

TESTIMONY OF JOHN PERRY
FOUNDER AND CHIEF EXECUTIVE OFFICER
OF ALTAVIAN, INC.

Good afternoon, and thank you for allowing me to testify today. I am John Perry, and I am the founder and chief executive officer of Altavian, Inc., a United States manufacturer of unmanned aircraft systems. In my remarks, I will refer to unmanned aircraft systems as “UAS” for short.

Altavian is located in Gainesville, Florida and has been building UAS since 2011. We have 40 employees who bring their talents, education, and hard work to bear every single day for our customers. Altavian manufactures UAS for commercial applications, including agriculture, mining, and surveying. Altavian also serves as a leading supplier of small UAS components to the Department of Defense.

I am proud of the growth that Altavian has achieved in this transformative industry. UAS have proven to be a vital technology that is creating both economic opportunities and serving the public good. Already, UAS are empowering farmers to improve crops, assisting engineers to build and maintain critical infrastructure, and helping to protect our warfighters. I am eager for our company to play a leading role for years to come.

My optimism, however, is tempered by the significant concerns that I have regarding China's aggressive pursuit of UAS dominance at a time when our industry's full potential is only beginning to be realized.

The question before this panel today is whether the United States should impose an additional 25 percent duty on Chinese UAS imports into the United States. My answer is an unequivocal "yes."

Specifically, Altavian supports USTR's inclusion of Harmonized Tariff Schedule subheadings 88021100 and 88022000 on the list of products subject to the proposed additional 25 percent duty. Altavian also agrees with USTR's proposed imposition of the additional 25 percent duty on parts of airplanes, helicopters, and other aircraft that are classified under HTS subheadings 88031000, 88032000, and 88033000. In support of Altavian's position, I would like to make three main points to you today.

First, if you are looking for a poster child for the Chinese acts, policies, and practices that led to this Section 301 investigation in the first place—China's UAS industry is it.

There is no question that China's UAS industry benefits in a variety of ways from Chinese industrial policies, including the Made in China 2025 plan. As a matter of fact, the Made in China 2025 plan specifically designates China's UAS industry as a key sector. All levels of the Chinese government have followed suit

and have provided the Chinese UAS industry with a variety of preferential benefits.

As a result, Da-Jiang Innovations Science and Technology Co., Ltd., also known as “DJI”, now commands about 70 percent of the global UAS market. This is just a point of departure for China’s drive toward more sophisticated UAS technologies at the expense of American innovation.

Second, China’s actions present an existential risk to the UAS industry in the United States.

The reality is that a viable market for American-made unmanned aircraft is essential to achieving scale for opportunities in autonomous systems, artificial intelligence, and data analytics. China’s acts, policies, and practices in support of its UAS industry impede these legitimate business objectives.

DJI’s incumbency position gives China access to tremendous amounts of data and metadata from important segments of the U.S. economy, including agriculture, energy, public safety, homeland security, and real estate. This profoundly affects the entire economy and the national security of the United States—both in ways that are apparent to us now, and in ways that we won’t be able fully to appreciate until UAS technology further matures.

Third, the U.S. government should take steps to address the risk that importers will attempt to avoid payment of the additional 25 percent duty by misclassifying Chinese UAS at the time of entry as “toys.”

This risk is acute. Publicly available ship manifest data reveal that DJI appears to have classified UAS imports as “toys.” This cannot be reconciled with how DJI markets these aircraft, or with how DJI aggressively has sought to shape the emerging regulatory and legal environment for commercial UAS operations in the United States.

China should not be permitted to pursue the demise of the American UAS industry at the very same time that it aggressively shapes the way the United States Government regulates it.

The apparent misclassification of DJI products as “toys” is contrary to a recent ruling by U.S. Customs and Border Protection, which is discussed in further detail in our written comments. Use of the wrong HTS number by importers would represent an effort to sidestep announced duties and undermine the intent of this 301 action.

In sum, I would like to thank the Trade Representative and the Section 301 Committee for convening today’s hearing. Altavian supports the proposed additional 25 percent duty on UAS imports from China, which properly are classified under HTS subheadings 88021100 or 88022000. Likewise, Altavian

supports the proposed additional 25 percent duty on parts of airplanes, helicopters, and other aircraft that are classified under HTS subheadings 88031000, 88032000, and 88033000.

I would be pleased to answer your questions. Thank you.