there just isn't the capacity in the rest of the world to pick up the slack.

And our members are not really in a position to make such demands of suppliers. Yes, we do have well-known names in our industry (Samsonite, Travel Pro, American Tourister, Hartmann, Zero Halliburton, Tumi, Briggs & Riley, Delsey). However, with the exception of the largest brand in our industry, most are small-medium sized brands and small specialty stores, with 100 employees or less. In the fight for scarce factory capacity, we are easily out-matched by other, much larger industries.

What's worse is that even the few alternative sources our industry has are under assault. For example, this spring, President Trump announced a review of GSP eligibility for India, Indonesia, and Thailand, three major alternative suppliers for travel goods. If the Trump administration removes GSP benefits for these countries, American travel goods firms will lose most of the viable alternatives they have for China.

So, our members could easily be faced with a situation where they have nowhere to go, and no way to absorb this 25% tax without raising prices and laying off workers, or going out of business.

I cannot underestimate how the proposed 25% tariff is an existential threat to our industry.

A few examples:

I am holding up the signature product from **Dream Duffel**, a small ten-year old company that employs over 50 people in Plymouth, MN. Dream Duffel makes travel bags for the competitive dancer or skater. Over 95% of Dream Duffel's products are manufactured in China. For Dream Duffel, the cost in capital and human resources to transition almost 400 individual and unique products to another country would be overwhelming, if not impossible. Instead, if the 25% tariff is imposed, Dream Duffel will lose their margins, lose sales, and lay off workers.

I want to describe another member. **The Savvy Traveler** is an online one-stop shop for travelers. The Savvy Traveler has been in business for over 21 years in Edmonds WA. They employ 6 American workers, some of whom have been with them since the beginning. 85% of their product comes from China. There are no other places to source the product. That means that a 25% punitive tariff would force them to raise prices significantly, making them no longer competitive. Their customers would just stop buying product. This would destroy their business, throwing employees out of work, while significantly increasing the retail prices to U.S. consumers for their products.

The Bottle Crew is a major supplier of travel bottles (**such as this one**), travel containers, and spray bottles to the retail industry. They are headquartered in Farmington Hills, Michigan, with operations across the country. Bottle Crew employs over 1,000 workers in the USA. All of their product is made in China. They have looked at making these products in the USA as well as other countries and found that there is not a viable, competitive source for their product lines. Therefore, the proposed 25% tariff on their product would cause them to increase prices for their customers, who, in turn, will raise prices for consumers, or eliminate the product. This would decrease the number of American workers Bottle Crew employs AND increase the retail prices for American consumers.

And, finally, I am holding up the quintessential travel goods item, a carry-on rollerboard from **Ricardo Beverly Hills**. Ricardo Beverly Hills has been designing and selling luggage and other travel goods for over 40 years. They are headquartered in Kent, Washington with 65 employees throughout the U.S. Over 90% of their production comes from China. They have no alternative but to source products outside the US and there is not enough manufacturing capacity outside of China to meet their demand in terms of quantity and quality. Ricardo Beverly Hills believes the 25% tariffs would result in higher prices, significant lost sales and profits, and layoffs of between 25%-40% of their workforce. Just the proposal of additional duties has already resulted in one of their major customers canceling a significant order for the fourth quarter because Ricardo could not source the product outside of China.

These are just a few examples of the many members who have already submitted comments opposing the tariffs, with many more planning to do so before the September 6 deadline.

We support the Administration's efforts to improve the protection of intellectual property rights in China, but we don't believe a huge new hidden tax on travel goods, which could, in turn, devastate an industry that directly employs 100,000 American workers, will achieve this goal.

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