

TARGET WORLD

2300 East Kemper Road
Cincinnati, Ohio 45241

Purpose: The purpose of my testimony is to request that safes be added to the list of products considered for tariffs on the USTR-2018-0005 Annex. I would like to see higher duties placed on safes and safe related items found in HTSUS 8303.00.0000 that are being imported from China. To help us compete on a more even playing field, I ask that a reasonable additional duty of at least 25% be added to these products.

Who We Are: Target World is a retail store located in Cincinnati, Ohio and maintains one of the largest display selections of fire and security safes in the country. We have carried many brands of safes over the last eighteen years, with a focus on safes built in the United States with U.S. steel. Most of the safes we sell are larger sized safes used for gun storage, office, and home security; however, we also sell a good quality of smaller floor safes and lock-box sized safes.

Target World Ownership: Joe Blanco owns Target World and has a Bachelor of Science degree from West Point with an academic concentration in Economics and a Master of Science degree from North Carolina State University in Operations Research Engineering. Target World is a member of Nation's Best Sports (NBS) which is the largest volume sporting goods buying group in North America with over 350 members operating more than 1,200 retail sporting goods stores in the U.S. Joe was recently the chairman of the committee that screened safe manufacturers for our buying markets and is also the former Chairman of the Board for NBS.

Background: Over the last few years, we have seen an increase in competition for our safe sales from large box store retailers like Costco, Dicks, Walmart, Tractor Supply, etc. selling Chinese-made safes. It is getting harder to sell American-made safes because of this, and the impact on our margin has been substantial. These large box store importers bring in low-cost, China-made safes that often retail for less than what we can buy our American-made products directly from the manufacturer. The Chinese safe manufacturers have benefited from direct Chinese government incentives for production, as well as subsidized steel which is the highest priced component for most security safes.

With the recent tariffs imposed on imported steel under Section 232 of the Trade Expansion Act of 1962, U.S. safe manufacturers that make safes in the United States and North America using U.S. steel have seen their costs go up substantially, forcing price increases. One of my U.S. safe suppliers informed me that his steel cost has risen almost 30% since the tariff announcement. My largest selling safe lines have announced price increases with warnings of more to come, some substantial. The prices of China-made safes have not been impacted from what I have seen. The portion of the U.S. safe industry that actually produces their safes in the United States from U.S. steel has been under assault from companies taking advantage cheap Chinese imports and if no relief is provided, this U.S. manufacturing base may not exist in a few years.

When Target World first started selling safes in the year 2000, we sold safes exclusively from Heritage Safe Company that were made in Grace, Idaho. Heritage Safe Company no longer exists in its original form. The company brought on a Chinese investor and started making some of their safes in China to be

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able to compete with the low-prices safes being imported from there. Today, Heritage is 100% Chinese owned and all of their safes are made in China under the name Heritage Security. Their safes are prominently featured at our local Costco and can be found online. I have attached screen captures from the Costco and Sam's Club websites from a search for "gun safes." As you can see in these documents, almost everything they sell is made in China. (Note that the "China" stamps were superimposed by me and are based on my best efforts at identifying the source of manufacturer.)

Heritage is only one example of U.S. safe manufacturing lost to China. Granite Security (Fort Worth, TX) is another example of an American company that has made safes in the United States, but because of pricing pressure, was forced to move almost all of their manufacturing to China. There are also many U.S. safe companies that have moved portions of their manufacturing to China just to remain competitive. American Security, Rhino Metals and Pro Steel Safes are a few I have dealt with that also make many, if not most, of their safes in China. As U.S. safe manufacturers begin to succumb to China pricing pressure, Chinese manufacturers are able to gain more influence on the U.S. safe market. They can do this through a number of ways, a few of which are:

1. Partnerships with U.S. safe companies that either have all or part of their production done in China.
2. Safes being manufactured in China are often "knocked off" and re-labeled with other brands and then offered for resale in the United States. There are a number of importers with no U.S. manufacturing base who only market and sell products here. In my capacity with Nation's Best Sports screening vendors for our buyer markets, I have dealt with a number of sellers who deal in this fashion. All it takes is for a Chinese company to find a willing importer with a distribution network to be successful.
3. Pricing their direct import products at costs below which U.S. safe manufacturers that use U.S. steel can operate. Typically, this done through big box and chain stores. U.S. safe manufacturers then find the only safes they can sell competitively through these channels are low volume, high dollar safes. This puts pressure not just on the manufacturers, but also on retailers like Target World who try to sell U.S. made safes.

Summary: As a retailer of safes, if I cannot compete selling U.S. made safes built with U.S. steel, I will either be forced to not sell safes or start selling cheaper, subsidized imports from China. While there is a market for "made in the USA" products, consumers are price sensitive. If I, and other retailers like me, stop selling U.S. made safes, the U.S. safe manufacturing base will continue to shrink, along with the jobs and other downstream industries that support it. We have a choice. The unfair Chinese trade practices should not be rewarded and the American safe manufacturing base needs relief to stay viable.

The recent imposition of tariffs for imported steel under Section 232 of the Trade Expansion Act of 1962 addresses the use of imported steel to make U.S. safes, but it does not address safes being imported into the U.S. market. Because steel is typically the largest cost component of safes, the importation of these products needs to be addressed. Section 301 of the Trade Act of 1974 is a good way to do this and

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I ask that safes be added to the list of products being considered for tariffs on the USTR-2018-0005 Annex with an additional duty of at least 25%