Written Testimony
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I would like to thank you for this opportunity to share our story and engage in this important conversation. My name is Skip Richmond. I was born and raised in the U.S., where I began my career as a CPA and later worked for a decade for The Upper Deck Company, which I helped build into the world's leading sports and entertainment collectibles company at the time. I am the founder and co-CEO of DTRT Apparel Group, the largest apparel manufacturing company in West Africa. DTRT owns two factories in Ghana where we produce knitwear – primarily t-shirts, polos, fleece hoodies, and other sports/lifestyle wear for large clothing brands in the US and EU. We currently employ over 5,600 workers in Ghana making over 50,000 garments per day. I'd like to give you a brief background of how our business got started and what we've accomplished so far. I'll also share with you some of the very exciting things we see ahead for our industry and the African continent in general that are dependent on a swift and timely long-term renewal of AGOA.

First, how we got started. My co-founder, Marc Hansult, and I first met in 2004 when we both went to work for a Hong Kong based trading company that was buying everything from China and importing the goods to the US for a few American sports brands. In 2005, because of quotas that were in place on goods coming from China, we needed to find a factory outside China to produce some basketball uniforms for the Company. We learned about AGOA at that time, and we traveled to Madagascar and Mauritius looking for a factory to produce goods for us. At the conclusion of that visit, the decision was made for the Company to establish its own garment factory in Madagascar – a decision that helped the business grow significantly. Unfortunately, Madagascar experienced a coup in 2009 and lost its access to AGOA benefits in 2010 as a result. The loss of AGOA benefits made it impossible for the factory in Madagascar to compete with much larger and better-established manufacturers in China and elsewhere. This experience reinforced for us the importance of finding a stable, democratic home for our future work.

In 2013, Marc and I co-founded DTRT – which stands for *"Do the Right Thing"* – in partnership with a successful Ghanaian apparel entrepreneur, Ms. Salma Salifu. With two young children of my own at the time, I wanted to show my kids that it was possible to do good in the world and still make a good living. Although our industry has a bad reputation, justifiably in many unfortunate cases, I don't know of any industry that holds so much power to do good in this world. What other industry can employ so many people, so quickly, from a socio-economic population with such limited opportunity? Marc and I have always felt that a garment manufacturing business can make a healthy profit, while treating our people and the planet with respect. We set out to harness the power of our industry to provide our local workers and their children a better future, and to hopefully set an example for others in our industry.

We chose Ghana as DTRT's home for several reasons.

First, its geography. From our experience in East Africa (Madagascar, Mauritius, Tanzania) we encountered transit times of 50-60 days or longer to get finished goods from our factories to our customers in the US. That very long lead-time limited the population of customers we could service, particularly for seasonal garments. To provide the shortest possible lead-time to customers and expand our market, we were specifically interested in finding a country in West Africa to minimize the transit time. This has become even more important in the past several years as American buyers are increasingly concerned about supply chain risks spurred by the pandemic and recent geopolitical issues. At present, the U.S. imports the bulk of its apparel from Asia – led by China – with shipping times that often exceed 45 days. In contrast, American companies can import apparel from West Africa at competitive prices with average transit times of only 14-18 days, reducing costs and environmental impact while also mitigating supply chain risks such as those currently affecting the Suez Canal.

Second, but just as important, Ghana was the first country in Sub-Saharan Africa to gain independence from colonialism in 1957. It has since blossomed into arguably the most stable and dynamic multi-party democracy on the continent, having achieved multiple consecutive peaceful transitions of power over the past three decades. There is another national presidential election happening this year – roughly in-line with our own election here in the U.S. – and we fully expect Ghana to set an example for democracies in Africa and around the world. After our experience with the coup in Madagascar, establishing operations in a stable democracy was of utmost importance to us. We certainly feel we got that right with Ghana.

In addition to its stable democracy and shipping proximity to the US, Ghana boasts strong investment protections, a supportive government and a large English-speaking workforce. West Africa is also the world's 2nd largest cotton producing region in the world, led by Ghana's neighbors in Benin, Burkina Faso, Cote d'Ivoire and Mali. Due to lack of investment in local production capacity, most of this cotton is exported to Asia, where it is processed into fabrics and sold at higher prices. Furthermore, while Ghana has the sad distinction of being one of the world's largest recipients of garment waste (often 'outsourced' from China), this stat comes with a silver lining: disused garments can be recycled, offering cheap raw material inputs for a circular, regenerative manufacturing zone for sustainable, synthetic fabrics. With the right investments and enough time for them to mature, Ghana and the West African region more broadly hold all the prerequisites to host a globally competitive apparel supply hub that rivals those dominated by China over the past three decades.

Beyond commercial reasons, a critically important factor in our decision to operate in Ghana was the fact that it was possible for us to pay wages high enough that the jobs we provide can truly lift our local workers, and their families, out of poverty. Contrary to many places around the world that trap workers in poverty with their very low wages, we are having an enormous positive impact on the lives of our local workers and their families in Ghana. In addition to paying average base wages well above the country's mandated minimum wage, we provide free transportation to/from work every day and free catered hot meals each workday, as well as substantial incentive and bonus potential.

This year, 2024, marks the 10-year anniversary of our first garment exports from Ghana to the US. We have accomplished some great things so far, but we believe we are just getting started. As mentioned earlier, we currently employ over 5,600 people in Ghana, 76% of whom are women. Almost 50% of our supervisors and managers are women and that number is increasing (intentionally) every month. Almost none of the workers we hire have any prior experience because our industry is new to Ghana and there isn't a pool of experienced workers like exists in Asia. We must train every new worker we hire and the training cost is significant. It usually takes six months for a new worker to become efficient enough for us to break-even or make money. Without the benefits of AGOA, we wouldn't be able to afford to train so many people.

Renewing AGOA now is critical to maintain the momentum we are currently seeing. When we started our business 10 years ago, it was exceedingly difficult to get the attention of major brands to bring their business to West Africa. But today, there has never been more interest in sourcing from African manufacturers. The Covid pandemic highlighted how over-dependent many companies remain on Chinese suppliers. Human rights issues and other geopolitical forces are forcing brands to seek alternatives to Asian suppliers like never before. Everyone sees the enormous potential of Africa as the next major sourcing hub. Unlike years ago, when barely any brands had Africa on their radar, today every major US brand to whom we speak is exploring ways to source from Africa.

Despite the many advantages that sourcing from AGOA-eligible countries offers, African manufacturers can currently only fulfil a small fraction of what these US brands need. West Africa must clear two key hurdles to be competitive with established global players in the long run: (i) developing human capacity, through training of skilled garment workers and executives with relevant technical expertise; and (ii) building regional value chains, including for fabrics, trims, equipment and other specialized materials. The former is happening already at DTRT and other early-movers in the region, through on-the-job instruction and skills-transfer from experienced expats. As mentioned, this education is expensive and it is because of the benefits of AGOA that companies like ours can afford to shoulder the burden of so much training.

The latter is where AGOA remains most essential. While a Chinese manufacturer can buy all their raw material inputs domestically – often within a few hours' transit time from their own factories – companies like DTRT are forced to import nearly 100% of their production inputs from overseas (often from China). To fulfil its potential of becoming a sourcing hub that can produce tens of billions of dollars of exports to the US and employ hundreds of thousands of workers, significant investment in textile mills and other supporting infrastructure is needed. Some of that investment is already happening, but uncertainty over when and for how long AGOA will be renewed limits and delays the sort of investment that is needed. Nothing kills investment appetite like uncertainty. Renewal of AGOA within this year, for a minimum of 10-20 years, would provide the sort of comfort that companies require before investing to maximize AGOA's impact.

We would also like to highlight the continued importance of the third-country fabric provision in any AGOA renewal. While investments in the supply chain are beginning to percolate, those investments will only succeed and grow if the underlying demand for garment exports from the region remains strong. The demand for finished garments from companies like DTRT in-turn influences the demand for fabrics, trims, yarn, natural and synthetic fibers from the Africa region, and so on down the value chain. We don't want to shut off the incubator while the eggs are still developing. There are hundreds of different fabrics that will ultimately need to be produced in Africa for the continent to no longer be reliant on imported textiles. It will likely take decades for the necessary fabric mills to reach a scale where the continent will be self-sufficient. As such, the third-country fabric provision will remain an essential clause in AGOA renewal for at least the full term of any renewal.

For our part, DTRT opened its second factory in Ghana in 2022 and will nearly double our production capacities again within the next 18 months. Just this past year, DTRT introduced two of our international partners to Ghana to establish screen printing and embroidery capabilities that will expand the range of products we can offer to American buyers. In partnership with the International Finance Corporation (IFC), we have also completed feasibility studies and engineering designs for a state-of-the-art fabric mill, which can use recycled polyester fibers sourced from waste materials to produce new sustainable fabrics. We've also seen more than $200 million invested by other developers in neighboring countries – Benin and Togo – to establish apparel manufacturing hubs aimed at leveraging West Africa's abundant cotton to produce fabrics and other inputs for local manufacturers, rather than exporting those raw materials to Asia.

As with DTRT during our formative years, these investments will take time to mature. The ROI on investment in our industry is at least seven years. But they represent real progress for which AGOA remains crucial. An extension of AGOA for a further 10 years – or ideally, as Senator Coons has recommended, for up to 16 years – would serve to nurture these recent investments and further accelerate the global apparel industry's shift towards Africa as a new sustainable supply source.

We started DTRT in 2014 when we knew AGOA was up for renewal just one year later, based on nothing more than faith that Congress would do the right thing and extend this important policy. Our company was founded on the vision that my business partner, a German citizen living in the US and myself, a California-born and -raised father of two, had for the enormous transformative power this sort of business could have on the world. We didn't have the resources that so many large corporations do to make these risky investments. We borrowed money from our friends and families, and we spent many years worrying about how we would make payroll at the end of the month. We now employ 5,600 workers and expect to continue our rapid growth in the years to come. We believe we've played a key role in establishing West Africa as a viable manufacturing source for American apparel companies at a moment when – for the first time ever – the entire industry is seeking alternatives to China.

Congress can send a strong message to ensure AGOA fulfills its promise by renewing AGOA swiftly for another term. As I tell my own team regularly: *"Don't let the <u>perfect</u> be the enemy of the <u>good</u>!"* Yes, AGOA can be improved, but delaying its renewal risks doing more harm to the momentum we're seeing than the potential *'good'* that added refinements might offer. I implore you as a citizen, taxpayer and entrepreneur to find a way to renew AGOA quickly, and if needed, as-is with the ability to refine it in the future if necessary. Alternatively, if you feel you have the time to make some needed improvements to enhance capacity and utilization, then by all means do that. But please don't let the debate on these improvements to be endless – as it has been for GSP – and please remember that each passing day without renewal of AGOA means delaying and possibly losing forever a significant amount of business for the continent of Africa to other parts of the world.

Best Regards,

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