

1) Purpose: Support for USTR-2018-0005 Proposed 25% Tariff on Products Imported from China with HTS Subheading 84137020

2) Introduction

- a. Centrifugal pumps importance and history.
 - i. Zoeller Pump Company, and our subsidiaries, have been manufacturing in the United States since the 1860's. Our core centrifugal pump manufacturing facilities are based in Louisville, KY; Kendallville, IN; Abernathy, TX; and Booneville, IN. Although our brands are internationally known, as a privately-owned company, the Zoeller management has made a conscious decision to keep its manufacturing base in the United States, by offering high quality products while supporting the American Worker. Today, Zoeller's U.S. operations employ 671 employees in the Continental United State and 850 total employees worldwide. Among the very few surviving American manufacturers actually building centrifugal pumps in the USA, we find cheaper 'subsidized' Chinese product continuing to erode our business. Centrifugal pumps, which include sump, sewage, grinders, well pumps, jet pumps and other water moving products are vital components of the US infrastructure. We strongly feel domestic manufacture of these important products is in the national interest – as water will be among the most globally regulated natural resource while all living things depend on moving our water resources.
- b. Present status of US production.
 - i. According to the Sump and Sewage Pump Manufacturing Association (SSPMA), there are approximately 2,500,000 submersible household sump pumps shipped in the United States annually with approximately 60% being manufactured and imported from China. In contrast, we estimate 95% of these pumps were previously manufactured in the USA as recently as 1995 – 20 short years ago! Similarly, according to the Water Systems Council (WSC), there are approximately 1,500,000 potable drinking water pumps shipped in the United States annually, with an estimated 60% now being imported in from China (and now Mexico protected by NAFTA). Again, just 20 short years ago, we would estimate 95% of these products were manufactured and Made-in-USA.
- c. Zoeller present production practices in the US
 - i. Made in USA. Zoeller is earnestly trying to meet the FTC guidelines to meet and use an unqualified 'Made in USA' mark. However, we find it difficult to meet all regional regulations, that seem to be in place to keep (penalizes) America Manufactures on an 'even' playing field with low cost subsidized imports. As a result, we only use Made-in-USA references on specific product that utilize 95% or greater of domestic content. Currently, Zoeller is actively in the process of re-patriating over 400,000 electrical motors from Mexican manufacturing facilities to our Kendallville, IN operations. Zoeller's commitment is to continue to re-patriate our inter-divisional motor needs, currently being fulfilled in Mexico and China, to building over

1,000,000 motors in our newly opened Zoeller Motor Works Manufacturing facilities in Kendallville, IN - USA.

- ii. Divisions. In addition to centrifugal pump and motor production, Zoeller owns a plastic injection molding company in Booneville, IN which supplies our divisions with the majority of our injection molded parts built from resins sourced locally in the Midwest. Again, over the last 20 years, the plastic injection molding business, like many other U.S. Manufacturing, has largely moved core manufacturing off shore. Note, Zoeller originally purchased Lincoln Industries in Booneville, IN over 20 years ago in order to vertically integrate our manufacturing processes, control quality, control logistics, while employing local employees in order to further sustain our USA manufacturing base.
- iii. Conscious decision to build in the US. Corporately, the Zoeller business and its divisions are a true American success story; dating back to 1866, one of our divisions celebrated 150 years in the continuous domestic water business while still remaining viable today – with long-term plans to continue the Made-in-USA legacy. Management decisions continue to be made to ensure Zoeller manufacturing legacy will continue in the USA.

3) Impact of offending products on the market

- a. Overall, cheap goods of questionable quality diminish the markets in several ways. Although consumers initially have enjoyed cheaper goods in many realms, there seems to be a real thirst for better quality – especially for products that provide such fundamental needs as providing drinking water, farm irrigation, water for livestock, fire protection, and controlling / removing damaging effluent waste water. And the fact is – even for the American conscious consumer who will choose to buy American Made products, the option availability is shrinking, and due to government marketing policies, product differentiation is not clear by being able to be marked distinctively. Imported goods means a shrinking and eroding manufacturing base and thus, poorer quality jobs, poorer quality salaries and thus, a self-imposed need for the cheap low-quality goods. As you already know, the U.S. census reflects this eroding middle class largely due to eroding manufacturing.

4) Impact on Zoeller by offending products

- a. The importation of Chinese water pumps has resulted in lost business growth, associated product expansion opportunities, and much lower gross margins. We continue to manufacture in the United States and compete with much cheaper China, government subsidized, imports. However, Zoeller remains committed to making our centrifugal pump product a America. With this commitment, we focus on quality, service, innovation and integrity. Even though Zoeller (and our divisions) have 'been the outlier' by still manufacturing centrifugal and motor products in the U.S., our market share has suffered, being negatively impacted directly by cheaper competitor's import goods of very questionable quality. Regardless, Zoeller remains profitable and viable, as we continue grow our U. S. manufacturing footprint by continuing to produce high quality products for the industry. By maintaining these high standards of quality, our reputation has

attained 'acquired distinctiveness'. As a direct result of this image and reputation, our products have been the most copied in the industry. Foreign competitors have repeatedly chosen to copy our image in attempts to profit from our earned success and domestic reputation. Zoeller has succeeded in trade marking its color (US 4,849,524) associated with its product line as well as the image of its flagship product, the Model 53 Sump Pump (US 5,024,907). Zoeller has successfully defended its products using registered and unregistered rights. The chief offenders of this IP have been products copied from China.

5) Anticipated impact of a 25% tariff levied against imported pumps of Chinese origin

- a. It is anticipated that the 25% tariff will help legitimately level the playing field. Although it may not give Zoeller relief in terms of IP theft, it will make these China 'knock-offs' and related products less appealing, while strengthening our U.S. manufacturing proposition. In the short term, it may give several 'domestic' office only based companies, who have previously moved their manufacturing base to China (strictly for low cost subsidies) some short-term pain, we feel it will result in management to rethink those decisions, perhaps moving jobs long term back to America. This tariff would greatly encourage and support companies like Zoeller, who have fought the domestic production battle against foreign competitors with little, or no support. It will increase domestic production of these vital water sustaining products, improve quality, create domestic employment opportunities, while overall contributing and being a boom to USA economy and domestic stability.