



JOHN DEERE
REMAN

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Chairwoman Okun, Vice Chairman Williamson, distinguished Commissioners, my name is Don Flatau. I have responsibility for Global Remanufacturing Operations and Marketing for Deere & Company. On behalf of John Deere, thank you for the opportunity to provide testimony today on our Remanufacturing business. We appreciate the USITC's request to obtain further information about an industry that many of us here today believe holds great potential for our economy in creating manufacturing jobs, increasing global demand for our products, and in sustaining our environment.

John Deere is celebrating 175 years of business this year, and Remanufacturing is a proud part of that history. In 1837, our founder, John Deere, recycled a sawmill blade into a self-scouring steel plow that successfully turned the rich Midwest farmland.

Today, John Deere Reman, with global headquarters in Springfield, MO, is carrying forward the Green mission started by John Deere's recycling of that saw blade into a steel plow. In 1998, John Deere started a joint venture with Springfield Remanufacturing Corporation (SRC) to remanufacture engines for John Deere. In 2008, John Deere fully acquired that joint venture. John Deere Reman also has operations in Edmonton, Alberta, Canada and is currently returning cores, failed parts, from North America, Latin America, Europe and Australia.

John Deere Reman has experienced significant growth in the past few years despite the economic downturn. Over the past 12 months, we have experienced an 11% employment growth and now have over 500 employees. Two-thirds of our employees work in the state of Missouri. Since 2003, our revenue has more than quadrupled, growing from \$45 million to \$200 million.

The demand for remanufactured products continues to grow. John Deere Reman offers a vast portfolio of remanufactured products to meet the demands of John Deere customers. Our product offering includes off road diesel engines for John Deere Agriculture, Construction and Forestry machines, engine components such as starters, alternators, turbochargers and fuel injection pumps and nozzles. We also offer transmissions, axles, hydraulic and electronic components.

John Deere products are designed to conserve resources while helping our customers produce the food, fuel, fiber and infrastructure needed by a rapidly growing and developing world. Remanufacturing is often called the ultimate form of recycling. John Deere components that have reached the end of their useful life from around the world are returned to core collection centers waiting to be used in the remanufacturing process and then brought back to like-new condition.

John Deere takes the role of being environmental stewards very seriously and considers our Remanufacturing business to be a great story of our commitment to environmental sustainability. For example, for a typical engine returned, 92% is reused (1780 pounds), 7% recycled (130 pounds) and 1% is "waste" (28 pounds). Our Springfield, Missouri facility alone remanufactured over nine million pounds of components in 2011 which were previously discarded. This means that failed parts and components are now kept out of the waste stream. Remanufacturing also minimizes the carbon footprint for John Deere as less energy is consumed in the remanufacturing process compared to manufacturing new components.

Environmental stewardship is just one of the key drivers for John Deere to be a part of the remanufacturing business. For 175 years, we have aimed to provide the best support possible to our

customers. Remanufacturing enables us to provide solutions to help keep our customers running by providing them with an option for faster and less costly repairs. The warranty on our remanufactured products is a genuine John Deere warranty that meets or exceeds the coverage level found with the equivalent new part. Our engineers also have the ability to learn from any past machine failures and can use that information for enhanced design solutions.

The higher levels of technology that are now being used to produce components such as engines has resulted in increased complexity and a higher degree of difficulty to repair failed components at the local level. Therefore, it is beneficial for remanufacturing to be done in a dedicated factory-controlled environment with engineering support. In a factory environment, health- and safety-related issues are more easily controlled.

While there are many opportunities for our industry and the Remanufacturing business at John Deere, we recognize that there are challenges and barriers to entry that need to be addressed for Remanufacturing to move forward.

One of those challenges is clearly defining 'Remanufacturing' and agreeing to industry quality standards. While some may view the term Remanufacturing as "used" or "repaired" parts or components, we have developed a process that goes far beyond that. John Deere Reman guarantees that our remanufactured products will be built with the same quality standards that we adhere to in all our manufacturing businesses. In the John Deere Reman process, the products or components are completely disassembled and cleaned, all parts are thoroughly inspected with the goal of salvaging, by using appropriate reclaim techniques, as many components as possible. Wear parts are replaced 100% of the time and the Remanufactured component is assembled to original specifications or better. Once assembled, the products are fully tested to original specification or better.

While there is much excitement in the Remanufacturing industry, the industry struggles to find clear definition without NAICS codes. Remanufacturing needs independent NAICS codes to define and measure our industry. Countries around the world look to the US for leadership of this industry, yet we are not classified as an industry here. Setting industry standards for Remanufacturing will be vital in order for the Remanufacturing industry to be recognized as the credible and viable economic driver in the US and abroad.

The second major challenge in growing the John Deere Reman business is in being able to meet the demands for our products in key markets around the world. This is one of our most concerning obstacles because the demand is coming from customers who need and want our products, but are prohibited from buying them. The opportunity to sell John Deere Reman in countries such as Brazil, India, Argentina, China and Turkey is vast, but these countries, and many others, view Remanufactured products to be the same as "used" or "dirty" products and have barriers in place to prevent "dumping" of products they consider to be of inferior quality. Once Remanufacturing standards are clearly defined, this must be communicated and brought to the table in trade agreement discussions. Our ability to continue growing our business is dependent upon being able to be a player in high growth global markets.

In closing, we would like to express our optimism for the potential that Remanufacturing has, not only for John Deere, but for the thousands of other businesses in this industry. This industry has the opportunity to a bright spot in the current challenging economic environment.

Thank you to the USTR and the USITC for recognizing the viability of this industry and reaching out to businesses such as ours for more information. We appreciate the opportunity to provide input and stand ready to work with you in the future.