

**Testimony of Ray Kimber**

**Founder, Owner and President**

**RKB Industrial and Kimber Kable**

**Before the Senate Committee on Finance**

**United States Senate Washington, DC**

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Chairman Wyden, Ranking Member Hatch, and distinguished Members of the Committee, my name is Ray Kimber. I am Founder and CEO of Kimber Kable. It is my pleasure to appear before you today on behalf of Kimber Kable and the Consumer Electronics Association. CEA owns and produces the International CES – The Global Stage for Innovation- and CEA’s over-2000 member companies represent the \$208 billion U.S. consumer electronics industry. Both Kimber Kable, and CEA, rely upon an open global marketplace and policies that promote free trade, and protect our innovations at home and abroad.

I founded my company in 1979 with the Kimber Kable product line. Over time, our innovations have revolutionized the field of sound technology, and we have carved a niche as global experts in sound technology and audio cable. Our product eliminates noise and improves the fidelity of entire audio/video systems.

Today, Kimber Kable employs more than 29 people in Ogden, Utah where our product is manufactured. Approximately 60 – 70% of the product we manufacture in Utah is exported to nearly 60 countries.

Kimber Cable is typical of US manufacturers who rely on access to international markets for continued growth and success. Passage of vital trade agreements, and legislation which protects our companies’ trade secrets and products, are strong examples of areas where the government can help American innovators.

I commend you, Mr. Chairman and Ranking Member, for working with industry to secure agreements and policies that U.S. companies need to be competitive.

Free Trade Agreements (FTAs) have worked for us in the past. The most recent examples- with Korea, Colombia and Panama- were designed to eliminate tariffs and non-tariff barriers, such as non-transparent regulatory processes, which are technical barriers to trade. FTAs increase confidence and certainty for U.S. industry doing business in those partner countries. In 2012, America's free trade agreement partners purchased 12.8 times more goods per capita from the United States than did other countries.<sup>1</sup>

We want new FTAs negotiated, and passed by congress, to establish rules-based environments where U.S. companies can operate with confidence that they have certain protections, and mechanisms for enforcement, provided by those agreements. Agreements currently under negotiation such as the Trans-Atlantic Trade and Investment Partnership and the Trade in Services Agreement can do just that, especially if they do not include harmful intermediary liability language or excessive copyright restrictions.

For those agreements to be concluded swiftly, we need FTA partners to trust that the United States has the ability to actually pass those agreements into law. Trade Promotion Authority expired in 2007, and without its renewal, we risk that negotiated trade agreements will never pass into law. That costs me, my workers in Utah, and the entire US economy—and, diminishes U.S. companies' ability to innovate and remain competitive in the global marketplace.

One of the biggest challenges we at Kimber Kable face, is the threat of counterfeit products. We consider the research, design and engineering of our product to be the epitome of our company's trade secrets. The numbers below represent our export percentages. You can see that we struggle to grow and retain our overseas markets.

2012 - 76.53%

2013- 67.07%

2014- 62.47% (year to date as of 6/30/2014)

A measurable part of the sales decline is tied to an increase in counterfeiting of our products.

In countries around the globe- from Taiwan, China, Canada and even right here in the U.S., counterfeit goods are negatively impacting our sales and our reputation. We have invested considerable time and resources to educate customers and combat the source of counterfeit products. Frustratingly, our efforts have yielded little results. Sometimes it even seems that counterfeit producers are aided- or at least protected- by local governments.

These challenges are the reason I, and all of us at Kimber Kable, are so appreciative of Senator Hatch's efforts to introduce the Customs Reauthorization Bill.

This bill would help small exporters like Kimber Kable by giving us an IP center that enables law enforcement agencies to coordinate- giving us greater effectiveness at home and abroad. The bill also authorizes and directs Customs and Border Protection to share information with IPR rights holders to help quickly determine whether a suspect product crossing the U.S. boarder violates a copyright or trademark. This is an action CEA members have long urged, as currently CBP's internal policies impede the sharing of this information. The result is that counterfeit product enters markets to the detriment of rights holders, often putting the public's safety at risk.

Part of Kimber Kable's international appeal is our commitment to remain "Made in America." To go into a new market with a "substance over sizzle" approach, requires investment. The reality is that our U.S. brand offers lower margins- and that exacerbates challenges. We must actually go to a country and educate distributors and the sub-dealer networks on the value of our product. I have little confidence that this education can reach all consumers without local governments cracking down on counterfeit producers and sellers. Enforceable free trade agreements, and legislation such as the proposed Customs Reauthorization Bill which will streamline information sharing, are very valuable actions congress can take to help domestic manufacturers like me remain globally competitive.

Finally, I want to address a pending agreement, the success of which would be a boon to our industry. The Information Technology Agreement (ITA) was negotiated over 15 years ago and has not been updated since. Products such as video games and consoles and the audio and video systems that support them are not a part of the original agreement. Updating the ITA to include these products will benefit consumers by making them more affordable and promote greater production of these devices, thereby creating jobs.

CEA and its' members have been working tirelessly with USTR to advance the deal, and we could use congress' help to encourage China to return to the negotiation table prepared to make significant and meaningful progress. China's importance to us can be exemplified by one CEA member's recent sale there:

Small member company Mitek manufactures speakers in Ennis, TX where they employ about 150 people. They manufacture finished product Louisville, KY where they employ about 100 partners, and manufacture electronic components for products in Phoenix where they employ about 100 partners.

Mitek recently outfitted the Shanghai Airport and the Shenzhen ferry station with U.S. made paging systems.

Amazingly, speakers systems carry a whopping 40 % tariff rate into China! With that 40% duty removed, imagine our selling potential to those millions of customers.

This agreement is of particular importance to Kimber Kable because more speaker, amplifier, gaming and video product sales around the world, means more cable sales for us.

We believe a deal is within reach this year, but for that to happen, we need continued high level political engagement from the U.S. government.

If the U.S. is not pursuing new agreements, we risk falling behind other countries that are passing agreements at a rapid pace. To help domestic manufacturers like Kimber Kable, our government must continue to pursue new legislation such as the Customs Reauthorization Act that helps battle counterfeit product, and Trade Promotion Authority so trade deals will pass through congress quickly.

Successfully concluding T-TIP, and the Trade in Services Agreement, and Congress' help pressuring China to return to the table on ITA, are areas where congress can help immediately.

Thank you again for the opportunity to testify, and I will be pleased to respond to any questions the Committee may have.

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<sup>1)</sup> Business Roundtable (2013). "How the U.S. Economy Benefits from International Trade and Investment." Derived from The Trade Partnership. (<http://www.tradepartnership.com/site/data.html>) and World Bank population estimates.

