



Testimony of Matthew E. Schreiner
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W.L. Gore & Associates

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House Ways & Means Committee
Subcommittee on Trade

Good afternoon. Thank you for giving me the opportunity to testify before you today on this important topic. Let me first introduce myself. My name is Matt Schreiner. I am the Global Leader for GORE-TEX® Footwear Innovation and have worked for the company for 20 years. I am responsible for new product development in our global GORE-TEX footwear portfolio. In this capacity my role is to ensure that we are bringing to consumers relevant and exciting new technologies in a manner that creates value for our customers, retailers and ultimately the consumer who wears our products.

Founded in 1958, W. L. Gore & Associates, Inc. is a privately-held company headquartered in Newark, Delaware. From our humble beginnings in the basement of Bill and Vieve Gore's house, Gore today has approximately 10,000 Associates inventing, making, marketing and selling innovative, technologically advanced products; 6,000 of our Associates are employed here in the United States. Gore has been granted more than 2,000 patents worldwide in a wide range of industries, including electronics, military and consumer apparel markets, medical devices, and polymer processing.

We are a proud member of the National Association of Manufacturers (NAM), the largest industrial trade association in the United States, representing more than 14,000 small, medium and large manufacturers in every industrial sector across all 50 states. The NAM leads industry efforts supporting the passage and implementation of a transparent, regularized and predictable MTB process that will benefit manufacturers like ourselves, as well as many others industries including those represented on this panel today.

Gore also plays a leading role in Outdoor Industry Association (“OIA”) and that organization’s Trade Advisory Committee, which focuses their efforts on pursuing a balanced trade agenda, meaning we pursue a level-playing field for both U.S. manufactures and importers who are unable to make products within the United States’ borders.

In addition, we work closely with the American Apparel and Footwear Association (AAFA) and the Footwear Distributors and Retailers of America (FDRA) on various trade issues, including matters relating to MTB. MTBs are extremely important to the membership of all four of these associations; NAM, OIA, AAFA and FDRA.

Virtually all of Gore's thousands of products are based on just one material, a versatile polymer called ePTFE (expanded polytetrafluoroethylene), which we engineer to perform a wide variety of functions. Consumers know us best for ePTFE’s inclusion in apparel and footwear products, under the GORE-TEX brand which provides a unique combination breathability and waterproof protection. We sell finished performance apparel products directly to consumers through our brands GORE RUNNING WEAR[®], GORE BIKE WEAR[®] and SITKA[®] Gear for hunting. We also sell our GORE-TEX component technology to some of the world’s most well-known outdoor brands including Arc'teryx, Brooks, Danner/LaCrosse, Marmot, Merrell, The North Face, Outdoor Research, Patagonia, Salomon, Saucony, Wolverine, and Vasque. These partnerships deliver an extensive array of high quality, high performing products to consumers for a variety of outdoor recreational activities.

Collectively, Gore and these partners are global leaders in innovation and technology that enable and enhance the experience of outdoor enthusiasts who enjoy activities such as camping, fishing, hiking, running, hunting, mountain climbing, cycling and snow sports. Our success as the market leader and a global innovator of performance textiles, apparel, footwear and accessories derive from extensive investments we make in the United States. We create high value for the finished products through our research, product development and design, process engineering, testing and analysis, patenting and market research conducted in the United States, principally within our Maryland and Delaware campuses. Our commitment to invest in innovation coupled with our ability to execute across increasingly complex and dynamic value chains enables us to successfully compete on a global scale.

As the GORE-TEX brand is known for its high quality and innovative products, there are only a limited number of factories in the world capable of manufacturing GORE-TEX footwear to our high quality standards. Currently, all of these facilities are located overseas.

In 2006 our customers approached us and voiced concerns about excessive tariffs on performance footwear. Under the U.S. Harmonized Tariff Schedule (HTS), performance footwear providing protection against, water, oil, grease, chemicals, or cold or inclement weather using coated or laminated textile fabrics -- including GORE-TEX fabrics -- is subject to duty rates as high as 37.5%.

These high U.S. tariffs are disincentives for Gore, our customers that manufacture or sell performance footwear, and for the end consumers -- outdoor enthusiasts. The average consumer

good has a duty rate of 1.3%, whereas footwear is taxed on average at 11%; for our segment of the market tariffs range from 20% to 37.5%. These hefty tariffs create an economic barrier to providing American consumers the most technologically advanced footwear. Without these onerous taxes, consumers in the European and Asian markets can purchase from a broader range of innovative products designed in the United States by American workers at a much lower cost.

When in effect, the Miscellaneous Tariff Bill (MTB) process greatly helped alleviate these economic barriers and allowed the market to reflect demand for various styles and heights of waterproof breathable hiking shoes and boots. Moreover, consumers were able to select from a wider variety of innovative designs and styles at better prices.

Following the implementation of the MTB, we observed that our customers were able to add our technology more broadly across their product line and deliver a wide range of innovative styles at better price-points for outdoor enthusiasts. As a result, Gore experienced a healthy rise in sales revenue and confidently continued to invest in our U.S. product innovation programs. This occurred about the time of the recent recession, and helped to secure American jobs.

It is important to understand that the waterproof breathable protective function in GORE-TEX footwear is provided through a bootie insert around which the shoe is assembled. Gore delivers to select factories all of the components (textile/membrane laminates and sealing elements) needed for this bootie and the high-value intellectual property essential for the assembly and integration into the finished shoe. To ensure quality and performance, Gore tests each and every footwear design to ensure the finished product meets the stringent specifications for the GORE-

TEX brand. Much of this testing is conducted in our labs in Elkton, Maryland by our U.S. footwear team.

The reduced duties under the MTB served as an incentive for Gore to increase our investment in developing new innovative technologies that would improve and expand waterproof breathable footwear into other footwear categories. To date, this technology is found in trail running, hiking and hunting boots, and it is rapidly expanding to broader categories including running, kids, and casual.

An example of how these high tariffs hamper introduction of new technology into the US market was recently demonstrated in the launch of our newest footwear innovation. In late 2012, Gore unveiled GORE-TEX SURROUND™ technology, a new innovation platform. Instead of providing the water-proof breathable functionality only through the shoes' upper, GORE-TEX SURROUND technology is configured to also include breathability through the sole of the shoe. Designed for use in warmer temperatures, GORE-TEX SURROUND technology improves footwear comfort beyond what could be previously achieved using only the upper of the shoe while still keeping feet dry in wet conditions. This technology has been adopted not only by brands for hiking and other outdoor activities, but also brands that offer dress and casual shoes.

As with any new and innovative product, the upfront costs to produce and sell at retail are much higher than for more established products. Coupled with 20% to 37.5% import tariffs, the total costs are even higher. The 2012 simultaneous release of this new technology alongside the expiration of the MTB essentially priced GORE-TEX SURROUND™ footwear out of the U.S.

market. As a result, GORE-TEX SURROUND™ was introduced only to the European and Asian markets, giving these brands a first to market advantage. While U.S. footwear brands have since introduced the technology into their collections, they remain behind their Europe and Asia Pacific competitors. Consequently, the U.S. consumers still experience a limited choice of product featuring this breakthrough technology developed by an American company.

The MTB is a critical tool for U.S. manufacturers like Gore to seek duty relief on high-value products. We are supportive of the new proposed process; we need a reliable and certain path that will ensure that our continuous innovations reach American consumers. For Gore, the MTB process has directly incentivized our investments in new innovative technology, helped secure American jobs, and increased our global competitiveness, while also benefiting outdoor enthusiasts.

Thank you for considering my remarks today.