TESTIMONY OF STEVEN A. THIRY
ON BEHALF OF
AMT – THE ASSOCIATION FOR MANUFACTURING TECHNOLOGY
ON
OVERSIGHT OF THE U.S. EXPORT-IMPORT BANK'S IMPLEMENTATION OF ITS SMALL BUSINESS MANDATE

Before the
U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON SMALL BUSINESS

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Madame Chairwoman and members of the Committee, thank you for holding this hearing today and for giving me the opportunity to be here and participate.

My name is Steven A. Thiry. I am Vice President of Business Development at AMT - The Association For Manufacturing Technology.

Before I speak, and pursuant to House Rule XI, I am obliged to report that AMT received $225,100 from the Commerce Department's Market Development Cooperator Program for a technical center in China – $207,254 of which was disbursed in 2005 and $17,846 in 2006.

AMT is a trade association whose membership represents nearly 400 manufacturing technology providers located throughout the United States, almost the entire universe of machine tool builders who manufacture in our country. Most of these companies are small – an estimated 78 percent of them have less than 50 employees, most family owned. But what they contribute is huge.

They are the ones who build the machines that make things work. In fact, everything in this hearing room except the people, of course, was either made by a machine tool or made by a machine made by a machine tool.

We are an essential part of America's manufacturing base, providing a wide range of industries the manufacturing technology they need to produce – from cutting, grinding, forming and assembly machines to inspection and measuring machines and automated manufacturing systems.

Over the past few decades, these companies have faced significantly increased competition from abroad and seen a decline in their domestic market. As a result, they have turned to the export market to help keep their companies alive and growing – which, in turn, has safeguarded jobs here in the United States.

Increasingly, the ability to compete in the global markets is determined by factors beyond the products offered and the manufacturer's ability to service and support those products at the customer's point of use. Foreign competitors from countries such as Taiwan, Italy and Brazil

often can package their products and services with government subsidized financing that substantially improves their competitive position. This support becomes an even greater differentiator when the purchasing company is a smaller business. As such, smaller businesses in foreign markets often must pay substantially greater credit insurance and interest rates and undergo a difficult and uncertain application process in order to acquire American technology.

Another important factor to consider when evaluating the type and effectiveness of small business loan support is that all small businesses are not created equal. The U.S. government defines a small business as having less than 500 employees. It is very important to remember that the organizational structure as well as the specialization of skill in businesses ranging in size from 10 to 500 varies dramatically. A business with 300 to 500 employees is likely to have a far more experienced and sophisticated accounting and financial organization than one with 20 to 50 employees. In fact, the Chief Financial Officer of a 20 to 50 employee company is quite likely to be the Chief Operating Officer and owner as well. Wearing these multiple hats greatly limits the time he or she can dedicate to learning the ins and outs of getting an Ex-Im application through the approval process.

You might ask, why be concerned about these small, small businesses?

Building a long-term, viable export business takes more than capturing large project orders from a few big customers. It requires the development of a broad base of healthy and growing customers.

Among our member companies, we find these small businesses, because of their size, are proving more nimble in responding to changing market needs and increasingly are a greater factor in expanding the American export customer base. Examples of this include Master WorkHolding, Inc., in Morganton, N.C., which increased its exports from less than 20% to over 70% of its total business in just three years and expanded its payroll from 23 to 33 employees. This growth was enabled by Working Capital Guarantees provided by BB&T Bank through their delegated authority from the Ex-Im Bank. In this process, BB&T very effectively handled the application process, and as stated by Mike Powell, the owner of Master WorkHolding, Inc., "I could not have done this if I had had to take the time to figure out the application process myself. I would have lost the orders."

Participating in the AMT Shanghai Technology and Service Center – an export-enabling operation started with the support of a Market Development Cooperator Program grant – are 56 AMT members, of which over half have less than 70 employees. This Technology and Service Center directly contributed to over $23 million in U.S. exports in its first two years of operation.

Given these factors, what could be done in the future to improve the Ex-Im Bank support to small business?

Supporting the application process for smaller companies with limited expertise and resources places different demands on Ex-Im Bank staff regardless of the loan value and the ultimate buyer. Being effective requires that the Ex-Im staff know and understand the constraints under which smaller businesses must operate to survive. Simply put, it is not like working with a

larger business that has a sophisticated finance department. It is far more challenging. The Ex-Im Bank must have adequate staff specifically assigned and dedicated to working with these companies. This cannot happen without adequate funding support from Congress for the administrative functions of Ex-Im.

Speed is of the essence. With shrinking product life cycles, today's business environment is one where first to market, first to produce and first to deliver carries a greater competitive advantage than ever. An application approval process that exceeds the time allotted by the buyer for selecting a product and releasing the order effectively eliminates the Ex-Im backed financing, and, by default, the American exporter, from competing, even where the American products may offer superior performance. Simplifying and accelerating the application and approval process needs to be a priority to improve future support. Providing delegated authority for medium term loans to lending institutions with resources and experience in targeted export markets is a program that offers tremendous potential for improvement, and I want to emphasize that this is strongly supported by AMT. We urge rapid authorization of delegated authority for medium term loans.

Finally, it is our strongest recommendation that the current U.S. content requirements be reviewed. American manufacturers compete in a world market. Increasingly, customers in export markets seek to reduce the number of vendors and orders they transact in an effort to reduce their operating costs. This often forces American exporters to bundle their U.S.-produced products with products manufactured outside of the United States.

When financing support is offered only in proportion to American content, it puts the American exporter at a substantial disadvantage to foreign competition who can and will finance the entire project. Although intended to ensure financing support is only given to American-produced products, the ultimate effect of this proportional support is the reduction of the sale of U.S.-produced product.

Every member of AMT manufactures products in the United States. Each is fiercely competitive and determined to ensure that American manufacturing technology remains preeminent. They continue to invest time and money in their family businesses to grow their share of the world marketplace. They need your help to level the field on which they must compete.

Madame Chairwoman and members of the Committee, thank you again for giving me the opportunity to be here and participate.