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When Guns Must Go: Makers Mull Moves as Laws Raise Risk

When gun and gun-parts makers have responded to new firearms laws in states such as Connecticut, Colorado, Maryland and New York by moving or threatening to move to other states, the decision comes down to risk tradeoffs.

In interviews with Risk & Compliance Journal, a number of manufacturers said the new laws often leave them with unanswered questions about whether standard elements of the manufacturing and sales processes might be criminal offenses, and at a loss to get answers to questions about whether new products will even be legal. They express fear that changes in interpretation in the future could expose them to new legal risks. There is also brand and market risk, they say, because firearms customers vote with their wallets by refusing to buy guns or gun parts from manufacturers who remain in states perceived as anti-gun. On the other hand, supply-chain risk is a concern if they move.



An analysis of gun laws' impact on manufacturers by University of Connecticut professor Steven P. Lanza published in the summer found "no evidence that tougher gun laws send gun makers packing," and explained that "changes to any individual state's gun laws are unlikely to have much of an economic impact on manufacturing firms and their employees if those changes aren't replicated at the federal level."

Yet gun makers who are mulling relocation or who have already decided to go tell a different tale.

Josh Fiorini, chief executive of PTR Industries Inc., decided to move his company from Connecticut to South Carolina after the state passed new gun control legislation earlier this year.

“This was a 100% logic based decision,” he told Risk & Compliance Journal in an interview, “This was not an emotional reaction. We weren’t trying to make political hay. It was just what’s best for the business.” PTR has about 50 employees making about 20,000 rifles a year, Mr. Fiorini said, and Connecticut’s legislation made all of its products illegal in the state. Although the legislation offered some exemptions for manufacturers, Mr. Fiorini said there was risk nonetheless. “For example, there was an exemption written in for employees to transport these newly illegal firearms for purposes of sale,” he said, “Those four words were written in bill. A conservative reading would say you have an exemption to transport for no other purpose. What if we needed to transport to the rifle range for R&D, or to the anodyzer, or multiple reasons in the manufacturing process we might need to transport them for?”

Mr. Fiorini has past experience with such issues. Some years ago, he says Connecticut state police arrested a contract sales representative who was displaying a PTR rifle at a gun show for allegedly violating Connecticut’s prior gun laws. “The case was litigated over a period of 18 months, which obviously incurred legal costs, and eventually the gentleman was cleared of most charges and agreed to plead to some type of administrative fine type thing and the case was dismissed at that point,” said Mr. Fiorini, who estimates the cost of the case to PTR at “\$30,000 to \$50,000. “That was just one particular misunderstanding,” he said.

Jonathan Scalise, president and chief executive of magazine maker Ammunition Storage Components said that following passage of the Connecticut gun laws, “We saw immediately about a 28% pushing towards a third falloff in sales,” explaining “We had many emails and phone calls, essentially stating ‘we like you guys, love your product, however you are in Connecticut and we are going to basically combat what is going on there with the only means we have and that’s our dollars.’ They said ‘we don’t want to spend our dollars in a state that does not have regard for our second amendment rights.’” He hasn’t yet decided to relocate, but is considering offers from other states, he said. “I would say that any move would be staged,” he explained, “It would be small at first to really kind of find out what is going on and feel the temperature.”

Duane Liptak, director of product management and marketing for Colorado-based Magpul, also cites reputation and market risk as a factor in its announcement that it would relocate following the passage of gun legislation there. Mr. Liptak said that although Colorado state law provides exemptions that allow the company to manufacture, “Our customer base is very ideologically oriented and values our products because of values we have as a company. If we were to betray those values by remaining in the state with the exemption that they put in place saying we could continue to manufacture here, if we supported with jobs and revenues a state that was taking away freedoms from citizens, we could lose a substantial portion of our customer base.” Mr. Liptak didn’t say how much of a market impact Magpul would expect.

Beretta Holding said in a May statement following Maryland’s passage of new gun laws that even though provisions that “would have required an immediate move of certain operations out of Maryland” had been stripped out of the bill, “The idea now of investing additional funds in Maryland and thus rewarding a Government that has insulted our customers and our products is

offensive to us so we will take steps to evaluate such investments in other States.” Beretta didn’t respond to phone and email queries from Risk & Compliance Journal seeking more detail.

Manufacturers who said that they are considering relocation cited supply-chain risk as a potential problem. Frank Harris, vice president, sales and marketing, Kahr Firearms Group, explained that supply chain risk was very much in mind when his company announced a move out of New York that would keep it close to its existing supply chain. Kahr, he said, was close to signing a deal for 200 acres in New York when that state passed new gun restrictions in the spring. The company went across the Delaware River to Pennsylvania, finding both land for expansion and a warm reception from economic development officials. “That was a big deal for us, that supply chain,” Mr. Harris explained, “All of our supply chain is pretty much in New England—Connecticut, Massachusetts, some in New York. We couldn’t afford to just move to South Carolina, or Iowa, or Texas, or Tennessee and be able to maintain our production, our quality. It would have been very difficult.”

Yet some manufacturers say that other regions with precision manufacturing skills could well provide the supply chain they need. Mark Malkowski, president of Connecticut-based Stag Arms, said, “It was very hard when we approached the state police and asked for interpretation of the law so we would know how we would be compliant with it, but they told us they could not give us information on what was or was not illegal even though we submitted a functional prototype.” The Connecticut State Police didn’t respond to Risk & Compliance Journal’s email and phone requests for comment. “Our location here, we have a rich history of firearms manufacturing in this area. It’s frequently referred to as Gun Valley,” he said. But he also said, “In general, these clusters can easily break apart and reform in other areas.”

In fact, it seems likely that supply chains may already exist in other areas. Larry Keane, assistant secretary and general counsel at the trade group National Shooting Sports Foundation, cited issues such as labor costs in addition to regulation and said, “What you’ve seen in Connecticut over the years is companies leaving” He named Remington and Ruger among the manufacturers that have emphasized production elsewhere. Neither company was available for comment.

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