

My name is Matt Nadeja, and I am the owner of Quality Machine Tools, LLC / Precision Matthews Machinery Co., which is located in Pittsburgh, PA.

I strongly oppose the 25% Tariff on the items of machinery that we deal with, and many other products in the list – Something should be done, but please see my ideas below, and consider that, or other methods instead of a tariff.

First of all, it was said that this product list was chosen to have the least impact on US based businesses. But it will have a huge impact on many smaller US Businesses including ours, which can not take it as well as a very large company could. It would likely put us out of business in a short amount of time. If you are going to do it, do it on everything. Either all or nothing. Most big companies are avoiding this round of tariffs, but many small, US Based companies would be hurt.

Sourcing products from countries other than China is not a thing that can happen overnight, and if these tariffs are put in to effect immediately, it will severely hurt our company. We do more than import machinery from China, we also have employees here in the USA who do a lot of work on it to prepare for shipping, sales, we ship with US truck freight lines, there is a good amount of US job support that comes along with importing our products from China.

I am involved this business of dealing with China every single day and night, and I know many of the ins and out of dealing with China. And many of the headaches associated with Chinese products. And I completely understand that they need to change their ways of doing business as a whole. But it is not every supplier in China. And this tariff is only going to benefit the dishonest suppliers.

To start, every piece of machinery, and every single item that we have manufactured for our company and we import (from China) is on this list, which would have a 25% tariff added to it. This includes many items from HS Codes, with our main headings as listed below: (And some additional headings may apply on occasion with our products)

84581900 Horizontal lathes (including turning centers) for removing metal, other than numerically controlled

84596900 Milling machines, other than knee type, other than numerically controlled, nesi

84662080 Work holders for machine tools other than those used in cutting gears, nesoi

84663010 Dividing heads for use solely or principally for machine tools of headings 8456 to 8465

84663060 Special attachments (which are machines) use solely or principally for machines of heading 8456 to 8465, excluding dividing heads, nesoi

84669150 Parts and accessories nesi, for machines of heading 8464

One of the biggest problems that I have with this, is that the main reason for imposing the tariff is listed as technology theft or similar reasons. I have no doubt that happens in China. BUT the biggest problem with these categories is there is absolutely no new technology related to these. These kinds of machines have been around for 100 + years, they are very old, outdated technology, and our primary customers WHO USE THESE TYPES OF MACHINES FROM CHINA are hobby users who may want to do some sort of metalworking in their garage, or very small manufacturing companies who may need to do a bit of metalworking on the side. They may be retired engineers looking for a hobby, retired machinists

looking to get back in to it to help fix the neighbors car, or an inventor coming up with a new product in his basement. And this is where our low priced line of machines go. These do not go to large companies who are going to absorb the higher price because of this tariff, this extra 25% on this kind of machinery is going to kill this kind of market. We have our higher end line of machinery which is more suitable for professional, heavier industrial use. And these higher end types of machinery are already sourced from other countries, mainly Taiwan. But the lower end hobby type of machines, which are sold to the strictly budget minded consumer, are what is coming from China. And this is currently 75% of our business. Which is obviously huge for our company.

The small Chinese machines are cheap in price, decent in quality and good enough for someone looking to get in to the hobby type of work, but the types of machines that OUR COMPANY imports from China are certainly not any sort of industrial level, or any sort of threat to national security.

I have looked for many many years to try to find an alternative source for machinery of this type, and it does not exist. It does not exist in the USA, there is not one company in the USA which makes this sort of equipment. Not the equipment that we carry anyway (Yes there are companies who make larger industrial CNC machines in the USA, such as CNC Lathes and Machining Centers, but nothing in this small manual type, other than a few micro versions)

My plan, before any of this happened, was to keep selling what we are selling and building our company, and eventually making this machinery ourselves in the USA, so that I can control the quality better than having it made in China. In fact, I have already started on some castings with a local foundry here in Pennsylvania, and I have also been working on new models of this type of machinery from Taiwan – They have a bit of a higher price than China, but better quality. I have been trying to get away from China on our own for many years. But the expense to properly set up and be efficient enough to compete on price is huge. We need many millions of dollars worth of equipment to be able to do so. I have been moving in that direction, by purchasing a 25,000 square foot building in August of 2017, and trying to learn to work with iron casting suppliers in the USA. This has proven to be very challenging, but I will not stop trying. This all goes on while we are still selling our current product which is made in China, and that is needed to continue to operate with a decent profit to fund these plans over the next however many years this takes to start producing these models in the USA under my own control. And I want to do this without going in to debt.

So the biggest thing is, if this tariff would go in place, I NEED MORE TIME to prepare for this any make alternate plans. Otherwise, we will likely either just continue to sell products which are made in China, with the tariff included and killing our profits and drastically slowing our ability to grow and expand in to producing these models in the USA, or we may even go out of business.

That is one aspect of it.

The other immediate effect, would be a drastic drop in sales because of the many dishonest sellers around the world classifying these products as something without this additional tariff.

For example:

We have products manufactured in China. We import everything legally and honestly, when it comes to the current tariff rates, we pay exactly what is due. Our customs broker classifies it correctly, and we currently pay a little bit under 5% on almost everything we import in this class. We also make some

changes to better the product, keep on top of the suppliers in China to get the best quality that we can, (Its not always perfect, that's for sure, we have to do a lot of re-work from China) - We support customers with help, parts, warranty, etc. And much of our business is related to the small accessories that go along with the machinery that we sell.

So this is the problem that will happen: There is a whole list of web sites where customers can buy a similar product to what we have, buying it directly from China. Web sites such as Ebay, Ali Express, Amazon, and so many more. Anyone can go on to these sites, find a generic item that is made in China and HAVE IT SHIPPED DIRECTLY FROM CHINA TO THE CUSTOMER. And this is where the real problem will start: Let's say someone is looking for a small accessory for their machine. A keyless drill chuck for a milling machine, which we would price at \$69.99 plus \$9.99 for shipping, and say our cost on this item is currently \$40.00, including incoming freight and current tariff costs, ordered in a very large quantity.

We (We as in our US Employees, or myself, as the owner of the business) have gone with a factory in China to have this product made, we have checked this product to be sure it meets our quality standards, we offer a warranty, and order them by the hundreds or thousands. We have built our brand name over the years on a reputation of taking great care of our customers, our employees stock them in our warehouse, and this product is available to our customers at a very fair price. So there is a good bit of work in the US being created by this one item, as in jobs at our location.

If this additional 25% tariff is added to this product, $\$40.00 + 25\% = \50.00 , so now our cost becomes \$50.00. We now have to change our price to \$79.99 to cover the cost of this tariff. It does not sound like too big of a deal.

But this is where the biggest problem comes in:

A customer will look on a web site like Ali Express, Ebay, or Amazon, and can order one of these drill chucks directly from China, shipped right to the customer, normally with FedEx, EMS Express Mail, or something else. These suppliers pop up all over the place and a customer will be able to buy a similar drill chuck, many times with our copyrighted pictures even with our logo, which is stolen from our Ebay listing or our web site by a Chinese supplier, and will ship direct to the customer. These suppliers are going to lie about what is in the box and purposely mis label it to avoid this tariff. It happens now all the time, so many of these items are shipped directly from China to the USA in individual shipments, and no tariff is ever applied, so it will be even worse once the additional 25% would be applied.

And that is only going to hurt companies like us which are located in the USA, but it will only help the companies in China who are already doing this.

This happens all the time with machinery too, but since it is so big and heavy to ship, it is much easier to control, since it normally comes by ocean freight.

Another thing to note, I have heard that the shipping in China is subsidized by the government to make it much much cheaper to buy direct from China. This may be a key point to investigate as another way to help control this.

So this is my proposal to help fight this, instead of applying a tariff on these goods which is only going to hurt honest sellers:

Either completely stop, or put a high blanket tariff on any individual piece shipment that is coming to the USA from China, and is going to someone who is not in the business of having products manufactured in China (Not including repair parts to the products that the company already sells, etc) This is where most of the fraud lies and tariffs will not be charged to these items. And it is not the consumer who is committing the fraud, it is normally the shippers in China who are purposely changing the HS code or severely devaluing what is in the box, to avoid paying any tariff.

There are so many counterfeit and mis-classed goods coming out of China in to the USA, and this is the main way they are getting in. Think of how many packages each day are shipped from China to the USA with EMS Express, TNT Express, UPS, FedEx, or any other way. There is no way possible to examine every single package to make sure the proper tariff is applied. Or to make sure there are no counterfeit goods in the box. These online marketplaces make it so easy to buy any item that you want, with any name on it that you want, which are either counterfeit items that are hurting businesses, or items which will be mis classified to avoid any tariff. This is the only way that I can see to really cut down on many of the problems from China, and avoid hurting US Based businesses. And don't just to this on the HS codes that I have listed, do it on ALL products from China. This would be a huge part of the trade deficit, and I am not even sure that it is accounted for in the current numbers, because everything coming over in this way is mis classed and under valued. Not saying this is not possible to do by ocean freight shipments, as it does happen, but that is going to be so much less likely. Almost anyone can take a risk of ordering a \$50 fake or mis classed item online and have it shipped to them. Worst case is the item is seized. But taking a change on a full sea container full of goods and losing all of that, and being prosecuted is a whole different kind of thing.

And I am also asking for a lot more time to get away from Chinese products, it is not something that can happen overnight. I have been working on it on my own for the past years, and we are currently moving more towards products made in Taiwan, with the ultimate goal to manufacture them in the USA like they were many many years ago.

How about instead of adding tariffs on to products coming in, we cut taxes even more on any product or part of a product that is manufactured in the USA? And give incentives to make products in the USA, instead of penalties for importing.

This way, China will not retaliate with tariffs that will hurt farmers and other exporters in the USA, but it will still give more incentive to make products in the USA.

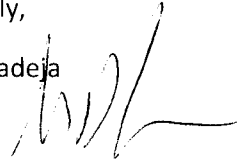
I Voted for Mr Trump to be president, and would do it again without question. The biggest accomplishments I see as a business owner has been cutting taxes, which is huge for me. And no, I am not greedy, I have worked my butt off to get where I am, working every day of the week for so many years, staying late nights, people have no idea what it takes to start and grow a successful company. And when I saw nearly half of my income go to taxes last year because I worked hard and became successful, it is extremely frustrating. So I absolutely applaud what he is doing as far as tax cuts. And I think it is an excellent idea to take on China and trade. He is absolutely right when he says we have been getting screwed over on trade. But I hope that you can listen to my ideas above, and start with this instead of hurting US businesses with the tariffs. I have many more ideas on bringing manufacturing back to the USA, and I am willing to help with this, and like I said, my plan is eventually making our products in the USA. But like I have said, it takes time, and I need much more time to get this going.

So in conclusion, yes, I am against the tariffs at this point as I have described above, because they are only going to hurt US Based businesses, and they are going to help the dishonest China based direct shippers of products. But I am all for taking steps such as stopping direct shipments from China to Consumer because of of mis classified or counterfeit products, as there is very little control over this method, and it really hurts legitimate US Based businesses.

Sincerely,

Matt Nadeja

Owner

A handwritten signature in black ink, appearing to read 'MN', written over the printed name 'Matt Nadeja'.

Quality Machine Tools, LLC / Precision Matthews Machinery Co.