

Testimony for House Ways & Means Trade Subcommittee, 4-14-16  
Dawn Grove  
Corporate Counsel  
Karsten Manufacturing Corporation

A wise person once said, "The greatest mistake is to stay down after falling." The Miscellaneous Tariff Bill fell out of use in December 2012 and has stayed down these three and a third years since then. I am confident the MTB need not stay down any longer and am so pleased for this opportunity to tell you how these tariffs have directly impacted our ability to manufacture in the U.S.

Good afternoon, my name is Dawn Grove, and I am Corporate Counsel for Karsten Manufacturing Corporation, the parent company of PING and foundry, Dolphin. PING is one of the top three golf equipment brands in the U.S. and provides over 800 jobs in Arizona that people want to hang onto -- nearly 60% of our workforce has worked with us for over 10 years, and nearly 30% of our workforce has worked with us for over 20 years. I've only worked at Karsten for 18 years, so I'm relatively new. We are a closely held, private family business started by my grandfather in his garage and have been passionately designing and manufacturing custom fit premium golf equipment in Arizona for the past 57 years. In February, PING's G driver was the #1 selling driver model in the U.S. We are very excited that it looks promising that many of our PING players may be asked to join the U.S. or other countries' Olympic teams when golf is added to the Olympics later this year.

Karsten Manufacturing is the only major golf equipment manufacturer to maintain its own foundry in the U.S., Dolphin, Incorporated, which has spent decades casting PING golf club heads from molten metals. Many years ago, several U.S. foundries were available to cast the club heads PING designed, but these foundries have all fled the U.S. for more business-friendly shores. Foundries that remain are no longer willing or able to cast club heads, especially for titanium golf clubs.

Although we have bought titanium furnaces and explored how to cast our needed club heads in the U.S., we had no choice but to source club heads from other countries in order to protect the jobs of our employees in Arizona and their families that depend on us. While my

family has a passion for innovation, quality and service in golf, we also have a passion for manufacturing in the USA, and have consciously made the choice to remain in the U.S. out of patriotism, although most every other major golf equipment manufacturer has decided to produce their whole golf clubs in other countries.

Why? One of the obvious reasons is that, unbelievably, U.S. golf equipment manufacturers are faced with a higher tariff rate for importing golf club heads than the tariff rate to import an entire competed golf club. These tariffs effectively penalize and create a competitive disadvantage for those golf equipment manufacturers who wish to keep production in the U.S. The majority of the golf equipment industry followed this incentive and built their golf clubs wholly abroad. We patriots at PING stayed here. PING is required to pay a higher tariff rate for importing component parts of golf clubs—and providing jobs to U.S. workers assembling golf clubs at PING—than the tariff rate we would pay to import a golf club wholly manufactured overseas.

Why does our federal government penalize us in this way? We doubt it was intentional, mistakes in tariff schedules can happen. However, we were advised that changing the Harmonized Tariff Schedule to correct this error would be too costly and unlikely to ever happen. And that it would take an act of Congress to fix it, even temporarily, through the MTB process. Nonetheless, the golf industry as a whole attempted to resolve this via several bills within the Miscellaneous Tariff Bill and indeed proposed a solution that at least would have reversed the curse on U.S. manufacturing of golf equipment, but that MTB failed to pass in 2012, and none has been passed since. The fact that others in the golf industry worked on this, shows there is an appetite for more golf equipment manufacturing to return to the U.S.

Passage of a new MTB is not some special deal for us or others in the golf industry. Rather, it could simply help end the punishment for manufacturing here rather than abroad.

Allow me to tell you a story of how the MTB has and could work to encourage U.S. manufacturing. For decades, we have made beautiful and practical golf bags for golfers to organize and carry their clubs. Only when it became painfully obvious that despite great success of our bags

and applying every non-quality related cost-cutting measure possible, we no longer could compete globally while manufacturing bags in the U.S., did we reluctantly move our bag production to Mexico in the late 1990's. We re-trained our U.S. bag workforce to make golf clubs instead so that we would not need to eliminate any jobs. And then a different golf bag manufacturer who still produced golf bags in the U.S. sought an MTB to take the bag tariff rate from 7% down to 0% for import of the necessary bag flat component unavailable in the U.S. While we had not sought or participated in that reduction request, we realized that 7% difference could make the difference between being able to competitively manufacture bags in the U.S. or not. So subsequent to President Bush signing the MTB that eliminated import duties on incomplete golf bags that would be assembled in this country, we closed our bag production facility in Mexico and trained numerous workers to begin bag production at our primary manufacturing facility in Arizona. As the MTB's were renewed by President Obama, our bag production continued to thrive. That is how the MTB is supposed to work to encourage manufacturing here in the U.S.

However, with the falling down of the MTB in 2012, that 7% penalty for U.S. bag production has returned. At first, I had great hope that Congress would enact a new MTB and encouraged my family to be patient while the process for renewal worked out. During this time, we have made every efficiency change possible without sacrificing quality, literally changing the design of our golf bags and moving the entire bag production into a different building with a more efficient layout for constructing the bags. But months have turned into years with no tariff relief, and we have to once again consider all our options so that we can continue to compete globally.

Each day that passes without a temporary Miscellaneous Tariff Bill or some other easier new process for fixing the tariffs that penalize U.S. manufacturing, limits our ability to make products and provide jobs here while competing on the global playing field. The golf club hard goods industry as a whole was hit especially hard during this recession and has contracted 30% over the past 7 years. We have needed to grow market share every year for the past 5 years just to maintain basic revenues so that we can keep taking care of our employees and their families that depend on them.

Please restore the MTB or create a process to correct tariffs that harm U.S. manufacturers, and let me tell my family that their commitment to the U.S. matters to Congress, and that Congress will not make the mistake of allowing the MTB to stay down because you really do care about U.S. manufacturing.