Testimony of Richard A. Firehammer, Jr. SVP and Chief Legal Officer of Universal Electronics Inc.

Good Morning. My name is Rick Firehammer and I am the Chief Legal Officer of Universal Electronics Inc. Thank you for allowing me to testify today.

UEI is a U.S. publicly traded company founded in 1986. We develop control and sensor technology solutions and manufacture a broad line of pre-programmed universal control products, A-V accessories, intelligent wireless security and smart home products. Our customers include, among others, Comcast, DISH and DIRECTV, BOSE, BEST BUY, WALMART, RING, TRANE, and MICROSOFT.

UEI has approximately 300 employees in the United States, with more than one-half of them working in high paying engineering and research and development roles.

The vast majority of our remote control products that are used by U.S. consumers every day are manufactured in our China factories that we acquired in 2010. The proposed action under Section 301 of the Trade Act would impose additional duties on the importation of those products into the United States. These products are classified under subheading 8543.70.99 of the U.S. Harmonized Tariff Schedule.

Imposing additional duties on these products: (i) would not be practicable or effective to eliminate China's acts, policies, and practices; (ii) would cause disproportionate economic harm to U.S. interests, including small- and medium-size businesses and consumers; (iii) would have a significant negative impact on UEI's U.S. operations and on our ability to continue to develop new and innovative products and technology; and (iv) would negatively impact the quality of remote control products available in the United States.

First, all of our intellectual property is developed and owned by us, and is protected in the United States and elsewhere via patents and trade secrets. All of the engineers who create, design and develop our products and our award-winning technologies work in one of our four California development centers. Third parties, including third parties located in China, are never given access to these core assets, making it next to impossible for our intellectual property to be stolen or used improperly in China. For these reasons, imposing additional duties on the products would not be practicable or effective to eliminate China's acts, policies, and practices.

Second, according to Nielsen, over 96% of all U.S. homes have at least one television on which they watch programming provided via broadcast, cable, satellite, Telco, or broadband Internet connection. We anticipate that our customers who provide this programming will pass on the additional costs caused by the proposed additional tariffs to U.S. consumers in the form of higher subscription fees. This will result in a disproportionate economic harm to U.S. interests, including small- and medium-size businesses and U.S. consumers.

Third, additional duties on these products would have a significant negative impact on our U.S. operations, resulting in the potential need to terminate our highly paid U.S. based engineers, and move many of those positions outside of the United States to help offset product cost increases attributed to the proposed additional tariffs. Near-term, we anticipate that the reduction in our U.S.-based creative talent will negatively impact our ability to develop new and innovative products and technologies. Within our industry, UEI is the only business that maintains a significant U.S.-based operation. All of our competitors have entirely off-shored their operations while maintaining only a small sales presence in the U.S. We strongly believe that our investment in U.S. based creative talent has been the primary driver for our business success and market share leadership.

Next, the additional duties imposed on our products would have a significant negative impact on UEI generally, as our remote control products, being manufactured in our China factories would be subject to the proposed additional tariffs. These proposed additional tariffs would actually provide a competitive advantage to our non-U.S. competitors as they manufacture similar products outside of China, namely Korea, Taiwan, Vietnam, Indonesia and Japan and none of them perform any engineering or research and development in the United States. We believe it likely that our customers would turn to those non-U.S. competitors to purchase remote control products as they would not be subject to the proposed additional tariffs. This would have a significant negative impact on UEI.

Finally, the proposed additional duties would negatively impact the quality of products available in the United States. The products we manufacture in China offer superior quality to similar products manufactured by our competitors as none of them offer the features and functionality that is available in our products. For example, today our QuickSet technology is considered the industry standard in AV system control and has been designed into platforms and applications that represent nearly 40% of the worldwide smart TV market. Also, in August last year, we were awarded a Technology & Engineering Emmy by the National Academy of Television Arts & Sciences for our remote control voice recognition technology.

For these reasons, UEI respectively requests that subheading 8543.70.99 be removed from the list of tariff headings potentially subject to the proposed additional 25 percent duties pursuant to Section 301.

That concludes my testimony. Thank you again for allowing me to testify today and I welcome any questions the Committee may have.