BEFORE THE OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

USTR-2018-0018

HTSUS Subheadings 8542.39.00, 8536.50.70, 3917.29.00, 8541.10.00, 8542.31.00

Testimony of Andy Barnauskas, Senior Vice President of Operations

Banner Engineering

Hello Mr. Chairman and members of the Committee. My name is Andy Barnauskas and I am the Senior Vice President of Operations, at Banner Engineering. Thank you for the opportunity to participate before this committee in a matter of urgent and critical importance to our company.

Banner Engineering is a privately held company based in Minneapolis MN. We design and manufacture sensors and automation control products for the industrial marketplace. From humble beginnings in 1966, Banner has grown from 3 people to 950 employees in the US and 1500 worldwide -- becoming the sensor market leader in the United States and a globally recognized leader in the field of industrial automation – exporting to over 75 countries.

To support this domestic and international growth, Banner operates 3 factories in the United States, a Mexico facility, and a wholly foreign owned enterprise (WFOE) in Suzhou China. Since 2003, we have enhanced our US market position, have become a market leader in China, and grown in other international markets. This growth has resulted in a 56% increase in US based high-technology manufacturing jobs in Minnesota and South Dakota. And, in this same timeframe we have also expanded total jobs in the US by 62%.

As a global company Banner competes with its much larger multi-national competitors by providing the industry's broadest selection of industrial sensor products. We provide our customers a portfolio of over 40,000 products– **ranging from very basic commodity sensors to high technology-based sensor and automation products**.

The Section 301 tariffs enacted and proposed by the US government in response to the China 2025 policy stands to place Banner in a difficult position; severely limiting our ability to compete in a highly competitive global marketplace. Banner competes with a combination of commodity and high-technology products. As mentioned, our China operation is a wholly foreign owned enterprise, and has been in existence since 2003. We produce the commodity sensors primarily in this facility due to extreme cost pressures of global markets where price is the primary buying factor. At the same time, Banner offers an extensive range of high technology products which are designed and manufactured in the United States. The IP is tightly controlled and remains in the US. This combination provides Banner a powerful offering to compete globally.

We fully understand the rationale and impetus for wanting to negotiate with China regarding business practices. However, Banner has not experienced the pressures for transfer of IP, or other onerous licensing requirements as outlined in the Section 301 Investigation Report. We agree with ongoing efforts for working towards more transparency in business areas that create barriers to the China market. As there are already multiple Chinese and other foreign competitors producing the same type of commodity products as Banner, we believe these commodity products are not strategically important.

Industrial products, including Banner's, have long lifespans (typically decades) and are difficult and expensive to re-design. As such, the manufacturing and supply chains are complex. Sourcing and manufacturing location decisions are challenging. The time and costs are significant and can span years.

A primary concern with the increased tariffs is the potential loss of jobs in the US resulting from costs that cannot be passed along to customers given our global competitive environment. Implementing unilateral tariffs allows our competitors to import products into the

US at much lower costs than we can produce in the United States or import from our own China-based company; precluding simply raising prices.

The current tariff structure poses a two-fold problem: The current tariffs that went into effect on July 6th (25%) affect Banner already for the commodity products produced in China and imported into the US. This latest round of proposed tariffs affects component commodities we purchase to produce the high-technology products Banner manufactures in our 3 US manufacturing facilities. In effect, the material costs for the high-technology products we produce in the US will now also increase significantly. This will put our company in a distinct cost disadvantage as compared to our international competitors who import these same types of products from other countries. The natural conclusion to resolve this negative US cost structure impact would be to go through the difficult process of potentially producing these products elsewhere beside the US.

Therefore, we ask USTR to remove HTSUS subheadings 8542.39.00, 8536.50.70, 3917.29.00, 8541.10.00 and 8542.31.00 from the Section 301 list.

Summary

In summary, we support reasonable trade policies to encourage free and open global competition, but imposing the tariff burden on US manufacturers may have the opposite long term effect on their ability to compete in a global marketplace. As a company with wholly owned status, Banner has not experienced predatory practices or loss of technology as outlined in the China 2025 initiative, and the growth in the China marketplace and other international markets has been a significant source of growth for US-Based jobs. The current proposed actions will directly harm our company and impact our ability to grow and add additional US jobs.

US companies can compete with anyone in the world when provided a level playing field; however, imposing unilateral tariffs makes it more difficult for American companies like ours to compete globally, but perhaps more importantly places US based companies at a distinct disadvantage in our home market.

Attachments:

Attachment 1: Banner Products

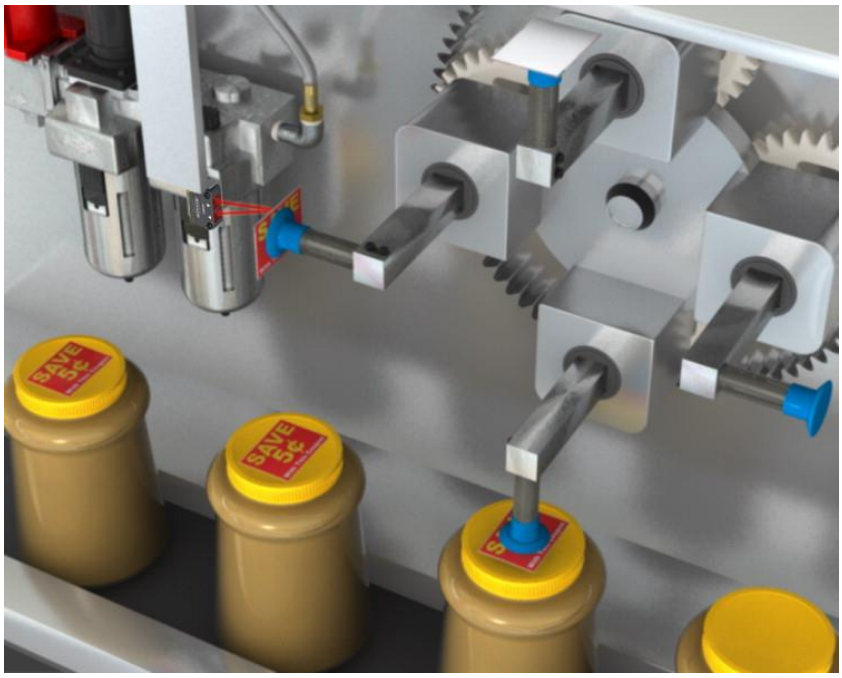
Attachment 2: Applications

Attachment 1 – Product Images of Banner Sensing & Control Products

Sensors Machine Vision Lighting Safety Wireless

Attachment 2 –Examples of Banner products used in Factory Automation Applications

Sensors used in Electronic Manufacturing



Sensors used in Food Packaging