

**Written Statement of Peter J. Liegl,
President of Forest River, Inc.,
for July 9, 2008 Hearing of the
House Committee on Oversight and Government Reform**

Thank you, Mr. Chairman and Members of the Committee.

My name is Peter Liegl. I am the President of Forest River. On behalf of our more than 5,000 employees, I appreciate the chance to tell you about our company and what we do. I'm especially proud to tell you how Forest River workers pitched-in to help victims of Hurricane Katrina.

We started Forest River in 1996. It began in an Indiana community where people of different backgrounds share a strong work ethic and what we like to call "Hoosier values." It's a place where folks believe fine craftsmanship and a little elbow grease will produce great products that our customers will enjoy for years.

Mostly we build RVs. We think that because of what we do, lots of American families are able to get closer to the outdoors, and to travel and explore our country. That's why we build our RVs, and build them well. That's why our owners buy them and enjoy them.

Our first unit was built in a garage. Twelve years later, the Forest River family has grown. Currently, we have more than 5,000 employees who work in more than 60 locations. There are Forest River plants in Indiana, California, Michigan, Texas, Georgia and Oregon. Last year, we built and sold over 100,000 recreational vehicles.

We're still learning, and still improving. Our folks still work hard, and still care about what they do. They are just like the people that you have the privilege of representing here in Washington. And like the people you represent, they care a lot when their fellow Americans are suffering.

They cared in 2004, when a rash of hurricanes hit Florida. Forest River was asked to build 800 units to help the victims. Specifically, North American Catastrophe Services, which is an approved supplier for FEMA, asked Forest River to build 800 units to help the victims. Our folks dove right in, building those RVs to FEMA specifications. They were eager to help. They were proud we never received a complaint about the units they built.

They cared in 2005, when Hurricane Katrina devastated the Gulf Coast, followed by Hurricane Rita. Like all Americans, our employees were stunned by the devastation, by the cities and neighborhoods destroyed in an instant, and by the thousands of people left homeless. Like other Americans, Forest River employees wanted to help. And once again, they did.

This time, NACS asked if we could produce 35,000 units for it to sell to FEMA. We knew we had to figure out what we could do— consistent with our production capacity, our ongoing operations and commitments, and our quality standards. But we wanted to help, even if it meant interrupting some of our other planned production. We knew we had to make a decision that made sense for our workers, our suppliers, our dealers and our customers. So, our team at Forest River came up with a production schedule that allowed us to build 5,000 trailers to help Gulf Coast victims.

I really don't know how to describe how eager our folks were to do this. But I can tell you how they did it.

Forest River workers built those 5,000 trailers on the same production lines, using the same basic raw materials and same basic components, with the same quality standards and the same inspectors, as they do for the products they build every day for our dealers to sell to our retail customers. The FEMA specifications called for some upgrades, including residential refrigerators and commodes, a larger fire extinguisher, a larger water heater, an over-the range microwave, and a 15,000 BTU ducted air conditioner. So, we put those in. We didn't put in holding tanks, or a freshwater demand system, because those were FEMA's instructions.

Importantly, the quality of construction on the FEMA units was the same as for our other units. The 5,000 units we built for the Gulf Coast received the R-V-I-A seal, because they met the standards established by the Recreational Vehicle Industry Association. We even said we wouldn't ship our units if they were going to be shipped by rail, because we've learned that rail shipping has too many risks of damage— risks we won't take with Forest River products.

Of course, our folks couldn't build those 5,000 units for free. Like every business, we have to pay our workers and our suppliers, and earn enough to keep things going. But we never even thought about charging higher prices. We sold the trailers built for the Gulf Coast at the same modest profit level we make on normal sales. Our overall profit that year was about the same as it was in the years before and the year after Katrina.

The numbers, which we've provided to Committee staff, are as follows: The 5,000 FEMA-specification units were sold to NACS for \$9,495 each (plus freight), yielding a total of about \$47,475,000 in gross revenue. Forest River's pre-tax profit was approximately \$475 per unit, for total pre-tax profit of around \$2,275,000. The 5,000 FEMA-specification units amounted to about 3.13% of Forest River's total sales of 108,528 units in 2005. Our after-tax profit in 2005 was 3.62 %, compared to 3.76% and 3.56% in 2003 and 2004, respectively; and compared to 3.74% in 2006, and 3.78% in 2007.

Later, we learned that FEMA's Gulf coast relief efforts also included buying trailers right off dealers' lots, even some of Forest River's trailers. These, too, were being used as temporary housing for people who had been left homeless. We still don't know exactly

how many Forest River units were purchased by FEMA from dealers, because it has been difficult to obtain an accurate list of the Vehicle Identification Number information needed to figure this out.

Although the VIN data we have recently received is still incomplete and appears to have some duplication, our review indicates that FEMA bought another 5,000 to 6,000 Forest River units, and perhaps a few more, directly from dealers. Whatever the exact number, Forest River workers were happy to know that this was another part of their contribution in responding to a major catastrophe.

Today's hearing involves formaldehyde. We all know there is some formaldehyde in wood products, carpeting and fabrics used in making RVs. The same is true of products used in building houses and apartment buildings. There is some formaldehyde in our cars, our homes, our offices, our furniture, and our restaurants.

A number of factors can have significant impact on ambient formaldehyde levels at any given moment. Cigarette smoke, for example, contains significant amounts of formaldehyde. Formaldehyde is also given off by cooking some common foods, such as fish or broccoli. If you look at the "Interviewer Questionnaire" that was used by the Centers for Disease Control in connection with its recent testing of temporary housing units used in the Gulf Coast, you'll find there are some three pages of questions covering a wide variety of different factors that can affect the formaldehyde level shown at the time a particular may have been taken.

One very important factor, which CDC and others have consistently pointed out, is the amount of air circulation or air exchange in a given type of unit. On this point, Forest River knows that the 5,000 units it produced for NACS to sell to FEMA had five windows and both a manual and a power air vent. These features provide good air circulation for units of this size and floor plan. Again, these features are similar to those on Forest River models that we built for our dealers to sell to our retail customers.

What we don't want is for formaldehyde – or for that matter, any other substance that's part of the world we live in – to reach levels where it's a serious health threat. I think people of good will are on the same page about that, even as we're working to find answers. Most of us aren't doctors or scientists; and those who are doctors and scientists don't agree on what levels of formaldehyde are and aren't safe for most people. As the Committee knows from its earlier work in this area, different standards have been proposed by HUD, by EPA and by others, and studies and proposals on this are still ongoing. There isn't even agreement on how to measure formaldehyde levels.

No one has all these answers yet. Certainly, I don't pretend to. But what I can contribute is to tell you about Forest River's experience and my own experience.

First, I've been in this business for more than 30 years. The fact is that formaldehyde has not historically been an issue with RV products and our customers. And, during the more than a dozen years that Forest River has been in the business, we have made and sold more than a million travel trailers and other RVs. Out of all those million-plus RVs, I think we have had only three instances where customer concerns actually required our testing the vehicle for formaldehyde.

We provided Committee staff detailed testing data about those isolated cases. The simple summary is this: In two of those cases, the formaldehyde level tested quite low. In the third, it was pretty clear at the end of the day that wherever the problem was coming from, it wasn't on the manufacturing end.

Given that experience – literally less than a handful of instances of this sort out of over a million units – I think you can understand why I say that formaldehyde has not historically been an issue with Forest River products and customers, and has not been an issue in the industry that now has more than 8 million families across the country.

The second point is that we haven't been sitting by, waiting for the doctors and scientists and regulators to figure out the answers. We may not know the answers, but we know that it couldn't hurt to move toward California's stricter formaldehyde standards for wood products, even before it was recommended in the industry.

I read with interest portions of the Select Committee's Final Report on the Response to Hurricane Katrina. The Report, as you know, is titled "A Failure of Initiative." I want to assure this Committee that there was no "failure of initiative" on the part of Forest River or its employees. Importantly, Forest River and many other private companies made sacrifices to assist the victims of this disaster.

Forest River hasn't ruled out the possibility of helping again when natural disaster strikes but, as the Report stated, for the vast majority of manufacturers who —like Forest River—just tried to help, the cost of that risk may not be worth it.

In closing, I want to repeat my appreciation for being allowed to share the Forest River story. Our employees are proud of the products we make, and the company they have helped build. But I think they took more satisfaction from doing their part to help out the victims of Katrina than from anything else they do.

I must also tell you, candidly, that many of our workers are now befuddled and a bit hurt at the charges about the quality of RVs supplied to Gulf Coast victims. They know that when it comes to Forest River products, nothing could be further from the truth. But I think they also have faith, as I do, that responsible people will be fair, and will make their judgment on the facts.

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Thank you again, Mr. Chairman. I will be happy to try to answer the questions you and your colleagues may have.