

**EXPORT-IMPORT BANK REAUTHORIZATION:
SAVING AMERICAN JOBS AND SUPPORTING
AMERICAN EXPORTERS**

HEARING
BEFORE THE
COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE
ONE HUNDRED TWELFTH CONGRESS
SECOND SESSION

ON

CONTINUING OVERSIGHT OF THE RECENT ACTIVITIES OF THE EXPORT-
IMPORT BANK AND THE CRITICAL NEED TO REAUTHORIZE THE
BANK'S CHARTER

APRIL 17, 2012

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EXPORT-IMPORT BANK REAUTHORIZATION: SAVING AMERICAN JOBS AND SUPPORTING AMERICAN EXPORTERS

TUESDAY, APRIL 17, 2012

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Committee met at 10:04 a.m. in room SD-538, Dirksen Senate Office Building, Hon. Tim Johnson, Chairman of the Committee, presiding.

OPENING STATEMENT OF CHAIRMAN TIM JOHNSON

Chairman JOHNSON. I call this hearing to order. We are here today to discuss the urgent need to reauthorize the Export-Import Bank.

The Export-Import Bank is the official export credit agency of the United States, and it assists in financing the export of U.S. goods and services. Last year, the Bank supported almost \$33 billion in export financing and helped support 290,000 American jobs. It is important to note that the Bank does this at no cost to the taxpayers, charging interest and fees to cover all of its expenses. The Bank actually reduces the Federal deficit and has returned almost \$2 billion to the Treasury since 2008.

As my colleagues know, last September this Committee unanimously approved a bill to reauthorize the Bank. If enacted, this bill would extend the Bank's authorization to 2015, increase its lending authority to \$140 billion, and implement a variety of reforms to improve transparency and further protect taxpayers' money. Unfortunately, our repeated efforts to pass this legislation in the Senate have been blocked.

The Bank's goal is to use exports to help create and maintain jobs here at home. This mission, embodied in the Bank's charter, is at the very core of what Congress intended the Bank to do.

However, the Bank's current authorization expires in 44 days, on May 31st. If the Bank's charter is not extended and its lending cap not increased, thousands of American jobs will be at risk.

Our witnesses today represent a broad cross-section of businesses and labor. Their testimony will help us better understand the consequences of a lapse in the Bank's authorization, both for American employers and for the workers and families who would lose their jobs.

The diversity of this panel speaks to the broad public support for the Bank and its mission and is a testament to the vital role the

Bank plays in helping businesses large and small. I believe that while the Bank is doing a good job, it can—and must—do more. I believe our legislation will help the Bank reach that goal.

Mr. Patton, Ms. Kostadinova, and Mr. Ickert are small business customers of the Bank, and I am interested in hearing their perspective on how the Bank's financing has helped their businesses create jobs and compete in the international marketplace. I also hope to hear from President Buffenbarger about the impact a failure to reauthorize the Bank would have on American workers.

There is simply no good reason to oppose the reauthorization of the Export-Import Bank. To do so would jeopardize thousands of American businesses, cost hundreds of thousands of jobs, increase the Federal budget deficit, and put our Nation's exporters on an uneven playing field with their competitors around the world. I am hopeful that today's hearing will help convince all of us in Congress about the importance of reauthorizing the Bank.

I will now turn to Senator Shelby for any opening remarks he may have. Senator Shelby.

STATEMENT OF SENATOR RICHARD C. SHELBY

Senator SHELBY. Thank you. Thank you, Mr. Chairman.

Last year, as the Chairman has noted, Chairman Johnson and I worked together to craft bipartisan legislation to reauthorize the Export-Import Bank for another 4 years. That legislation, Senate bill 1547, not only reauthorizes Ex-Im Bank but also recognizes the importance of ensuring that the Bank's activities do not put taxpayers at risk or supplant private financial markets.

As our economy continues to struggle, it is important that Ex-Im have the financial resources it needs to ensure that American exporters can compete in overseas markets. Accordingly, our legislation increases Ex-Im's authorization level. The bill does not, however, give Ex-Im a blank check, and it should not; rather, it authorizes the Bank at a level of \$20 billion less than Ex-Im requested. This is a fair outcome, I believe, that gives the Export-Import Bank, according to our analysis, the resources that it needs to fulfill its mission, but no more.

Our bill also contains several important reforms that will make the Bank more accountable. Most importantly, the Ex-Im Bank will have to publicly disclose more details on transactions valued at more than \$100 million before its board can approve them. Ex-Im will also have to publish a strategic plan that details its objectives and provides metrics by which its operations can be evaluated.

In addition, I believe that we need to do more to monitor the risk Ex-Im assumes because taxpayers are ultimately responsible for covering the Bank's losses. In particular, I believe that we need to determine if the Ex-Im Bank is properly accounting for market risk. That is why I insisted that our bill contain a GAO study to review Ex-Im Bank's risk management practices to determine if they pose any risk to the American taxpayers. I believe this study could also provide the basis for enacting further reforms of Ex-Im Bank's operations and accounting.

Thank you, Mr. Chairman.

Chairman JOHNSON. Thank you, Senator Shelby.

Are there any other Members who wish to make a brief opening statement? Senator Schumer.

STATEMENT OF SENATOR CHARLES E. SCHUMER

Senator SCHUMER. Thank you, Mr. Chairman.

It has been striking to watch an utter no-brainer of an issue like reauthorization of the Export-Import Bank suddenly become a matter of great controversy. This has always been a bipartisan issue that has been supported by both parties. What began as an ideological thought bubble from far-right Washington think tanks has suddenly become a cause celebre with the Tea Party. Meanwhile, millions of jobs are hanging in the balance.

But I am feeling more and more confident that this mindlessly ideological effort to block the Ex-Im Bank has run its course and is about to run out of gas. I think we can have a deal sooner rather than late.

For one thing, mainstream Republicans do not want this fight. In fact, many are embarrassed by it. The Tea Party's kamikaze attacks on the Ex-Im Bank has driven an unwanted wedge between the Republican Party and the business community. As you know, we in the Senate tried last month to pass the Ex-Im reauthorization by attaching it to a must-pass vehicle. Senator Cantwell offered the Ex-Im measure as a bipartisan amendment to the House IPO bill. The Ranking Member was a cosponsor, as was Senator Graham, both my good friends—one from this Committee and one used to be on this Committee—and we were confident we had 60 votes for the amendment. But then at the last minute, our Republican friends pulled their support from it, and the amendment went down. I believe they were trying to give cover to the House leadership, which was in a turmoil about this issue. It was not a proud moment.

Almost as soon as the vote was over, many Senate Republicans were already wishing that the issue would come back again. Twenty-six Republicans signed a letter to Leader Reid pledging support for Ex-Im if he would give them another chance to vote for it. Well, we can have another vote in the Senate quite easily, and I believe Senator Reid is very willing to do that. But the concern, of course, has been the House. The Tea Party wants us to bite our nose off to spite our face. Leader Cantor has been trying to ride this bucking bronco, but he seems to be sensing he is about to fall off. In recent days, Leader Cantor has appeared more eager to negotiate a solution with Democrats as a way out.

Also, my office has been in touch with Delta Airlines—they employ a lot of people in New York—which has raised concerns about the Bank's renewal previously. At this point, my impression is they are scaling back their demands so that a resolution may not be far off.

Our bottom line is to extend the Bank's charter and grow its lending cap like we do in the Senate bill. If there are other reasonable suggestions for modest reforms, such as those that have already been put in the bill by Senator Shelby, we can take a look at them.

So I think we are closer to a resolution than the rhetoric from the other side might—and the other House might lead you to be-

lieve. The other side knows it has taken this fight too far, and in the face of all this pressure from the business community, they cannot sustain this effort to block the Bank much longer.

We are almost a month away from the Bank's charter running out. The Tea Party in the House has stomped its feet. Now it is time for the adults over there to negotiate a solution that puts this issue behind us.

Thank you, Mr. Chairman.

Chairman JOHNSON. Thank you.

Anyone else? Thank you all—

Senator VITTER. Mr. Chairman?

Chairman JOHNSON. Yes?

Senator VITTER. Yes, I would like to make an opening statement.

Chairman JOHNSON. Yes.

STATEMENT OF SENATOR DAVID VITTER

Senator VITTER. Thank you, Mr. Chairman.

I agree that reauthorization of Ex-Im should be a relatively straightforward matter, and I think it can be if the key concerns that many folks have brought to bear in the debate are addressed directly. I want to focus on one which is, I think, the biggest concern, which is that some Ex-Im Bank loans in the past have had a clear negative impact on certain U.S. businesses. Senator Schumer mentioned Delta Airlines. Several of these examples are airlines deals.

This goes to a broader management issue of Ex-Im Bank regarding the extent to which it properly looks at adverse impacts of loans it is considering. There is an actual requirement in the law that it do that in a full way 12 U.S.C. Section 635a-2 requires the Bank to:

insure that full consideration is given to the extent to which any loan or financial guarantee is likely to have an adverse effect on industries, including agriculture, and employment in the United States . . . or by increasing imports to the United States.

There has been a GAO study about the extent to which this absolute legal mandate is followed, and the results, quite frankly, were abysmal. Ninety-two percent of all Ex-Im transactions did not receive any adverse impact analysis—none whatsoever. Out of the remaining 8 percent, all but 0.2 percent received only modest review, not the full congressional reserve mandated under statute, and that was not me saying that or not a Tea Party member saying that. That was the GAO saying that.

Again, this has resulted in specific deals, including many airline deals, that have hurt U.S. businesses. So I think this is the central issue—not the only issue out there, but I think this is clearly the central issue that needs to be addressed in a very full, direct way. I do not believe it is in a full, direct way in the current legislation, and I would urge all of us—all of us have an interest to put an end to those sorts of deals that have an adverse impact on U.S. businesses. I assume we do. I would urge all of us to simply focus on this very real issue and solve it and move forward.

In that vein, I also think it would be very productive for this Committee to have the head of the Ex-Im Bank testify. The Chairman and President has not testified in about a year. His last testi-

mony was May 17, 2011. A lot of these issues, a lot of these examples have come up since then, so I think if we are going to have discussions in a hearing like this, I think there is one gaping hole, which is to invite back the Chairman, the President of the Bank, to testify and directly address these issues, including why he is ignoring a clear statutory mandate in terms of proper analysis of adverse impacts.

I think if we go at this in a straightforward way head on we can solve the issue. If we do not, there are going to be these continuing concerns that I have and many others have. So I would look forward to us adopting that path.

Thank you very much, Mr. Chairman.

Chairman JOHNSON. Thank you all.

I want to remind my colleagues that the record will be open for the next 7 days for opening statements and any other materials you would like to submit. Now I will briefly introduce our witnesses.

Mr. Bobby Patton is the President and CEO of Patton Electronics in Maryland and is also representing the U.S. Chamber of Commerce.

Ms. Sonya Kostadinova is the President and CEO of Transcon Trading Co., Inc., in South Carolina and is representing the Small Business Exporters Association.

Mr. David Ickert is the Vice President of Finance for Air Tractor, Inc., from Texas, and is representing the National Association of Manufacturers.

Mr. R. Thomas Buffenbarger is the International President of the International Association of Machinists and Aerospace Workers.

I thank all of you again for being here today. I would like to ask the witnesses to please keep your remarks to 5 minutes. Your full written statements will be included in the hearing record.

Mr. Patton, please proceed.

STATEMENT OF ROBERT PATTON, PRESIDENT AND CEO, PATTON ELECTRONICS CO., ON BEHALF OF THE U.S. CHAMBER OF COMMERCE

Mr. PATTON. Chairman Johnson, Ranking Member Shelby, and distinguished Members of the Committee, thank you for the honor of allowing me to testify today. My name is Robert Patton. I am the president and CEO of Patton Electronics Company based in Gaithersburg, Maryland. I am also testifying today on behalf of the U.S. Chamber of Commerce.

I am here to express strong support for the Ex-Im Bank. While still in college, my two brothers and I started Patton Electronics with the goal of financing the rest of our college education. We utilized our father as our venture capitalist. To help us get started, he gave \$5,000 to each of us and later all of his retirement savings. And, finally, he contributed his basement, his wisdom, and some of his connections. Over time, we built our small direct-mail communications company, and over the years, we have developed a tremendous team and have continued to grow. The company now has sales in over 120 countries and generates about 70 percent of its revenue through exports.

Our best-selling products are Voice over IP products, mobile video surveillance products, and a wide range of network access devices. We have more than 100 employees today at our Maryland facility doing manufacturing.

As the president of a small company, I can tell firsthand about the important role Ex-Im plays. The revenue our firm generates is our working capital. The money my customers owe me serves as collateral for the loans I have taken out to pay my employees and to cover all my other costs.

As our business grew through the 1990s, the Internet gave us exposure to overseas customers, and we began to sell to them little by little. Exports began to comprise a measurable portion of my revenue, and my bank began to take notice. They did not want to lend against those international receivables. We could not afford to take orders from international customers in significant volumes, and in most cases we would require the buyer to pay in advance. This put us at a severe disadvantage over competitors who had the backing of their national export credit agencies.

Enter the Ex-Im Bank. By providing loan guarantees and insurance on receivables, Ex-Im transformed our prospects. The loan guarantees allowed my international receipts to be used a collateral the same way my domestic receipts are used.

In 2000, we started using Ex-Im's working capital line of credit. In the year after we added the Ex-Im line of credit, we grew by about 40 percent and were able to hire more than 40 new employees due to the boost in exports that happened through the use of the Ex-Im Bank. A few years later, using the Ex-Im buyer financing products, we were able to close a single order in excess of \$3 million, adding more than 10 percent to our revenue.

By having our revenue spread across different markets, we have distributed our risks so that our business is less like to be harmed by the economic ups and downs of one market or even a few local customers. Others have had the same success thanks to Ex-Im. The vast majority of trade finance is provided by commercial banks, but Ex-Im still has a vital role to play where commercial bank financing is unavailable or faces competition from foreign export credit agencies.

Last year, Ex-Im supported export sales that in turn sustained nearly 300,000 U.S. jobs at 3,600 companies. However, Ex-Im's temporary reauthorization will expire on May 31st. Failure to reauthorize its operations and raise its lending cap would seriously disadvantage U.S. companies like mine, potentially resulting in the loss of thousands of U.S. jobs.

Ex-Im is especially important to small and medium-sized businesses such as mine which account for more than 87 percent of Ex-Im's transactions. In fiscal year 2011, Ex-Im provided more than \$6 billion in support for U.S. small businesses, an increase of nearly 90 percent since 2008.

Tens of thousands of smaller companies that supply goods and services to large exporters also benefit from Ex-Im's activities. The failure to reauthorize Ex-Im would amount to unilateral disarmament in the face of other nations' aggressive trade finance programs, and the results could be catastrophic for our business.

I do not know how our bank would react. Certainly I would expect them to reduce our borrowing and demand payment of the difference. That payback would come at the expense of employment. If they discount our international receivables as collateral altogether, I would be forced to terminate as many as 70 people. With that kind of cut, I would not be able to sustain our engineering and manufacturing operations. If Congress refuses to reauthorize Ex-Im Bank, the message to me would be that I should outsource our engineering, outsource our manufacturing, and bring products in from overseas rather than selling our loan.

As president of a company, I truly understand the importance of international trade and the impact it can have on small business. I respectfully urge Congress to move swiftly to reauthorize Export-Import Bank.

Thank you for the opportunity to testify.

Chairman JOHNSON. Thank you.

Ms. Kostadinova, you may proceed.

**STATEMENT OF SONYA KOSTADINOVA, PRESIDENT AND CEO,
TRANSCON TRADING CO., INC., ON BEHALF OF THE SMALL
BUSINESS EXPORTERS ASSOCIATION**

Ms. KOSTADINOVA. Chairman Johnson, Ranking Member Shelby, and Members of the Committee, thank you for the opportunity to testify on the reauthorization of the Export-Import Bank of the United States. My name is Sonya Kostadinova, and I am the owner, president, and CEO of Transcon Trading Company, located in Columbia, South Carolina. It is my pleasure to testify before you here today about why continuation of Ex-Im's services for us is extremely important, critical for small businesses like mine. I am also here in my capacity as a board member of the Small Business Exporters Association, which we all know is the Nation's oldest and largest small- and medium-size exporter association and which is a council of the National Small Business Association.

Small Business Administration data shows that approximately 70 percent of all U.S. exporters have 20 or fewer employees. Transcon Trading is one of these companies. Our mission in life is to help other small- and medium-size U.S. manufacturers to create brand awareness of their products overseas, establish exports, and increase existing exports, if any, by providing value-added services in all facets of exporting.

Transcon is an export management company that essentially represents about 80 U.S. manufacturers overseas and tries to establish distribution networks for them over there. They come from several different industries. One of them is consumer personal care and health care products; another one is performance products for racing horses; another one is pet food and pet care products, and we have some specialty care products.

We essentially perform the functions of an export department for those small U.S. manufacturers that cannot afford to have their own or do not have the expertise to establish or to build their own in-house export department or simply opt to tap into our already existing international distribution network.

I would like to share with you our experience in how Ex-Im's export credit insurance policy has actually helped us stay in the

international arena and expand exports for us and for our manufacturers by mitigating both our commercial and political risk, how the same insurance policy actually had made our foreign receivables eligible for financing, and how now that we have reached a further stage in our development as a company—and many of our manufacturers have as well due to the support of Ex-Im—we are ready and were getting ready to use some of the more advanced products and lending capabilities of Ex-Im but had to actually put on hold those projects because of the uncertainty that the lack of reauthorization created.

Exporting is not easy. Many people have an incorrect assumption of exporting, associating it mainly with the logistics of an export transaction. We have to perform a whole host of other international business-generating activities for our manufacturers, such as identifying foreign buyers overseas, importers, distributors; marketing and advertising the U.S. products over there; doing registrations with foreign governments to meet certain requirements; product adaptation to meet foreign country requirements; the entire export package, documentation package, to aid in customs clearance overseas, and many more.

We do take title of the goods, therefore the financial responsibility for those goods that we export for our manufacturers. In other words, we buy the goods from the manufacturer. We pay them, the U.S. manufacturer, we pay them as soon as the goods leave their warehouse, at the same time extending favorable credit terms to the international buyers—those that qualify, of course.

Now, right here Ex-Im comes to play a very instrumental role for us by insuring our foreign receivables. We have a multi-buyer export credit insurance policy with Ex-Im, including this year discretionary credit limit and SBCL, which is a special buyer credit limit, and have used those services since 1993. Ex-Im has been a strong driving force behind our growth, and it helped us double our exports. And in our experience, any U.S. company that is able to offer competitive credit terms to international buyers can, indeed, increase their exports by 40 to 60 percent.

Now, this is difficult for small businesses to get the same services from the private sector. They are either unavailable, or if they are available, they are at a cost which is not affordable for any small business like ours.

In addition, we found out the hard way that many U.S. banks would not even provide working capital to us because they do not take as collateral foreign receivables, only domestic—like Bob correctly mentioned, only domestic receivables and inventory and equipment. But because we had our foreign receivables 95 percent covered by Ex-Im Bank, that allowed us to leverage them along with our inventory, which is also for foreign sales, and to get our credit line extended, which, of course, for many small businesses is like—it is a positive side effect, but it is like a lifeline support for the existence and expansion in international sales in particular.

And as our prominence overseas has grown, again, with the help of Ex-Im, we now are in a position to tap into the other resources, other programs which we have not used before that Ex-Im has to offer. However, we had to put those projects on hold recently due to the uncertainty that this non-authorization created for us.

Therefore, we need Congress' understanding, and truly acting swiftly would be in the best benefit for small businesses like mine in this country. We urge Congress to reauthorize Ex-Im Bank for 4 years and at the \$140 billion level cap, and any inaction or even a temporary action, I believe that would also have a paralyzing effect on our efforts to go through with some of these projects and international sales that we now have on the table for us.

Thank you once again for allowing me to share our experiences and our fears with you. We put our faith in you, and we believe that you will indeed see Ex-Im as the agency that generates results and creates results for us small businesses rather than a taxpayer's burden. And I do believe that by growing small businesses' exports, we ultimately grow U.S. exports, the U.S. economy, and U.S. jobs.

Thank you.

Chairman JOHNSON. Thank you.

Mr. Ickert, you may proceed.

**STATEMENT OF DAVID ICKERT, VICE PRESIDENT OF FINANCE,
AIR TRACTOR, INC., ON BEHALF OF THE NATIONAL ASSOCIATION
OF MANUFACTURERS**

Mr. ICKERT. Chairman Johnson, Ranking Member Shelby, and Members of the Committee, thank you for the opportunity to appear before you today about this very important issue of reauthorizing the Export-Import Bank. My name is David Ickert. I am the vice president of finance at Air Tractor. We are located in Olney, Texas.

Air Tractor is a small business, 270 employees, one location. We are 100 percent employee owned. We build agricultural airplanes—crop dusters, if you will—and forestry fire-bombing airplanes, and we sell them all over the world.

As I noted, Air Tractor is located in Olney, Texas. I believe it is helpful to know a little bit about Olney, Texas, my hometown. We are 100 miles west of Fort Worth. The population is 3,000 people. We are small, we are rural. I describe it sometimes as the town has got three red lights and a Dairy Queen.

But I think there is importance to that. The importance is that in Olney, Texas, exports are thriving, business is thriving, employment is happening. Now, this not only happens for small businesses, it happens for large businesses also. So Export-Import Bank is important to small businesses, large businesses, urban areas, and country towns. But my story is about Olney, Texas, and Air Tractor.

We principally use the medium-term credit insurance program of Ex-Im. We submit individual packages to the Bank for their underwriting and their approval. Once they get those approvals, then we are able to ship the product, take a note for the sale, financing our end-user customer, and then sell the notes to our commercial bank. That gets us out of the transaction from a cash-flow standpoint.

The important things here are that without Ex-Im Bank and a lot of these sales, our customers in those countries, in those foreign countries, do not have the banking system to support their purchase of that product. Also, without Ex-Im finance, our commercial bank would not buy the paper or finance the transaction. Bottom line, many of these transactions, these export transactions that we

are able to do and to create jobs with in Olney, Texas, would not happen without the Export-Import Bank.

We first starting using the Bank and its products in 1995. At that time our exports were 10 percent of our sales. Over the years we have continued to use Ex-Im, and we have continued to grow our export sales, and we have continued to increase our employment.

Over the last 5 years, our exports have increased from 36 percent in 2007 to over 50 percent for 2010 and 2011. During that same period, our employment has risen from 165 people to 267 people. That is significant to Olney, Texas. The increase in employment happens because of exports, and many of the exports would not happen without Ex-Im Bank.

Just let me emphasize to you that without the Bank, without Ex-Im products, there is not a commercial bank in this country that is going to lend to our end-user customer in Brazil or Argentina, and there is not a bank in Argentina that is going to lend to our customers. So that shows you the nexus and what happens with the Bank as far as our situation being able to create sales.

It is important to note that since 1995, Air Tractor has completed over 100 Ex-Im medium-term deals in excess of \$60 million. Air Tractor has never made a claim on the Bank. The Bank has never lost one dime on Air Tractor. So our business is good for Ex-Im, it is good for Air Tractor, it is good for our employees, it is good for our customers, it is good for Olney, Texas, and it is good for the U.S. economy. But the good comes to an end if the Bank is not reauthorized at an adequate lending cap, and that is what we are looking at today.

Let me briefly illustrate how that impacts Air Tractor as we now sit. We have 175 planes planned for production in 2012; 44 of those have been identified as needing Ex-Im support, 25 percent of our production. Without Ex-Im support, many, if not all, of those 44 sales will not happen. If they do not happen, then that means 25 percent of our employees have their jobs at risk. That is 68 jobs in Olney, Texas. That is significant to us, that is significant to our employees, that is significant to Olney.

So, in conclusion, let me just say that the Bank has been very key and very important to us growing our exports, to increasing our employment, and we have not suffered one dime of expense to the Ex-Im Bank. So we wholeheartedly support the reauthorization of the Bank for a 4-year period at an adequate lending cap.

Thank you.

Chairman JOHNSON. Thank you.

Mr. Buffenbarger, you may proceed.

**STATEMENT OF R. THOMAS BUFFENBARGER, INTERNATIONAL
PRESIDENT, INTERNATIONAL ASSOCIATION OF MACHINISTS
AND AEROSPACE WORKERS**

Mr. BUFFENBARGER. Thank you, Chairman Johnson, Ranking Member Shelby, and Members of this Committee, for the opportunity to testify before you today on the vital importance of the Export-Import Bank to our industrial base and the creation and preservation of American manufacturing jobs. My name is Tom Buffenbarger, and I serve as International President of the Inter-

national Association of Machinists and Aerospace Workers, also known as the IAM. As a broadly diversified manufacturing union and the largest aerospace union in North America, representing over 700,000 active and retired members, the IAM is particularly concerned about the need to fully reauthorize the Ex-Im Bank.

While much of the Ex-Im Bank's focus relates to the sale of Boeing aircraft, we also represent workers at companies like Caterpillar, Pratt and Whitney, John Deere, and General Electric, as well as numerous small and medium-sized firms that export a variety of American-made products crucial to our economic health. Given our members' work with these exporting firms, we are uniquely positioned to share with you our strong belief that the Ex-Im Bank's reauthorization must be approved immediately. Indeed, the Ex-Im Bank is one of the few tools we have to support exports that in turn contribute directly to American jobs. At a time when our fragile economy is still recovering and millions of manufacturing workers are still without work, we are baffled why the Ex-Im Bank's reauthorization and, consequently, its ability to fulfill its critical mission is being held up. This mission, however, cannot be fully accomplished if domestic content requirements are weakened as some have proposed. There is a clear link between American jobs and domestic content. We should look to strengthen, not weaken, these vital provisions; otherwise, the Ex-Im Bank will be engaging in corporate welfare that would incentivize the offshoring of American jobs.

Global competition has never been more intense and the stakes for our economy have never been higher as U.S. firms and workers struggle to compete in today's global marketplace. Successful countries recognize the importance of a strong manufacturing sector and the true nature of global competition. These countries know that there is no such thing as a free market and provide strong support for critical wealth- and job-creating industries like aerospace.

The United States, unfortunately, has too often blindly embraced a free market ideology that has opened our domestic markets to foreign goods while offshoring the production of American-created technologies and products, as well as millions of good-paying jobs. We have repeatedly seen this with electronics, green technologies, and a host of consumer products. The result has been a gaping trade imbalance with the rest of the world. According to the U.S. Census Bureau, our trade imbalance grew by more than 10 percent in 2011 to over \$558 billion. And while there was a small positive balance in services, the deficit in goods increased by 14 percent to over \$737 billion with the largest increase coming in our deficit with the People's Republic of China, a rapidly growing country that engages in a variety of unfair trade practices—illegal subsidies, forced technology transfer, currency manipulation, and an array of other ills.

The Economic Policy Institute estimates that over the last decade our trade imbalance just with China has cost the United States nearly 3 million jobs, and many of these jobs have been in manufacturing, a sector in which each manufacturing job supports three to four additional jobs in the economy. With our economy struggling with persistent high unemployment and starving for more

rapid job creation, it is no surprise that so many working families have such a dim view of the future.

Nor should it come as a surprise that countries across the globe have set their sights on one of the few remaining sectors where the United States enjoys a positive balance of trade with the rest of the world: aerospace. For 2011, the U.S. aerospace industry had a trade surplus of \$7.25 billion, the largest of any advanced technology sector. According to a recent study by Deloitte on the economic effect of the U.S. aerospace and defense industries, aerospace products and parts manufacturing contribute over \$40 billion to U.S. payrolls and impact every State.

It should be noted that the U.S. military and commercial aerospace sectors are deeply interconnected, particularly in the supply chain, and many of our members will work on both military and commercial aerospace products. Weakening our commercial sector will have a direct impact on the capabilities of the U.S. aerospace defense industrial base.

The Bank has never been directed to balance the interests of U.S. exporters against the interests of some airlines like Delta Air Lines, and if Delta were truly interested in supporting U.S. workers, it would argue that the Bank's rules be changed so that it, too, could be permitted to assist U.S. airlines in the purchase of domestically produced aircraft. Sadly, while Delta recently took advantage of Ex-Im Bank financing to win a contract to perform heavy engine maintenance for a Brazilian airline, it seems that Delta is more interested in destroying one of the U.S. Government's most effective tools for spurring growth and creating American jobs by seeking to insert language in the Ex-Im Bank reauthorization to specifically eliminate financing for wide-body aircraft.

Mr. Chairman, I have more to my remarks that will be submitted, but I would like to go on record for the International Association of Machinists and Aerospace Workers strongly encouraging this Committee and the U.S. Senate to approve full reauthorization of the Ex-Im Bank and, in fact, expand its mandate.

Chairman JOHNSON. Thank you. Thank you for your testimony.

As we begin questions, I will ask the clerk to put 5 minutes on the clock for each Member.

For all the witnesses, what are the downsides to continuing to authorize Ex-Im for only short periods of time, like 1 or 2 years? How do short-term reauthorizations impact the need for certainty in planning for future export opportunities? Mr. Patton, let us start with you.

Mr. PATTON. Thank you very much. The impact on my company would be that we would be making plans on reducing. When we have only a 1-year window that we can see out, or 2 years, then we have to plan that the facility is going to go away. And if the facility is going to go away, then we are going to be looking to preserve as much of our business as we can and get out of certain markets, reduce employment over time so that it happens in a soft fashion.

Chairman JOHNSON. Ms. Kostadinova.

Ms. KOSTADINOVA. Thank you. Yes, I think that this would have a paralyzing effect, particularly on our new projects and our new ability to tap into Ex-Im's lending capability. In other words, it will

absolutely prevent our growth. We may be able to maintain some of our short-term customers through the credit term facility, of course, but ultimately that will go away, too. So I would imagine that most of our manufacturers and other small businesses like mine would suffer greatly from such a short-term action.

Chairman JOHNSON. Mr. Ickert.

Mr. ICKERT. Mr. Chairman, I talked to you about what would happen to us currently in 2012 if the Bank is not reauthorized, but you bring a very interesting point to the table on the uncertainty of short-term reauthorization. We are currently taking orders for 2013. We have a supply chain to plan. We have customers to talk to. We have personnel to put in place. And that uncertainty of a short-term reauthorization makes that very difficult for a small business; it makes it very difficult for any business. So that is why we strongly urge a 4-year renewal.

Chairman JOHNSON. Mr. Buffenbarger.

Mr. BUFFENBARGER. Thank you, Chairman. The products the members of my union manufacture, such as Boeing aircraft or John Deere and Caterpillar agricultural equipment, machine tools and general aviation products, all require long lead times, and it requires that the customer, the purchaser, have the assurance that after waiting that period of time they are going to have the financing available to close the deal. We need this Bank's financing to assure there is long-term stability in our manufacturing industries.

Chairman JOHNSON. Mr. Patton and Mr. Ickert, can you discuss how your company interacts with other manufacturers in the supply chain? And can you talk about how failure to reauthorize the Ex-Im Bank could affect these suppliers?

Mr. PATTON. Certainly. Our product is Voice over IP. We are in the electronics business. We have literally thousands of components from hundreds of different suppliers that get built into our product. As the volume goes down, our purchases would go down, and that would have, obviously, a negative impact on their revenue and the jobs that would be available at their companies as well.

Chairman JOHNSON. Mr. Ickert.

Mr. ICKERT. Like Mr. Patton, we manufacture our aircraft, and so we have a lot of components that we are buying from vendors all over this country. Our supply chain is—as I said, we have to go out for some time. Many of our vendors are small businesses also, so we are significant to them, and any adverse impact we have in our business would directly impact adversely those businesses in our supply chain.

I might add additionally, as I mentioned, we are a small town. We have small business retail businesses on Main Street. Those people would also be adversely impacted if we had an authorization or non-authorization that would adversely affect our business because it would affect them also.

Chairman JOHNSON. Mr. Buffenbarger, can you discuss what effect you think a failure to reauthorize Ex-Im would have on high-paying American jobs in the United States?

Mr. BUFFENBARGER. An absolutely devastating effect would occur on jobs with layoffs coming almost immediately, not too different than we see right now with the threat of sequestration of the defense budget. Where there is uncertainty in a marketplace, the nat-

ural reaction is to hold tight and not make any big, long-term decisions. And when that occurs, the first casualty is the person who holds a job. And we would not be here today so adamant about this if we did not strongly believe that the long-term best interests of the United States and its workforce are impacted greatly by the reauthorization of the Ex-Im Bank; and if not, we are going to be dealing with a very, very serious issue of another recession, maybe greater than the one we are just starting to emerge from now.

Chairman JOHNSON. Mr. Patton, can you explain how having Ex-Im's support helps American businesses compete against foreign companies that have export credit agencies in their own countries?

Mr. PATTON. Yes, absolutely. The business that we have around the world is highly competitive. Electronics information technology is one of the keystones of most economic business development groups, and so there is a big emphasis there. Whenever I go into the international marketplace, particularly in the emerging markets, and, in particular, markets where there is mineral-rich opportunities there and countries want to have friendly relations with foreign governments, then it is a no-holds-barred competition. And I have seen and heard of cases where certain foreign countries would come in and say whatever the Americans are offering, we will do it for 40 percent less, and we will give you a 5-year financing deal. And they come in right out of the gate with that kind of proposal. That leaves me lagging behind trying to respond with whatever credit facilities I can bring.

Chairman JOHNSON. Senator Shelby.

Senator SHELBY. Thank you. Mr. Chairman, I have a number of questions I would like to propound for the record, if I could.

Chairman JOHNSON. Yes.

Senator SHELBY. I think all of your testimony is very interesting today. As the Chairman pointed out, I am a cosponsor with him of this legislation. I think that there is no other game in town right now, that we need the Export-Import Bank, but we need it to be accountable to the taxpayers. We want to make sure of that.

I want to ask all of you a question. For the services, you are charged a fee, are you not? Let us start with you, Mr. Patton. Let us say you sell a lot of stuff overseas; you create jobs here in Maryland, which is good; and you have accounts receivable. Does the Export-Import Bank—they do not give you anything. They charge you a fee for this service. Is that correct?

Mr. PATTON. That is correct. There is a fee for the service. We pay interest and other fees for—

Senator SHELBY. And for that, then you can go to a bank, and, of course, a local bank can get your money and carry on your business, and stay afloat, right?

Mr. PATTON. That is correct. And in addition to the fees, there is also accountability on my part. I have to undergo two audits every year in order to substantiate the loans that I have.

Senator SHELBY. Ms. Kostadinova—is that right?

Ms. KOSTADINOVA. Yes, Kostadinova.

Senator SHELBY. Now, are you a broker or whatever it is of other—say if I were in business in Alabama and did not know anything about exports, but I had a product that somebody in, say, Germany wanted to buy, could you help me with that?

Ms. KOSTADINOVA. Yes, absolutely.

Senator SHELBY. And what would you say to me? I know you charge a fee for it, but that is understandable.

Ms. KOSTADINOVA. No, no. In fact, we do not charge a fee at all.

Senator SHELBY. You do not charge a fee?

Ms. KOSTADINOVA. We do not charge a fee. It is absolutely at no cost and no risk for the U.S. manufacturer. What we do is, like I said earlier, we essentially take title of the goods. In other words, we buy the products from the U.S. manufacturer.

Senator SHELBY. And is that generally account receivable?

Ms. KOSTADINOVA. No. The accounts receivable, the foreign accounts receivable becomes when we actually sell these same products to the foreign buyers.

Senator SHELBY. Would you buy the airplanes from him to resell them? Is that what you are talking about?

Ms. KOSTADINOVA. Right, but our products are consumer products and they are not airplanes.

Senator SHELBY. I know that. We understand.

Ms. KOSTADINOVA. So that is easier to do. So we essentially buy the products, pay the U.S. manufacturer right away so they do not have any risk whatsoever in—

Senator SHELBY. You buy from them, write them a check, and then it is your product, and you export it.

Ms. KOSTADINOVA. Exactly. And then we sell it to the foreign buyers overseas, and then we extend credit terms to the foreign buyers overseas. And to support the earlier question that you had, for instance, we had a very big customer in Saudi Arabia whom we lost because we have a competitor over in the U.K., a competitor to our manufacturer's products, and they offered like, you know, \$1 million short term, medium term, whatever the best is possible.

Senator SHELBY. They offered better terms.

Mr. KOSTADINOVA. Exactly. And they immediately, just like you said, went out the door with that, and we were left nowhere. Ex-Im Bank was very instrumental in that in helping us.

Senator SHELBY. Do you keep up with the default rate on your accounts?

Ms. KOSTADINOVA. Yes, we do.

Senator SHELBY. And I know you are audited by the Export-Import Bank.

Ms. KOSTADINOVA. Yes, we do. Yes, we do. In fact, I would say that on our \$50 million worth of foreign receivables that we have had insured by Ex-Im Bank, we have had about \$200,000 only in claims—no claims since 2006, actually, only one for \$2,500 or less. So Ex-Im is making money off of us. On this \$50 million, we paid \$364,000 premium—

Senator SHELBY. They are making money off of you, but they are providing you an essential service.

Ms. KOSTADINOVA. Absolutely. Exactly.

Senator SHELBY. That is the point.

Ms. KOSTADINOVA. Yes, that is it. Thank you.

Senator SHELBY. Mr. Ickert, do you sell your products directly? Say I was in the Ukraine and I had need of your services and I wanted 10 crop dusters, or whatever you call them, air tractors, and I wanted to buy them, you wanted to sell them, I say I need

some financing, and you go to the Export-Import Bank to try to work that out. Is that how you do that?

Mr. ICKERT. Yes, sir. We would go first to you as the customer. We would evaluate your creditworthiness, and to the extent we deemed it creditworthy, then we would submit that——

Senator SHELBY. The ability to pay back whatever you sell.

Mr. ICKERT. Yes, sir. We would submit that file to Ex-Im Bank for their underwriting. They in turn, once they approved it, would give us their credit insurance, and we pay a fee for that.

Senator SHELBY. You pay a fee to them.

Mr. ICKERT. Yes, sir. In 2010, we paid over \$300,000 in premium fees to the——

Senator SHELBY. And how much credit did you have for that?

Mr. ICKERT. Probably around \$15 to \$20 million.

Senator SHELBY. What is the default rate on your product selling overseas, dealing with the Export-Import Bank? What is your default rate?

Mr. ICKERT. Senator, as I mentioned, we have had over 100 deals, and Ex-Im Bank has never lost a dime on us.

Senator SHELBY. That is good. My time is up. Thank you.

Chairman JOHNSON. Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman. Thank you all for your testimony.

I want to just explore a little bit—I am a supporter of the Export-Import Bank, but I just want to press its importance and its relative size compared to other countries. What does the new funding cap for Ex-Im of \$140 billion for Bank support to American exporters compare with export bank support by other countries to their exporters? Does anyone on the panel have any sense of that?

Mr. ICKERT. Senator, I cannot give you the absolute dollars, but I have seen a recent chart that showed something like the support of 10 different ECAs throughout the world, and Ex-Im is by far the smallest in dollar commitment. What the Bank is able to do is help us as manufacturers and exporters is level that playing field enough to get our products in the door.

Senator MENENDEZ. So let me——

Mr. PATTON. I have a chart right in front of me here. Japan and Germany are in the \$150 billion range. China in 2009 was \$200 billion. They are up to \$300 billion. And from my experience, the amount of support that we get from the Ex-Im Bank is a fraction of what I see from my fiercest competitors in Asia.

Senator MENENDEZ. Yes. And, in fact, it seems to me that the failure to reauthorize the Bank amounts to America's unilateral disarmament in the face of other Nations' aggressive trade finance programs. Canada, for example, supports an export credit agency that has extended nearly 3 times as much export financing as Ex-Im, even though its economy is one-tenth the size of the United States. And China has three export credit agencies that last year provided \$300 billion in export finance to its exporters, 10 times more than Ex-Im provided. So it is tough to compete in a global market when other countries are rigorously supporting their domestic companies in this regard. So I think that is very important to keep in focus.

One criticism of the Bank has been its focus on large business rather than sharing or spreading its support on small- to medium-size businesses that need more assistance to enter the export market. Although in FY 2011 Ex-Im provided about \$6 billion in financing and insurance for U.S. small businesses out of a total of almost \$33 billion in total authorization, I appreciate this is a substantial increase from what has happened in the past, but it still means that the bulk of assistance is going to large businesses.

How important is it for Congress to pass this reauthorization to support more small businesses and mid-sized businesses? And what can Ex-Im do to increase its support for that universe?

Mr. PATTON. I will just talk on the proportions. In my business, it is an 80/20 world. There is 20 percent of my customers that represent 80 percent of my revenue, and I imagine Ex-Im Bank has a similar ratio in their business transactions as well. Very large companies are going to have a demand for very large facilities when they are selling big-ticket items. In my business, I sell really small devices. The average transaction size is probably under \$10,000. So I would expect that the number of transactions that Ex-Im supports for me probably exceeds the number of transactions that they support for Boeing or any other large equipment manufacturer, because I do thousands and thousands of transactions.

Senator MENENDEZ. But we always hear, I hear many of my colleagues here in speech after speech talk about small businesses and mid-sized businesses being the backbone of America, the job creators, the ones that are going to help us lead the way into greater prosperity. So while I understand the transactional aspect of your answer, it seems to me that an effort by the Bank to get a universe of small and mid-sized businesses to be more robustly engaged will be necessary. Mr. President, do you want to—I like to use the term “Mr. President” whenever I can.

[Laughter.]

Mr. BUFFENBARGER. Thank you. The U.S. Chamber of Commerce is—and ironically, this is an issue that organized labor and the chamber find common ground on in supporting the reauthorization. But the records the chamber has shared with us show that small businesses make up 87 percent of the Ex-Im’s transactions. And I think that goes very far in helping people understand that it is the small supplier to maybe a large equipment manufacturer also benefits by having the guarantees this Bank is able to provide.

Senator MENENDEZ. So the percent of transactions is high. The dollar figure is lesser. All right. Thank you.

Thank you, Mr. Chairman.

Chairman JOHNSON. Senator Moran.

Senator MORAN. Mr. Chairman, thank you. I thank each of the witnesses for their testimony and for being here.

In the absence of the Bank, is there any other option you have to go to for that guarantee that would enhance the chances of sales to foreign countries or consumers in foreign countries? Is there any private sector option or is the Export-Import Bank the only option?

Ms. KOSTADINOVA. Thank you. I do not think that for us, particularly the smaller small businesses, that there is another option. Like I said, I was talking through experience earlier that we have learned the hard way that, number one, it is almost impossible for

us to get our foreign receivables insured by the private sector. If we get an offer, it would be extremely expensive. Like I mentioned before, those numbers on \$50 million, \$364,000 premium that we paid, that puts our average at a lot less than 1 percent. There is no private bank that has offered me at least anything like that. And they need a cap, that they want us to cap it up front. Well, we do not know what is going to happen tomorrow, so it is hard to say, OK, I am going to pay up front now a higher premium than this, and on a lot higher estimate that I may have at the end of the year, whereas Ex-Im allows us to pay those premiums as the transactions occur, actually within 30 days after the transaction occurred, which is a blessing for us as well in that aspect.

Regarding the working capital, absolutely not possible. Just in the last couple of years, I have been to a number of banks, and unless I had the 95-percent foreign receivables covered by Ex-Im Bank, I would not have gotten the credit line.

Senator MORAN. Is that true across the board? Is there just no other option? Obviously not a practical one for you, but is there anybody who does this business outside Export-Import Bank?

Mr. ICKERT. Senator, we have used some private insurance over time. One of those particular firms that we used more than others went out of business several years ago. Another firm quit, exited medium-term business.

For the most part, there is no option for us. There has been some out there, but, one, they do not really like small businesses. There are not many of them out there right now, if any. And, also, they are very restrictive in their markets, in which markets they will go in and will not go in. That has been the beauty of Ex-Im Bank is that they have been the constant that has helped us to reach out to markets on a broad spectrum.

Senator MORAN. Yes, ma'am.

Ms. KOSTADINOVA. I am sorry. I just wanted to add on to what David said. During the Great Recession, many of those in the private sector that actually had still provided some of that foreign receivables insurance—to some bigger companies, though—they stopped doing it, which created a mess, because once they stop covering the foreign receivables, then the other private bank that is actually giving them the credit operating capital to those companies that I know, they stop doing that as well, not having the backup of the receivables. So, yes, and Ex-Im did not change anything, did not change nothing during the recession, so it was great.

Senator MORAN. There has been a lot conversation, especially here in Washington, D.C., about reforms or changes, if we are going to reauthorize the Bank that we need to “reform”—it is actually a word I have tried to take out of my vocabulary because most things Washington, D.C., reforms seem to me to end up worse than they were before the reform. So alterations or changes, are there any that make sense to you or are there any that you have the opposite reaction to, that this makes no sense, do not do this? Any instructions to the Congress in the so-called conversation that we have about reforming the Bank? Mr. Patton.

Mr. PATTON. Yes, I would say that you need to be careful about creating rules that are one-size-fits-all. You know, there is a certain amount of risk for a small transaction base which is different

than the risk on the large transaction. And so the relative safeguards need to be in place in scale, in proportion to the business.

Senator MORAN. Good advice. Yes, sir.

Mr. ICKERT. The current charter of the Bank has 20-percent required authorizations for small business. Back to Senator Menendez's question earlier, I think that is very important that that remains to encourage small businesses to enter the export market and to grow these businesses' employment and market. But, also, I would—nothing specific other than you have heard also some of the facts and figures about the large amount of export support that comes from other ECAs to their businesses, and if it is not absolutely viable, I would be loath to hang many restrictions on the Bank that would only encumber them more and, in fact, would encumber small businesses or businesses in general trying to use the Bank.

Senator MORAN. Mr. Chairman, thank you.

Chairman JOHNSON. Senator Bennet.

Senator BENNET. Thank you, Mr. Chairman, and I would like to thank you and the Ranking Member for your bipartisan work on this, and I hope that we will get it reauthorized in short order. If there is any issue that more closely reflects the dysfunction of this town and the detachment of this town from what is actually going on in the country, I think this is it, our inability to get this done.

I was just at home in Colorado over the last 2 weeks visiting with small businesses that have had the benefit of the work that the Export-Import Bank does. It is hard enough to start and succeed at small business. It is even harder to grow your business by exporting, and somehow Washington is figuring out how to make it even more difficult.

And I wonder, Mr. Patton—you were first person to talk about unilateral disarmament here—are you under the impression that there is any other country who is home to competitors of yours that is unilaterally disarming at this moment?

Mr. PATTON. Not at all.

Senator BENNET. Do you think that our failure to reauthorize this Bank would lead any of the other countries where you compete to decide that that kind of disarmament is a good idea?

Mr. PATTON. There is no way that I can see that happening.

Senator BENNET. You described this as "no holds barred."

Mr. PATTON. That is right.

Senator BENNET. Like ultimate fighting.

Mr. PATTON. That is right.

Senator BENNET. Can you give the Committee a sense of what that looks like on the ground for you? And anybody else who would like to get in on this, please do.

Mr. PATTON. Well, on the ground the competition is fierce. I am in the electronics communications business. I do not know how many devices you have in your home that are electronic made in the USA. But, you know, the competition is—

Senator BENNET. I mostly am engaged in the process of getting my daughters to shut them off.

[Laughter.]

Mr. PATTON. I appreciate that, too. I have three daughters in college. So, yes, the competition is unbelievable. The margins get

shaved lower and lower and lower, particularly in price-sensitive markets in the developing world, and there is just an awful lot of support coming from the various governments around the world to make that business happen.

Senator BENNET. Anybody else? I am going to come to you, Mr. Ickert. I was in Denver visiting a company called Coolerado that makes cooling systems that they export abroad. In fact, literally, Mr. Chairman, the day that I was there, they had backed up a container, and they were loading the mechanisms that they make on that container and shipping them to Europe as a consequence of the insurance they were able to get through the Export-Import Bank. And you had mentioned that in the context of nobody in Argentina being willing to provide that, nobody in Brazil being willing to provide it, and not being able to get it here without Ex-Im Bank. I wonder if you could talk a little more about that.

Mr. ICKERT. Not only would our customers in Argentina not be able to buy the airplane without Ex-Im's support, it just does not exist for them down there. As small customers, their banking structure is such that they are not able to access credit. The same thing, we do not have any banks in the United States that would loan money to our customer in Argentina. So it just would not happen. That sale would not happen.

With that sale, they are able to be more productive; they are able to create more export sales of their own. But without Ex-Im, it just would not happen. And the thing about it, every one of those people pay.

Senator BENNET. By which you mean Export-Import Bank does not lose money on these transactions.

Mr. ICKERT. That is correct.

Senator BENNET. Yes. At Sandhill Scientific, also in Denver, and Leitner-Poma in Grand Junction, I heard the same thing everywhere I went, and these people are not thinking about themselves as Democrats or Republicans. They are just small business people that are trying to create markets for their products, and I think, Mr. Chairman, what we need to do is reauthorize this bill and move on to the other work that has to get done.

Thank you, Mr. Chairman.

Chairman JOHNSON. Senator Warner.

Senator WARNER. Thank you, Mr. Chairman. I know we have a vote coming up. I will try to be brief. I also want to thank you and the Ranking Member for your leadership on this.

The difficulty about going last, especially after my friend Senator Bennet, he kind of expressed my concerns. People around the country have got to be scratching their heads saying, "Why can't you all get your act together and do this?" This is not Democrat/Republican. This is common sense. This notion that we would unilaterally disarm while other countries around the world are actually increasing their export financing system is just kind of beyond the pale.

You know, one of the things—and we have talked, and I want to echo what Senator Menendez says about the importance on the small business side. I have a lot of respect for what machinists are doing, Boeing is doing, but if we are going to stay competitive in the world, we have got to make sure that small and mid-sized business moves into this export market. Ninety-five percent of all the

new customers for American business are going to be customers abroad. We have been blessed with a mature market, but the future lies in export. And the notion that we would make it more difficult for you all to do that kind of work—and let us face it. For the most part, small and mid-sized businesses have not had those skills until recently. We need to be doing more beyond just, you know, export financing. We need to make it easier in terms of the single one-stop for small businesses to figure out how to do this. I think the legislation that you all have put together that actually increases the authorization from \$100 billion to \$140 billion is a step in the right direction.

Again, echoing what Mr. Patton said, there is no other country around the world that is disarming. They are increasing. I like to cite—I know Senator Bennet has got a lot of companies in the solar field. At the beginning of this decade, we had, I think, 8 out of the 10 top solar companies in the world. In 2006, there were only two solar companies in the top 10 in China. Now 6 out of the top 10 are Chinese in solar, just this one field. China is spending on export control out of the China Development Bank \$35 billion in grants in that field. We are down to \$4 billion, and \$16 billion in loan guarantees.

You know, here was an area we had the intellectual capital and the intellectual property. And the Chinese are not doing it better. They are just financing it better. This is, again—and I am going to get to a question, but, you know, this just, again, seems to me to be a no-brainer, and we need to do it.

I would simply add a couple of points, I think echoing what Senator Moran said. We have to be careful about that word “reform.” But there are things in this bill that I think move forward a little bit. We put a requirement for a 5-year strategic plan in place where they have got to have metrics because the Bank at times has not always been very good at providing the metrics we need and the public needs. I think maybe this debate would be easier if we had some goals we could show. I think we need to put in place an upgrade of the technology system which has been kind of old and antiquated.

Mr. Buffenbarger, I agree with your concerns about American jobs, but the one thing that I would—and I have to acknowledge I was one of the folks urging that we look at the domestic content on the medium- and longer-term components. And I know you disagree with this, but the question I simply say is we need to look at what we can do that is going to increase the number of American jobs. And the challenge we have got right now is with the way—back to Mr. Patton’s comments about the number of suppliers that you have in terms of that content. I have had American companies in my State that have had—because they have had to try to go find additional foreign suppliers because it was easier to qualify for foreign support than it was for American support, and we were losing American jobs. So at the end of the day, it ought to be about, yes, domestic content, but it ought to be about the number of American jobs created. And all we are saying is we ought to not be afraid to look at the facts. No one should be afraid of the data. At the end of the day, I would concur, we need to increase American jobs, and I would be happy to have you respond

to that. But this is a tool that we ought to have in our arsenal. It is not going to solve all our problems. I support the Chairman and the Ranking Member's efforts on this, and let us get it done, but I will give you the chance to respond with my 25 seconds remaining.

Mr. BUFFENBARGER. Thank you, Senator. Your comments about what the American public thinks about all of this, I think the polls are quite conclusive. The American public believes in American jobs and that the duty of Congress is to establish some sort of policy and practice that encourages American jobs, thus domestic content. And if we are going to use the taxpayer dollar to support the efforts of the Ex-Im, it ought to be used to have products made here. That may lead us to another discussion on something called an industrial policy, and I know in the halls of Congress that is just an abhorrent thought. But every country that kicks our relative tail ends practices an industrial policy except the United States, and here we are having a debate today in our Congress about financing what is left here, enabling it to sell its products overseas.

Senator WARNER. And all I would say, sir, is I concur with you. The criteria ought to be American jobs, and the challenge, perhaps not so much on aircraft but particularly in certain other areas, is because of the supply chain component of so many different components going into that supply chain. We might, very worthy policy, may be actually undermining American jobs, particularly in small and mid-sized businesses. I do not think it is the case on the aviation side, but I would imagine Mr. Patton would say that—do you want to comment on that, Mr. Patton? Again, I know my time has expired, Mr. Chairman.

Mr. PATTON. Well, through the 1980s and 1990s, large portions of the electronics industry moved overseas, and along with it large portions of the supply chain and large portions of the know-how in some of the fundamental electronic components. So it is very difficult to find domestic sources for some of those devices.

Senator WARNER. We ought to have American jobs as a goal.

Thank you, Mr. Chairman, and I thank you and the Ranking Member for your leadership.

Chairman JOHNSON. I would like to thank our witnesses for their testimony today. As the expiration date for the Export-Import Bank approaches, I hope we can work together to reauthorize the Bank.

This hearing is adjourned.

[Whereupon, at 11:18 a.m., the hearing was adjourned.]

[Prepared statements and additional material supplied for the record follow:]

PREPARED STATEMENT OF SENATOR JON TESTER

Mr. Chairman, thank you for calling this hearing today.

I have been a strong proponent of Export-Import Bank reauthorization and would like to see this bill passed as soon as possible so that small businesses, like those represented here today and those in Montana can continue to access the Bank's financing products.

In Fiscal Year 2011, Ex-Im provided a record \$6 billion in financing to small businesses, an achievement we should all be proud of. The Montana Chamber of Commerce tells me that Ex-Im has supported \$4.2 million in export sales by Montana companies in the last 5 years. It is no wonder that the Montana Chamber strongly supports the reauthorization of the Bank.

Two-thousand-eleven (2011) also marked an important step for the Export-Import Bank in Montana, with the designation of Bank of Montana as Montana's only authorized Master Guarantee Agreement Lender, facilitating even greater opportunities for direct financing of exports by small businesses in Montana.

We can and should reauthorize the Bank's charter before it expires at the end of May. I am disappointed we were unable to put aside partisan politics earlier this year to reauthorize and improve this important institution. However, given the number of jobs at stake in this economy, we need to try again.

A long-term extension will also provide additional predictability and stability for small businesses in the United States and abroad who seek to use the Bank's products. Short-term extensions will only create additional uncertainty and prevent small businesses from being able to close deals.

In reauthorizing the Bank's charter, we must also ensure that we hold the Ex-Im Bank to the highest standards of transparency and accountability. I believe that the Committee's reauthorization adds a number of important provisions that will improve transparency at the Bank, including requirements to provide notice and detail to Congress and the public before and after the approval of large transactions, including aviation-related transactions.

Finally, Congress and this Committee must continue to maintain their oversight role to hold the Bank accountable for these new transparency and accountability requirements and encourage the Bank to continue improve its record in these areas by going above and beyond these measures. Transparency is a critical part of our Government, and the Ex-Im Bank should be no exception.

Mr. Chairman, I appreciate you holding this hearing today and your and Ranking Member Shelby's leadership on this important issue. I look forward to working with you to address outstanding concerns regarding this legislation and passing a long-term extension before the program expires at the end of May.

PREPARED STATEMENT OF SENATOR MICHAEL F. BENNET

Mr. Chairman. Thank you for holding this important and timely hearing.

During the recess, while I was in Colorado, I had an opportunity to visit innovative businesses like Coolerado, which creates energy efficient air conditioners, Sandhill Scientific, which manufactures medical devices, and Leitner-Poma, which builds custom gondolas. All of these companies rely on financing options from the Export-Import Bank to compete in the international marketplace.

As we emerge from the worst recession since the Great Depression, we should be looking for more opportunities to support the next Coolerado, Sandhill Scientific, or Leitner-Poma.

While GDP and productivity now exceed where they stood before the onset of the recession, millions of people are still looking for jobs. Just as troubling, median household income is about 7 percent less than where it was in the late 1990s.

Given this backdrop, we should be looking for ways to increase exports and support domestic manufacturing.

The Export-Import Bank is an important part of this equation.

I hope that we will move promptly to extend the Bank's authority, which expires at the end of May. It's important to both our Nation's competitiveness and to Colorado jobs.

I look forward to the testimony.

Thank you Mr. Chairman.

PREPARED STATEMENT OF SENATOR KAY HAGAN

Thank you Mr. Chairman. I wanted to speak briefly about the importance of reauthorizing the Export-Import Bank.

The bipartisan legislation that we approved unanimously in October of last year would reauthorize the Export-Import Bank through 2015.

It is fiscally responsible and bipartisan measure that will level the playing field for American exporters and will allow U.S. businesses to create jobs.

If we do not act with urgency, the Ex-Im Bank will not be able to guarantee new loans starting May 31.

Our economy is finally showing some hopeful signs of recovery and now is not the time to let partisanship tie the hands of our small business owners who are ready to expand their companies and export their products.

In North Carolina, since 2007 the Ex-Im Bank supported over \$1.8 billion in export sales by 169 companies. One-hundred-sixteen of those North Carolina companies are small businesses—the backbone of our economy.

I have convened two Global Access Forums in North Carolina, one in Charlotte and one in Greensboro, with Bank President and Chairman, Fred Hochberg.

We had over 400 North Carolina small business owners attend the workshops to learn more about exporting. My four favorite words are “Made in North Carolina,” and I have been proud to work with the Ex-Im Bank to help get that label shipped all over the globe.

Whether it is a small yarn company in Sanford, North Carolina, a furniture producer in Morganton, North Carolina or a turbine manufacturer in Charlotte, just to name a few—the Export-Import Bank is a lifeline for growth for thousands of businesses who are ready to expand, hire and export.

In addition to being an engine for job growth, a reauthorization of the Export-Import Bank does not add to our deficit.

In fact, it more than pays for itself. Since 2005, \$3.7 billion has been sent to the U.S. Treasury by the Ex-Im Bank. And the nonpartisan Congressional Budget Office estimates that a reauthorization will reduce the deficit by \$900 million over 5 years.

Reauthorizing the Export-Import Bank is commonsense, it is bipartisan, it is fiscally responsible and it is necessary for continued job growth.

PREPARED STATEMENT OF ROBERT PATTON

PRESIDENT AND CEO, PATTON ELECTRONICS CO.

ON BEHALF OF THE U.S. CHAMBER OF COMMERCE

APRIL 17, 2012

The U.S. Chamber of Commerce is the world's largest business federation, representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as State and local chambers and industry associations.

More than 96 percent of the Chamber's members are small businesses with 100 or fewer employees, 70 percent of which have 10 or fewer employees. Yet, virtually all of the Nation's largest companies are also active members. We are particularly cognizant of the problems of smaller businesses, as well as issues facing the business community at large.

Besides representing a cross section of the American business community in terms of number of employees, the Chamber represents a wide management spectrum by type of business and location. Each major classification of American business manufacturing, retailing, services, construction, wholesaling, and finance—is represented. Also, the Chamber has substantial membership in all 50 States.

The Chamber's international reach is substantial as well. It believes that global interdependence provides an opportunity, not a threat. In addition to the U.S. Chamber of Commerce's 115 American Chambers of Commerce abroad, an increasing number of members are engaged in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on national issues are developed by a cross section of Chamber members serving on committees, subcommittees, and task forces. More than 1,000 business people participate in this process.

* * *

Chairman Johnson, Ranking Member Shelby, and distinguished Members of the Senate Committee on Banking, Housing and Urban Affairs, thank you for the honor of allowing me to testify in this hearing. My name is Robert Patton, and I am the

President and CEO of Patton Electronics Co., based in Gaithersburg, Maryland. I am testifying today on behalf of the U.S. Chamber of Commerce, the world's largest business federation, representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as State and local chambers and industry associations. Today, I would like to speak about the important benefits of an agency that helps small businesses tap foreign markets and create American jobs. This is the Export-Import Bank of the United States (Ex-Im).

Background on Patton Electronics Co.

While still in college, my brother, Burt, and I started Patton Electronics Company with the goal of financing the rest of our college education. Within a few months, we convinced our older brother, Bruce, to help us with the manufacturing side of the business. Bruce brought experience and expertise in production, planning, and general management.

We utilized our father as our venture capitalist. From his investment of a gift of \$5,000 to each of us, the use of his basement, his wisdom, and some of his connections, we developed our small direct-mail data communications products company. As we evolved, more and more funding was required. By our third year, Dad generously put his total retirement at stake—but came to help lead the company as CEO for the next 15 years.

Under my father's direction, we developed a wide range of products. I took responsibility for product development, Burt ran sales and marketing, and Bruce took responsibility for accounting and operations.

Over the intervening years we have built a tremendous team and have continued to grow. The company now has sales in over 120 countries and generates about 70 percent of its revenue outside the United States through a network of over 200 Channel Partners.

Our best selling products are Voice over the Internet (VoIP) products, mobile video surveillance products, and a wide range of network access devices. We now occupy a 50,000 square foot manufacturing facility in Gaithersburg where we have more than 100 employees working in sales, marketing, manufacturing and engineering.

The Case for the Export-Import Bank

Trade finance has been around for centuries. It's one of the safest kinds of finance because the goods sold serve as collateral, and the buyer, the seller, and the price have already been set.

The vast majority of trade finance is provided by commercial banks, but Ex-Im still has an important role to play covering gaps in financing for U.S. exports where commercial-bank financing is unavailable or faces competition from foreign export credit agencies. Last year, Ex-Im supported export sales that in turn sustained nearly 300,000 U.S. jobs at 3,600 companies.

However, Ex-Im's temporary reauthorization will expire on May 31, and failure to reauthorize its operations and raise its lending cap to an internationally competitive level would seriously disadvantage U.S. companies—like mine—in foreign markets, potentially resulting in the loss of thousands of U.S. jobs.

Ex-Im is especially important to small- and medium-sized businesses, which account for more than 97 percent of the quarter million U.S. companies that export. Appropriately, more than 87 percent of Ex-Im's transactions involve small or medium-sized firms. Tens of thousands of smaller companies that supply goods and services to large exporters also benefit from Ex-Im's activities. In FY 2011, Ex-Im provided more than \$6 billion in financing and insurance for U.S. small businesses—an increase of nearly 90 percent since FY 2008. Ex-Im has set the goal of providing \$9 billion in annual small-business export financing and adding 5,000 new small businesses to its portfolio by 2015.

As the President of a small company, I can tell you first-hand about the important role Ex-Im plays. The working capital that I have to operate my business is proportional to the revenue that I am generating. The money my customers owe me serves as collateral for loans I need to pay my employees, my suppliers, and even my taxes until I get paid by my customers. Since more than 70 percent of my revenue is coming from exports, about 70 percent of my line of credit with the bank is backed by Ex-Im. The Ex-Im Bank enables us to export to many markets as it provides loan guarantees and insurance on our receivables. Those loan guarantees allow my international receipts to be used as collateral the same way my domestic receipts are used.

As our business grew through the 1990s, the Internet gave us exposure to overseas customers. We began to sell to them little by little. As exports began to comprise a measurable portion of my revenue, my bank began to take notice. Our local

bank didn't want to lend against those international receivables the way they lend against domestic receivables. We could not afford to take orders from international customers in significant volumes, and in most cases we would require the buyer to pay in advance. This put us at a severe disadvantage over local suppliers and international vendors who had the backing of their national export credit agencies.

In 2000, a competing bank introduced us to Ex-Im's working capital line of credit. Under this new relationship, I received a guarantee from Ex-Im, which made my bank willing to loan up to 90 percent of my overseas receivables as working capital!

Our business grew by about 40 percent the following year and has continued to grow for the last 13 years. From 1999 to 2000 (when we added the Ex-Im line of credit), we were able to hire more than 40 new employees due to the boost in exports that happened through the use of the Ex-Im Bank. A few years later, we were able to close a single order in excess of \$3 million, adding more than 10 percent to our revenue using the Ex-Im Buyer Financing products.

By having our revenue spread across different markets, we have distributed our risks such that our business is not as prone to the economic ups and downs of one market or any particular competitor or even a few local customers. The global economic ebbs and flows have offset each other over the years, allowing us to sustain jobs during the slow times in the United States and grow employment as emerging markets expand.

Even as it helps U.S. companies large and small, Ex-Im also has a proven record of success. Far from being a burden on the taxpayer or a subsidy for corporations, Ex-Im Bank is a net revenue generator for the Treasury. Fees charged by Ex-Im generated \$700 million in revenue for the U.S. Treasury in FY 2011 and \$3.4 billion in FY 2006–FY 2010. As Congress tackles trillion dollar deficits as far as the eye can see, refusing to reauthorize Ex-Im will actually add to those deficits.

Ex-Im lending exposes the taxpayer to very little risk. Borrowers have defaulted on less than 2 percent of all loans backed by Ex-Im since its inception in 1934, a default rate lower than commercial banks.

Perhaps the most compelling argument in favor of Ex-Im's reauthorization is that failure to approve it would amount to unilateral disarmament in the face of other nations' aggressive trade finance programs. Look at the competition. Though it has an economy one-tenth the size of the United States, Canada supports an export credit agency that has extended nearly three times as much export financing as Ex-Im—and it does so on terms that are often more generous and easy to use. China has three export credit agencies that last year provided \$300 billion in export finance to its exporters—10 times as much as Ex-Im Bank did.

With other countries' export credit agencies providing an estimated \$1 trillion in export finance—often on terms more generous than Ex-Im can provide—failure to approve this reauthorization legislation will put U.S. exporters at a sharp competitive disadvantage. The fact that Congress has so far declined to approve a long-term reauthorization has become a selling point for foreign competitors to U.S. firms, who point to their own generous financing capabilities.

To give another real world example—this time from a large company—GE recently sold four turbines in Tanzania with Ex-Im Bank support in a deal worth \$125 million. A single one of these turbines can be turned into a complete power plant to provide 200MW worth of power. GE found that private sector financing could not match the competing offer supported by Britain's export credit agency—only Ex-Im Bank was able to match that offer and allow GE to make the sale.

If there is no reauthorization, the results could be catastrophic for our business. I don't know how our bank will react; certainly I expect they will reduce our borrowing and demand payment of the difference. That payback would come at the expense of employment. If they cut the collateral value in half, I'd be cutting more than 20 jobs. If they discount our international revenues as collateral altogether, I will be forced to terminate as many as 70 people. With that kind of cut, I would not be able to sustain engineering and manufacturing operations and may be forced to out-source—obtaining products from overseas rather than selling our own.

Global Access for Small Business

At the beginning of 2011, the Ex-Im Bank announced its Global Access for Small Business (Global Access) initiative, which aims to help more than 5,000 small companies export goods and services produced by U.S. workers. The Global Access initiative is a key component of Ex-Im's work supporting the National Export Initiative (NEI) and its goal of doubling U.S. exports by 2014.

To reach these benchmarks, the Bank is offering new credit and insurance products as well as streamlining product delivery. In addition, extensive outreach to educate companies about export assistance resources is being conducted throughout the country. The U.S. Chamber is one of several organizations partnering with Ex-Im

to organize outreach forums across the country, directly inform small businesses about export opportunities, and highlight companies that have increased sales, profits, and jobs through exports. Over 20 Global Access forums were held nationwide last year and more than 3,000 small companies have been engaged to date.

Outreach like this is critical to small businesses. In the 1990s most banks in my region did not have a relationship with Ex-Im. Now, most banks in our region do offer Ex-Im Bank facilities, providing me with good choices between banks based on other services. These outreach forums ensure that every potential exporter across in the country has access to the same kinds of tools currently available to me and also to their international competitors through comparable programs in other countries. Without Ex-Im, U.S. exporters are at a severe disadvantage in a global marketplace that often doesn't present a level playing field.

In addition to the Ex-Im Bank's increased outreach to small businesses, there are other efforts the Ex-Im Bank could take that would further boost small business exports. Ex-Im sometimes has difficulty scaling the paperwork to the size of the company, the size of the deal and the relative risks. Most banks already have the credit information of the small business. Separate paperwork for Ex-Im could be greatly reduced or eliminated by relying on the internal bank credit documents or having delegated authority for smaller banks at smaller amounts.

For buyer financing opportunities, often the deals are smaller than the big businesses bring. Smaller deals usually take less time to close, which requires an expedited process to be competitive. Providing online applications for foreign buyers that can be linked from U.S. producer Web sites is one way to streamline the paperwork. In general, Ex-Im should be encouraged to think simpler and smaller in order to engage more small businesses. Small businesses ready for exporting are generally financially stable; I am not suggesting Ex-Im enable unwarranted credit facilities inconsistent with the business size and risks.

* * *

The bottom line is simple: If America fails to look abroad, our workers and businesses will miss out on huge opportunities. Our standard of living and our standing in the world will suffer. With so many Americans out of work, opening markets abroad to the products of American workers, farmers, and companies is a higher priority than ever before.

Ex-Im is a vital tool for translating those export opportunities into American jobs. As president of a company, I truly understand the importance of international trade and the impact it can have on small business. It's simple: we want to ship to more countries, grow our client base, and create more jobs. Ex-Im helps me do this.

Ex-Im's critics say it picks winners and losers. It doesn't. Ex-Im finances all transactions that meet their criteria. However, if Congress fails to reauthorize Ex-Im, it's picking foreign companies as winners and American companies as losers. I respectfully urge Congress to move swiftly to reauthorization the Export-Import Bank. Thank you for the opportunity to testify.

PREPARED STATEMENT OF SONYA KOSTADINOVA

PRESIDENT AND CEO, TRANSCON TRADING CO., INC.

ON BEHALF OF THE SMALL BUSINESS EXPORTERS ASSOCIATION

APRIL 17, 2012

Chairman Johnson, Ranking Member Shelby and Members of the Committee, thank you for the opportunity to testify on the reauthorization of the Export-Import Bank of the United States (Ex-Im). My name is Sonya Kostadinova and I am the owner, president and CEO of Transcon Trading Co., Inc, located in Columbia, South Carolina. It is my pleasure to testify before you today on why the reauthorization of Ex-Im is critical to small businesses such as mine. I am also here in my capacity as a board member for the Small Business Exporters Association (SBEA), the Nation's oldest and largest small- and medium-size exporter (SME) association, which is a council of the National Small Business Association.

U.S. Small Business Administration (SBA) data shows that approximately 70 percent of all U.S. exporters have 20 or fewer employees. Transcon Trading Co., Inc. is one of these companies. Our mission is to help other small- and medium-size companies, namely U.S. manufacturers, to create brand awareness overseas and establish or increase existing exports by providing value added services in all facets of exporting.

Transcon is an export management company (EMC) that has been in business since 1979. We represent internationally approximately 80 U.S. small- and medium-

size manufacturers from several different industries—consumer personal care and health care products, pet food and pet care products, equine health care products and other specialty products—and build distribution networks for them overseas. Essentially, we perform the functions of an export department for those U.S. manufacturers that are too small to afford or do not have the expertise to establish their own in-house export department, or opt to tap into our already established distribution network overseas.

The United States is a world leader in most of the industries in which we operate and has a great deal to offer to the world marketplace in terms of the highest quality standards and latest technological innovations implemented in their products. Many of the breakthroughs come from very small businesses, including startups, some of which can become a favorite, leading brand in international markets before the U.S. marketplace even hears about them—made in the USA still carries a lot of cache around the world. Yet export financing, or lack thereof, continues to hold back many U.S. manufacturers. Just as smaller companies in the United States represent our best bet for new exports, so also do smaller companies *overseas* represent our best bet for new *buyers* of American products and services.

Exporting is not easy. Many people have an incorrect assumption of exporting, associating it with the logistics only of an export transaction. The logistics are indeed a very important part of it, but there are a whole host of other business generating activities that have to do with identifying the right importers/distributors in other countries. Among those “other” tasks exporters must handle—and which we take care of for our clients—are: negotiating and signing distribution agreements; building relationships with the clients; marketing and advertising their products in the foreign countries; assisting in foreign country product registrations where necessary; preparing the entire export documentation package to aid customs clearance; and assuming title of the goods and therefore the fiscal responsibility that comes with it.

My company, Transcon takes care of all this, we pay the manufacturers as soon as the goods leave their warehouse, and at the same time extend credit terms to qualified international buyers as part of an attractive export services package. These difficult tasks which we handle enable us to expand our business as well as that of many U.S. manufacturers.

And this is where Ex-Im comes to play an instrumental role for us by insuring our foreign receivables. We have a Multi-Buyer Export Credit Insurance Policy with Ex-Im including Discretionary Buyer Credit Limit (DCL) and Special Buyer Credit Limit (SBCL). Although Transcon has utilized Ex-Im programs since 1993, my personal, close observation and participation in this process dates back to the early 2000s.

Between 2003 and 2008—before the severity of the global recession hit—we had almost doubled our exports in large part due to Ex-Im’s credit insurance of our foreign receivables. Over the last 20 years, Ex-Im Bank has been a strong driving force behind our growth in exports. In our experience, offering credit term facility to foreign buyers can significantly increase any company’s negotiating power, resulting in 40–60 percent increases in export sales.

One of the reasons why many U.S. manufacturers lose business to foreign competitors is the fact that they are afraid to sell on open account, *i.e.*, to assume the financial risk of offering credit terms to foreign buyers. Receivables’ insurance is not as popular in the United States as it is in Europe, for example: per 2008 data, Western Europe utilizes 83 percent of the global credit insurance market (Germany/26 percent, France/18 percent, U.K./18 percent. The rest of the world only uses 17 percent (*of which North America uses only 6 percent*). There are a number of good geographical and historical reasons for that diminutive number but the fact remains that U.S. private banks don’t typically offer credit risk insurance. There are some exceptions but most of us are too small to qualify. Even if we did, it would be cost prohibitive and therefore not worthwhile going through the process.

This leaves small businesses like mine with very limited options outside Ex-Im Bank.

Confident of its important role, we have promoted Ex-Im’s services to as many companies as possible throughout the years. As an adjunct professor of exporting at the number-one international business program in the country at the Moore School of Business at the University of South Carolina, I designate a special session in my class on Ex-Im and its role in credit financing of export transactions. I want the young entrepreneurs in my class—many of whom start their export companies during the semester as a class project—to know that they are not alone and if no private banking institution steps up to provide export financing, Ex-Im can. There are many companies in this country that either are not familiar with Ex-Im or only have a limited knowledge of Ex-Im and their services. Therefore, my class is just

one resource to increase the outreach and word of Ex-Im to future small businesses. In my opinion there are many U.S. small businesses that could be exporters except for the fact that they do not know where to turn and/or the existence and services of Ex-Im.

In fact, according to a past survey by SBEA and NSBA, 56 percent of small businesses surveyed by said concerns over getting paid and cost are the main barriers to exporting. Forty-three percent of small businesses said they would be interested in exporting if some of their concerns were addressed. Ex-Im clearly has the potential to help many small businesses begin or expand exporting operations which would, without question, bolster the U.S. economy.

In 2011 Transcon registered exports to about 80 countries. In addition to representing other manufacturers' brands overseas, we have our own branded pet grooming line that has enjoyed loyal, international customers for a couple of decades now. Ex-Im Bank has been a strong driving force behind our growth in exports.

Getting export credit financing and insurance is a very difficult, expensive and cumbersome process—and oftentimes not possible at all—for a small business, if done through private sector banking institutions. Ex-Im Bank provided that supporting arm to us and helped us double our exports. It is unthinkable for us to not only continue this export expansion, but also to even continue to exist as an EMC without the support of Ex-Im Bank. Without it, we would lose most of our open account buyers to European competitors who receive massive amounts of support in export financing and foreign receivables insurance from their own export credit agencies.

During the global recession, we witnessed incredible proliferation of protectionism around the world. Signing free trade agreements alone is not enough anymore to protect the U.S. manufacturers' right to fair trade. Many governments enforced impossible regulatory restrictions in the form of country specific registration and importation requirements, which effectively become nontrade barriers to entry. While it would take the United States a longer term effort involving negotiations at the highest level with many governments to bring some much needed balance to that process, Ex-Im Bank's reauthorization can be an act taken domestically that would have equal, if not bigger, importance and impact on our ability to export.

We could swallow the losses in one country, due to overly burdensome regulatory requirements, and refocus and redirect our efforts to those other countries that still allow fairer and equitable trade practices, but without the export credit financing and foreign receivables insurance, it is unlikely that we will succeed to outperform our foreign competitors. We would lose the battle in the very initial stage of negotiations as one of the first questions asked by interested foreign buyers is "Do you offer credit terms?"

In addition, we found out the hard way that many U.S. private banks would not even extend operating credit to us as they do not accept foreign receivables as collateral, only domestic receivables and inventory/equipment. Having our receivables 95 percent covered by the Ex-Im Bank Insurance Policy has allowed us to leverage them along with the inventory and have our credit line approved. For many small businesses, this positive side effect is equivalent to a life line support that allows export expansion. As we all know, growth is usually painfully associated with cash-flow struggle/problems.

U.S. Department of Commerce 2008 data shows that 1 out of 20 or 6 million jobs in America depend on manufactured exports. Export related jobs pay an estimated 13 to 18 percent more than the U.S. national average. Unfortunately, the United States is underperforming: less than 1 percent of America's 30 million companies export. Of those that export, 58 percent export to only one country. In my home State of South Carolina, export-supported jobs linked to manufacturing account for an estimated 9.2 percent (the fifth highest share among the 50 States) of South Carolina's total private-sector employment. Well over one-fourth (28.9 percent) of all manufacturing workers in South Carolina depend on exports for their jobs, the second highest among the 50 States.

Small businesses are a critical component of the U.S. economy, with 27.5 million businesses employing half of the private U.S. workforce. Many of these small businesses rely on exporting to increase their sales, grow their business and create new jobs. With 95 percent of the purchasing market outside of the United States, small businesses understand the importance of opening new markets and competing in the global marketplace. In fact, 97 percent of identified U.S. exporters are small businesses, yet that represents only a fraction of those who could compete abroad.

Small businesses rely on exports to increase their sales, strengthen their long-term viability and create new jobs. U.S. exports in 2010 supported nearly 10 million jobs, including an estimated four million for small businesses. Total U.S. exports in goods and services reached \$1.8 trillion in 2010, nearly 12 percent of U.S. gross do-

mestic product. A U.S. International Trade Commission's report showed exporting small businesses averaged 37 percent revenue growth from 2005 to 2009; compared to a decline of 7 percent for non-exporting small businesses. One billion dollars in U.S. exports creates 6,000 new jobs.

Over the next 4 years, the demand for U.S. products and services will likely grow dramatically. Ex-Im Bank's role as "lender of last resort" will, in the coming years, be even more critical to leveling the playing field for small U.S. exporters. In fact, for smaller companies, Ex-Im is not the bank of last resort. It is the bank of *only* resort.

Our expansion results in direct job creation not only for Transcon and South Carolina, but also for many other States in the country as the manufacturers we represent are located all over the United States. We have had about \$50,000,000 worth of foreign receivables insured by Ex-Im for which we paid a premium of \$364,000; this shows well below 1 percent cost associated with the insurance premium. Private sector premiums would be a lot higher than that and therefore unaffordable by small businesses.

Since 2006 we have had only one claim (filed in 2008) and it was for less than \$2,500. We have had zero claims since then.

Ex-Im's export credit insurance has given us peace of mind and allowed mitigation against both commercial and political risks and made our foreign receivables eligible for financing. During the economic crisis, Ex-Im Bank did not cancel or reduce coverage on buyers when most (with very few exceptions) of the private sector insurance did, which caused a major problem. When the private insurance companies canceled coverage that caused the banks' lending against those formerly insured foreign accounts receivables to stop lending.

As our prominence overseas has grown, we now have buyers who could use Ex-Im Bank's project financing and credit guarantee facility program. Positioned to move to bigger projects, Transcon was stepping up the intention of using Ex-Im Bank's lending capabilities more actively. Now we have been forced to put all of these projects on hold due to the ongoing instability created by Congress' failure to enact a long-term reauthorization.

We need Congress' understanding and swift action NOW to reauthorize the Ex-Im Bank for 4 years with a \$140 billion lending cap. With the current extension set to expire at the end of May 2012, Congress must act soon; otherwise exporters could see their lender of last resort falter as it waits for a new reauthorization. This uncertainty could have a devastating effect on my and many other small businesses' ability to follow through on sales even though there are buyers who want our products.

Short-term extensions, as we have seen, will have a paralyzing effect on many of Transcon's ongoing projects. It would hamper our ability to plan, and would provide a wide-open door to our international competitors. We cannot afford to invest time and resources to build relationships overseas and negotiate with foreign buyers, only to find out in the end that one of our strongest negotiating points—Ex-Im Bank's services—are obsolete. Not only would we most certainly lose the opportunity to do business with these foreign buyers, but we would have wasted all of our initial investment in the deal.

Reauthorizing Ex-Im sends a message to the world that the United States remains fully engaged as an exporting Nation. That is a vital message as Ex-Im Bank remains a catalyst for the expansion of small-business exports while continuing to support businesses confronting aggressive foreign competition. By contrast, failing to act now on the reauthorization, and handing off the issue to the next Congress, would send an unfortunate signal that exporting is much less of a priority for our country.

In the past, such hesitation on the part of Congress has led to situations where companies from competitor nations have raised doubts with the foreign buyers of U.S. products about whether trade financing from the United States would continue to be available. And that has led to sales cancellations.

For us smaller companies in international trade, moving forward with a 4-year reauthorization with an increase in its lending cap is crucial. Congress has wisely taken this opportunity to make a number of long-sought improvements in the Bank's handling of its small-business customers—setting a record in FY 2011 by supporting \$6 billion in financing and insurance for U.S. small businesses—an increase of nearly 90 percent since FY 2008. Ex-Im Bank has a goal of providing \$9 billion in annual small-business export financing and adding 5,000 new small businesses to its portfolio by 2015. This hefty goal will attract more small businesses to exporting, reduce trade deficits and enlarge the Main Street constituency for international trade. These very desirable benefits ought not to wait many months

for a new Congress to act, particularly when the House and Senate were able to reach a compromise earlier last year.

Thank you once again for allowing me to share our experiences and our fears with you. We put our faith in you and I urge you to see Ex-Im Bank for what it is, an agency that produces results and doesn't cost taxpayers a dime—not, as some would have you believe, a burden on U.S. taxpayers. In order to continue to grow U.S. exports, the U.S. economy, and U.S. jobs, I urge you to reauthorize Ex-Im Bank as soon as possible.

PREPARED STATEMENT OF DAVID ICKERT

VICE PRESIDENT OF FINANCE, AIR TRACTOR, INC.

ON BEHALF OF THE NATIONAL ASSOCIATION OF MANUFACTURERS

APRIL 17, 2012

Chairman Johnson, Ranking Member Shelby and Members of the Committee, thank you for the opportunity to testify on the reauthorization of the Export-Import Bank of the United States (Ex-Im). My name is David Ickert, and I am the vice president of finance at Air Tractor, Inc. of Olney, Texas.

It is my pleasure to submit the following testimony on behalf of the National Association of Manufacturers (NAM) to the Committee on Banking, Housing and Urban Affairs for the hearing entitled, "Export-Import Bank Reauthorization: Saving American Jobs and Supporting American Exporters." Air Tractor and the NAM welcome this hearing on the implications of ExIm Bank reauthorization. I appreciate the opportunity to highlight the importance of broadening opportunities for U.S. manufacturers overseas by bolstering Ex-Im Bank.

As you know, I had the opportunity to testify on June 30, 2011, before the Subcommittee on Security and International Trade and Finance. That hearing was entitled, "Stakeholder Perspectives on Reauthorization of the Export-Import Bank of the United States." In that testimony, I addressed the history of Air Tractor with Ex-Im and the benefits that Air Tractor, our employees and our community have accrued.

I will provide a brief summary and update of that testimony below. These comments will provide you with insight into Air Tractor and the extent of Ex-Im's support for American workers and exporters. Since my testimony before the Subcommittee, there has been no reauthorization of Ex-Im, and the current authorization is scheduled to expire on May 31, 2012. Furthermore, the lending cap has not been increased. As such, I will reflect on what impact the failure to reauthorize the Export-Import Bank in a timely manner—with an increase in the lending cap—will have on Air Tractor's employees.

Air Tractor is a small manufacturer engaged in the production of agricultural airplanes and firefighting airplanes. The company has been manufacturing planes since 1972 and is now 100-percent employee owned. We have one location—Olney, Texas. Olney is a small rural town located 100 miles west of Fort Worth, Texas and 200 miles east of Lubbock, Texas. The population of Olney is approximately 3,000 people. Air Tractor currently employs 270 people.

Air Tractor is also a member of the NAM. The NAM is the Nation's largest industrial trade association, representing small and large manufacturers in every industrial sector and in all 50 States. Its membership includes both large multinational corporations with operations in many foreign countries, and small and medium-sized manufacturers that engage in international trade. The manufacturing sector employs nearly 12 million Americans and is the engine that drives the U.S. economy by creating jobs, opportunity and prosperity. Exports are vital to the success of American manufacturing, as they constitute 20 percent of U.S. manufacturing production and have increased at a rapid clip in recent years. In fact, over the past decade, exports grew more than five times as fast as shipments to the domestic market—exports grew by 48 percent while domestic shipments grew by only 9 percent.

Air Tractor began using Ex-Im in 1995. We utilized the Export-Import Bank's medium-term credit insurance product then, and we have continued to use that product throughout the years. We use that product in our current transactions.

We believe that the Export-Import Bank is essential to exports of U.S. products. For instance, in FY 2011, Ex-Im was involved with 3,751 transactions that supported nearly \$42 billion in exports from more than 3,600 U.S. companies. Of those transactions, 3,247—87 percent—were with small-business exporters. All of those transactions added up to \$6 billion in Ex-Im financing in FY 2011. The Ex-Im Bank pays for itself (through the fees it charges to foreign buyers) and—above and beyond that—returns money to the U.S. Treasury. From 2006 to 2010, Ex-Im Bank re-

turned \$3.4 billion to the Treasury. Ex-Im is a net gain for the Federal Government and for the taxpayer. Furthermore, the Bank has maintained its incredibly low default rate (1.5 percent) through the recession and through several years of record growth.

With the Export-Import Bank's medium-term credit insurance product, Air Tractor is able to extend credit to our customers in foreign countries for the purchase of our airplanes. The credit extension is done in the form of a promissory note payable from the customer to Air Tractor. The term of the note is usually 5 years, payable in 10 equal semi-annual installments, plus accrued interest. After underwriting and approving the credit of our customer, Ex-Im issues its medium-term credit insurance in favor of that customer. Once Air Tractor has the Export-Import Bank's medium-term credit insurance on the note, we then sell the note to our commercial bank and receive our cash. As a small business, we are unable to hold any significant amount of paper. Air Tractor is only able to convert paper to cash with the credit insurance of Ex-Im.

When we first started using Ex-Im in 1995, exports were approximately 10 percent of sales. Through the use of Ex-Im's medium-term credit insurance product, we have been able to grow and expand sales such that exports now comprise over 50 percent of our sales. The chart below illustrates these totals over the last 5 years.

Year	Air Tractor Employment	Aircraft Sold	Percent Exported
2007	165	58	36%
2008	197	101	45%
2009	204	101	49%
2010	220	123	56%
2011	267	137	50%

There are some important issues to be highlighted from the description above:

- Ex-Im Bank products were used in countries where the local banking structure would not support 5-year loans to our customers to buy an aircraft.
- No U.S. bank would make a loan to our foreign customers for the purchase of our aircraft.
- No U.S. bank would buy our purchase notes receivables from Air Tractor without them being issued by Ex-Im.
- The sales represented by these insurance notes would not have taken place without the described financing.
- Exports have increased our market footprint in the world and have increased our total sales.
- The sales increase as a result of Ex-Im insurance notes has created and sustained jobs.
- Job creation at Air Tractor in Olney, Texas, is the direct result of being able to use Ex-Im's medium-term credit insurance product to make export sales.
- The Ex-Im product has helped us facilitate export sales and create jobs in Olney, Texas. Air Tractor strongly supports the reauthorization of Ex-Im.

If Ex-Im is not reauthorized by the May 31, 2012 expiration date, the impact could be devastating to Air Tractor (and many others companies here in the United States). Air Tractor's situation offers a very straightforward illustration of what could happen without reauthorization.

For the calendar year 2012, Air Tractor has 175 aircraft scheduled for production. A great deal of time and planning is required in order to start the process and to put orders into our supply chain to meet this record production level. Of the 175 planes in our 2012 schedule, we have identified 44 that will require Ex-Im Bank medium-term credit insurance support. That is 25 percent of our 2012 production. Without Ex-Im support, most (if not all) of these 44 sales will go away. There is no alternative for us to use to make these sales. If the Export-Import Bank is not reauthorized, 68 jobs at Air Tractor will be in jeopardy. Not only would these 68 employees be directly at risk, but other employees in small retail businesses along Main Street would also be at risk.

Furthermore, American manufacturing jobs, such those in Olney, Texas, will be at risk if the lending cap for the Export-Import Bank is not increased. Currently, Ex-Im is close to its \$100 billion lending cap. If the Bank reaches its lending cap, that is tantamount to shutting Ex-Im down. The devastating impact on Air Tractor,

its employees and suppliers is the same whether the Export-Import Bank is not authorized or if it is authorized and the lending cap is not adequately increased.

As I noted, Olney is a small rural town. Olney is probably not thought of as a community where significant exports originate. However, thanks to the products of Ex-Im, exports originate out of Olney, Texas, and jobs are created. This is a scenario that is common all over our Nation.

As Air Tractor illustrates in Olney, Texas, without Ex-Im and without an adequate lending cap, jobs are endangered in communities throughout the United States. Ex-Im helps create and sustain jobs through exports. Ex-Im returns money to the U.S. Treasury.

On behalf of the NAM, Air Tractor strongly supports and urges quick action on the part of Congress on a long-term reauthorization for Ex-Im with an adequate increase in the lending cap.

In closing, thank you Chairman Johnson and Ranking Member Shelby for holding this hearing and for allowing me the opportunity to testify.

PREPARED STATEMENT OF R. THOMAS BUFFENBARGER
INTERNATIONAL PRESIDENT
INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS

APRIL 17, 2012

Thank you, Chairman Johnson, Ranking Member Shelby, and Members of this Committee for the opportunity to testify before you today on the vital importance of the Export-Import Bank to our industrial base and the creation and preservation of American manufacturing jobs. My name is Tom Buffenbarger and I serve as International President of the International Association of Machinists and Aerospace Workers, also known as the IAM. As a broadly diversified manufacturing union and the largest aerospace union in North America, representing over 700,000 active and retired members, the IAM is particularly concerned about the need to fully reauthorize the Ex-Im Bank.

While much of the Ex-Im Bank's focus relates to the sale of Boeing aircraft, we also represent workers at companies like Caterpillar, Pratt and Whitney, John Deere, General Electric, as well as numerous small- and medium-sized firms that export a variety of American made products crucial to our economic health. Given our members work with these exporting firms, we are uniquely positioned to share with you our strong belief that the Ex-Im Bank's reauthorization must be approved immediately. Indeed, the Ex-Im Bank is one of the few tools that we have to support exports that in turn contribute directly to American jobs. At a time when our fragile economy is still recovering and millions of manufacturing workers are still without work, we are baffled why the Ex-Im Bank's reauthorization and, consequently, its ability to fulfill its critical mission is being held up. This mission, however, cannot be fully accomplished if domestic content requirements are weakened as some have proposed. There is a clear link between American jobs and domestic content. We should look to strengthen, not weaken these vital provisions, otherwise the Ex-Im Bank will be engaging in corporate welfare that would incentivize the offshoring of American jobs.

Global competition has never been more intense and the stakes for our economy have never been higher as U.S. firms and workers struggle to compete in today's global marketplace. Successful countries recognize the importance of a strong manufacturing sector and the true nature of global competition. These countries know that there is no such thing as a "free market," and provide strong support for critical wealth and job creating industries like aerospace.

The United States, unfortunately, has too often blindly embraced a free market ideology that has opened our domestic markets to foreign goods while offshoring the production of American created technologies and products, as well as millions of good paying jobs. We have repeatedly seen this with electronics, green technologies, and a host of consumer products. The result has been a gaping trade imbalance with the rest of the world. According to the U.S. Census Bureau, our trade imbalance grew by more than 10 percent in 2011 to over \$558 billion. While there was a small positive balance in services, the deficit in goods increased by 14 percent to over \$737 billion with the largest increase coming in our deficit with the People's Republic of China, a rapidly growing country that engages in a variety of unfair trade practices-illegal subsidies, forced technology transfer, currency manipulation, and an appalling lack of labor rights. The Economic Policy Institute estimates that over the last decade our trade imbalance just with China has cost the United States nearly three million jobs. Many of these jobs have been in manufacturing, a sector in which each

manufacturing job supports three to four additional jobs in the economy. With our economy struggling with persistent high unemployment and starving for more rapid job creation, it is no surprise that so many working families have such a dim view of the future.

Nor should it come as a surprise that countries across the globe have set their sights on one of the few remaining sectors where the United States enjoys a positive balance of trade with the rest of the world—aerospace. For 2011, the U.S. aerospace industry had a trade surplus of \$7.25 billion, the largest of any advanced technology sector. According to a recent study by Deloitte on the economic effect of the U.S. aerospace and defense industries, aerospace products and parts manufacturing contribute over \$40 billion to U.S. payrolls and impact every State. It should be noted that the U.S. military and commercial aerospace sectors are deeply interconnected, particularly in the supply chain. Many of our members will work on both military and commercial aerospace products. Weakening our commercial sector will have a direct impact on the capabilities of the U.S. aerospace defense industrial base.

Since the Ex-Im Bank began in the 1930s, its mission has been “to assist in financing the export of U.S. goods and services to international markets,” enabling “large and small companies to turn export opportunities into real sales that help to maintain and create U.S. jobs and contribute to a stronger national economy.” Contrary to the position of some organizations, the Ex-Im Bank’s mission is directed at facilitating exports that support U.S. jobs, and it has never been directed to balance the interests of U.S. exporters against the interests of some airlines like Delta Air Lines. If Delta were truly interested in supporting U.S. workers, it would argue that the Bank’s rules be changed so that it could be permitted to assist U.S. airlines in the purchase of domestically produced aircraft. Sadly, while Delta recently took advantage of Ex-Im Bank financing to win a contract to perform heavy engine maintenance for a Brazilian airline, it seems that Delta is more interested in destroying one of the U.S. Government’s most effective tools for spurring export growth and creating American jobs by seeking to insert language in the Ex-Im Bank reauthorization to specifically eliminate financing for widebody aircraft.

Additionally, it is disingenuous to claim to support a robust manufacturing industry and at the same time press for legislation that would undermine the Bank’s ability to simply provide loan guarantees for the sale of U.S. manufactured aircraft. If the Bank is hindered, or prevented from supporting the export of aircraft made by U.S. workers, then U.S. workers, the communities where they live, and our Nation’s economy will lose—and lose big. Valuable jobs will be lost as foreign airlines purchase aircraft made from global competitors whose governments’ willingly provide financing. If, for example, Air India is prevented from utilizing Ex-Im Bank financing for the purchase of Boeing widebody aircraft, then they have only one other company to purchase aircraft from, Boeing’s European competitor, Airbus. Consequently, Air India would still be flying the same routes—only with European produced wide body aircraft produced by European workers.

According to the U.S. Chamber of Commerce, small businesses make up 87 percent of Ex-Im Bank transactions. While much attention is focused on large corporations, supply chains stretch across the entire United States and the Ex-Im Bank’s financing affects firms of all sizes. If the Ex-Im Bank is prevented from supporting U.S. manufacturers, thousands of additional American jobs will be lost as U.S. companies ship more production work abroad where they can take advantage of the financing provided by other countries’ export credit agencies—financing that they would have preferred to obtain from the Ex-Im Bank.

We must also be clear that our global competitors will not eliminate export credit financing. For the United States to do so in the brutal world of the global marketplace would be tantamount to unilateral disarmament. Without Ex-Im Bank financing the U.S. aerospace industry will be at a severe disadvantage, while European competitors will be free to support their companies through their comprehensive industrial policies. Last, as China’s export credit agency grows dramatically, why would we want to eliminate the only tool the United States has to effectively compete with China, particularly as China rushes to develop its commercial aerospace sector?

Similarly, attempts to weaken the Ex-Im Bank’s domestic content requirements are dangerous and misguided. Greater domestic content means that a greater percentage of the product for export is made here in the United States by American workers. If anything, the Ex-Im Bank’s domestic content requirement should be strengthened. Multinational corporations that seek to lower domestic content requirements are the same corporations that have shifted thousands of production jobs outside of the United States.

If adopted, the current House language on domestic content would increase the likelihood of weakening domestic content guidelines. It mandates that the Ex-Im

Bank adopt guidelines relying on factors that would skew the outcome toward lowering domestic content. This is real corporate welfare and the American people will not stand for it. Under the House version, the Ex-Im Bank would review its content guidelines every 2 years, which would mean that every 2 years we will have to battle attacks on domestic content just to maintain the current standards.

The Senate bill does not contain any of these provisions. Specifically, it does not require the Bank to develop guidelines based on factors which lean heavily toward lowering domestic content, nor does it require that the Bank conduct a review of its domestic content requirements every 2 years.

America's global competitors know that exports, and, particularly aerospace exports, are vital to a strong economy and have repeatedly demonstrated a resolve to provide all necessary means of support to enhance export growth. Now is not the time for America to unilaterally disarm and surrender one of our last remaining engines of export growth, the aerospace industry. We strongly oppose any attempt to weaken domestic content requirements. The Ex-Im Bank needs to be fully reauthorized for 4 years and its lending cap significantly increased. We know firsthand from working with our employers that a short-term authorization will add uncertainty to business plans and forestall any possible expansion and employment growth.

Finally, it is clear that both labor and business support the reauthorization of the Ex-Im Bank. As America's working families struggle in today's difficult economy, they have little patience for Beltway politics that continue to stall a proven instrument of export growth and job creation like the Ex-Im Bank. I strongly urge this Committee and the full Senate to act as quickly as possible to enact pending legislation to fully reauthorize the Ex-Im Bank and expand its lending cap.

I thank the Committee for this opportunity to testify and look forward to your questions.

ADDITIONAL MATERIAL SUPPLIED FOR THE RECORD

Statement

of the

Coalition for Employment through Exports

before the

Senate Committee on Banking, Housing and Urban Affairs

Hearing on the Reauthorization of the U.S. Export-Import Bank

April, 17, 2012

The Coalition for Employment through Exports (CEE) is pleased to submit a statement in support of S.1547 and the Reauthorization of the Export-Import Bank (Ex-Im Bank).

We would like to bring to the attention of the Senate Banking Committee that because of the manner in which the global economy has evolved since the financial crisis of 2007-09, we believe there will be continued increased demand for U.S. manufactured goods over the next several years. A reauthorized Ex-Im Bank with sufficient cap space to allow for growth will be critical to meet this increased demand for U.S goods and services.

We believe that three independent elements underlie the increased demand experienced by the Ex-Im Bank in the last several years and will shape anticipated demand in the next few years.

First, demand for Bank support is often countercyclical, rising at times when the commercial banks, for whatever reason, are retrenching.

Second, demand for Ex-Im Bank financing will rise when global project and export activity is outstripping the ability of commercial Banks to provide competitive financing, particularly in the face of export credit financing which supports foreign competitors of U.S. companies, especially in the context of medium and long term transactions in the emerging markets.

A third element impacting demand on growth for Ex-Im's financing support is the Bank's increased outreach to small businesses which find their markets gravitating overseas or which have been newly exposed to the increased demand for their goods from outside the U.S.

Since the financial crisis and for the next several years, the increased demand for Ex-Im Bank financing is and will be the consequence of a "perfect storm" in which each of the three elements has and will continue to contribute to significant increased demand. The result over the past several years has been a large increase in U.S. exports, particularly in manufactured goods, an increase that we anticipate will last until the middle of the decade, if not longer.

The financial crisis of 2007-9 generated an increased level of Ex-Im Bank activity as the Bank responded to significant retrenchment by the private banking community. The crisis was both about liquidity and risk, and in significant ways the commercial banks have yet to recover. The commercial banks have had to recalibrate their risk exposure, absorb the requirements of Basel III and react to the Eurozone crisis which has sidelined almost all of the European banks but those of Germany. The French banks, which historically have been aggressive in the export finance arena, have been severely impacted by the European debt they have taken on as that crisis has evolved, sharply limiting their ability to provide new liquidity to export finance. In fact, every European ECA is currently engaged in developing new structures to compensate for the loss of liquidity, so that their exporters are not constrained as new opportunities present themselves.

Since the financial crisis, the engine of global growth has shifted away from the U.S. and Europe to the emerging markets – especially the regional powerhouses of China, India and Brazil. With the growth demands of these and many other emerging markets so great, and the cost of capital so low, the number of major projects in oil and gas, power generation, natural resources, infrastructure and petrochemicals is increasing dramatically.

GE has recently assessed project demand outside of the aircraft sector, both those in the early stages of implementation and projected global demand for 2014. Their summary graphs are attached, and each reflects a need for significant and sustained increases in export credit financing.

With regard to small business, the Ex-Im Bank under Chairman Hochberg's leadership has demonstrated the Bank's ability to reach out and assist small businesses as they engage in export markets. The importance of small businesses to the Bank is only going to continue to grow.

So long as the Reauthorization enables Ex-Im Bank to respond and support that anticipated demand, the export opportunities of the next few years will augur very well for U.S. firms, and for the thousands of U.S. jobs that will be supported by those exports.

Thank you for the opportunity to submit a statement to the Committee.

TESTIMONY OF BEN HIRST
SENIOR VICE PRESIDENT AND GENERAL COUNSEL
DELTA AIR LINES

BEFORE THE SENATE COMMITTEE ON BANKING, HOUSING, & URBAN AFFAIRS

APRIL 17, 2012

INTRODUCTION

Chairman Johnson and Ranking Member Shelby, on behalf of Delta Air Lines I thank you for the opportunity to provide testimony on the proposed reauthorization of the Export-Import Bank of the United States. Delta and our employees are grateful that the Committee is taking the time to evaluate the role of the Export-Import Bank in today's U.S. economy. We believe that Congress can reauthorize the Bank to meet the needs of U.S. exporters while at the same time ensuring that the Bank rejects commitments to foreign airlines where the harm to U.S. airlines and their employees outweighs any domestic benefit.

Delta employs over 70,000 people worldwide and offers service to more than 160 million passengers each year to 341 destinations in 61 countries on six continents. As a direct competitor of the foreign airlines that receive billions of dollars of financial support annually from the Bank — financial support that consumes roughly half of the Bank's available resources — Delta has an interest in a reauthorization that tapers the Bank's interference in the international airline market.

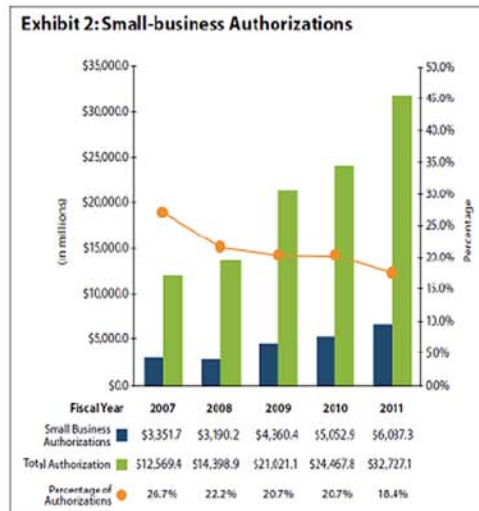
THE CONCENTRATION OF EXPORT-IMPORT BANK SUPPORT

As members of today's panel have told you, the Export-Import Bank provides valuable support to small businesses. According to its 2011 Annual Report, the Bank authorized approximately \$6 billion in financing and insurance for American small businesses, or 18.4% of its total authorizations for that fiscal year, and has a goal of reaching \$30 billion in total authorizations for small businesses by 2015. Occasionally, the Bank also provides indirect support for subsidiaries of larger American companies, like Boeing Satellite Systems Inc. and Delta TechOps. Although a recent Washington Post editorial criticized most of the justifications for the continued existence of the Export-Import Bank, the one that it found compelling was the need for the United States to offer its exporters support that is comparable to the support that other governments provide through their own export credit agencies.^[1] Delta applauds the Export-Import Bank for seeking to grow its support for small businesses in the face of worldwide government subsidies.

But the Bank's support for small businesses is not the whole story — in fact, it is a relatively small part of the picture. The Bank's latest annual report reveals that, over the past five years, the Bank's authorizations for small businesses have actually shrunk relative to its overall authorizations.^[2]

^[1] Editorial, *Impasse over the Ex-Im*, WASHINGTON POST, April 8, 2012.

^[2] Export-Import Bank of the United States, 2011 Annual Report.



In contrast, the Bank plays a much larger — and growing — role in the realm of aircraft finance. Its commitments to support the sale of Boeing aircraft to foreign airlines has grown alongside the Bank's total authorizations. From FY2007 to FY2011, the Bank increased its authorizations for Boeing aircraft from \$4.5 billion to over \$11.6 billion, which is nearly twice as much as it authorized for small businesses. Of its outstanding authorizations, nearly 50% are dedicated to the financing of air transportation. In light of these numbers, it is little wonder that the Congressional Research Service has recently referred to the Bank as "Boeing's Bank."^[3] Even the Bank's own Vice President of Transportation has publicly cautioned that "it's not healthy in the long term for export credit agencies to be doing so much" aircraft financing.^[4] If the Bank wants to increase the amount it has available to dedicate to more healthy endeavors, such as its support for small businesses, it can and should reduce the tens of billions of dollars of aid it provides each year to foreign airlines.

THE HARM TO U.S. AIRLINES AND THEIR EMPLOYEES

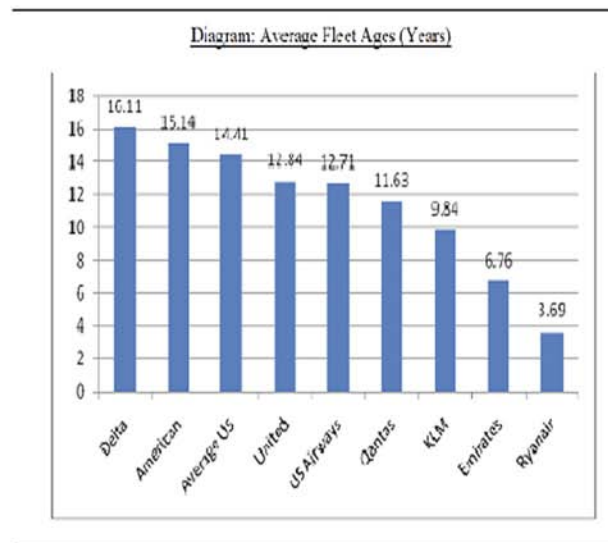
The Bank's outsized role in financing foreign airlines causes harm to U.S. airlines like Delta, who compete with the Bank's beneficiaries for international travelers. As the Bank acknowledges, it provides financing to some foreign companies — including some foreign airlines — that are unable to obtain financing on the private market. Without that financing, these airlines could not afford new Boeing planes to compete with U.S. airlines. Other foreign airlines, such as Emirates, could find private financing. But for those airlines the Bank's support provides further advantages — such as access to what the Bank touts as its "creative

^[3] Congressional Research Service, *Export-Import Bank: Background and Legislative Issues*, Feb. 9, 2011.

^[4] Joseph C. Anselmo, *Ex-Im Official Envisions Smaller Role in Aircraft Financing*, AVIATION DAILY at 5, Mar. 22, 2012.

and innovative approach to financing^[5] — that enable foreign airlines to compete with U.S. airlines using cost structures unattainable by non-subsidized U.S. airlines.

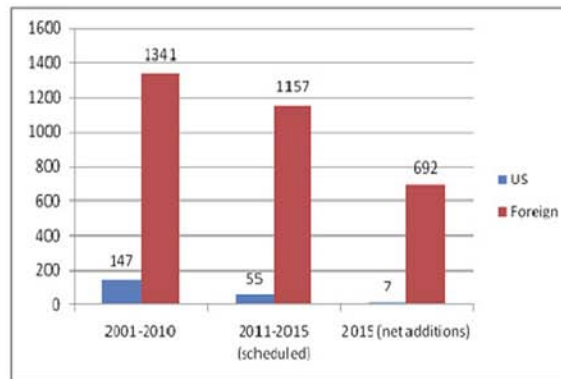
And foreign airlines heavily rely on that support. While U.S. airlines are hamstrung by high capital costs for long-range aircraft, foreign airlines use the Bank to expand their fleets with little or no discipline from the capital markets. The predictable result, as shown in the following table, is the Bank's foreign beneficiaries have much newer fleets, while U.S. carriers are forced to use older aircraft (by squeezing additional seats into them and retrofitting their interiors).



The relative youth of foreign carriers' fleets — facilitated by the Bank's below-market financing — gives those carriers significant operating and competitive advantages over U.S. carriers. New planes have low maintenance costs for their first seven or eight years, while they are still under manufacturers' warranties. New planes are also much more fuel-efficient than older ones, which is important because fuel costs represent the single largest expense for airlines (close to one-third of estimated costs in the first half of 2011).

In the face of steep capital costs, U.S. airlines have been de-capitalizing their fleets and buying fewer airplanes, while foreign carriers — with the Bank's support — are buying an increasing number of new aircraft. The following chart illustrates the problem and shows that, by 2015, foreign carriers will have nearly 700 more net additions of widebody aircraft to their fleet than U.S. carriers.

Diagram: Widebody Aircraft Deliveries
(U.S. Versus Foreign Carriers)



This subsidized competition inevitably forces U.S. airlines to reduce international flights and, along with them, U.S. airline jobs. Perhaps the most telling example of this pattern is Delta's experience with its New York-Mumbai route in the face of the Bank's support to Air India.

In November 2006, Delta initiated service between John F. Kennedy Airport in New York and Mumbai with one daily nonstop flight using a Boeing 777. That nonstop flight gave Delta a competitive advantage: customers prefer nonstop flights, but, unlike Delta, Air India could not afford long-range, widebody aircraft that could fly from Mumbai to New York without stopping to refuel. At that time, the average fare on the New York-Mumbai route was \$1,200. Between 2006 (when Delta began service to India) and 2009, the Bank gave Air India over \$3 billion in loan guarantees for the purchase of Boeing aircraft. Air India used those guarantees to secure below-market financing for the purchase of long-range Boeing 777s, which Air India then used to start nonstop service between Mumbai and JFK — in direct, head-to-head competition with Delta. Delta had no choice but to exit the market: after ticket prices dropped to \$800, Delta flew its last nonstop flight from New York to Mumbai in October 2008. That route represented approximately 64 pilot jobs, 165 flight attendant jobs, and other airline jobs.

Delta's experience with its New York-Mumbai route is not an isolated event. A recent economic study sponsored by Airlines for America, which represents U.S. airlines, estimated that similar Bank-backed foreign airline expansion has led to the loss of up to 7,500 airline jobs. And that estimate does not take into account the broader effect that airline jobs have on employment in general: according to the Federal Aviation Administration, every 100 airline jobs support some 360 jobs outside of the airline industry. Yet the Bank pays absolutely no attention to these adverse effects prior to approving financial guarantees for foreign airlines.

PREVIOUS CONGRESSIONAL MANDATES

Congress has previously recognized the potential for harm that the Bank's commitments cause. In 1986, this Committee reviewed a 1983 Bank guarantee to support Singapore

Airlines' purchase of Boeing 747 aircraft. As the Committee explained, "A U.S. competitor of Singapore Airlines, Pan American Airways, felt that it was adversely impacted by this support, yet it was not consulted by Eximbank, and the [Bank's] Board gave only cursory attention to [the] statutory consideration" of the "potential adverse impact that any Eximbank loan or financial guarantee is likely to have on domestic industries or employment."^[6] The Committee responded by approving language in the 1986 Reauthorization Bill to "strengthen[] the directive to the Bank to consider the views of domestic parties who may be substantially adversely affected by the Eximbank loan or guarantee."

Congress has directed the Bank to consider the adverse domestic impact of its loans or financial guarantees on U.S. industry and employment—before approving them—in at least *three* separate provisions of the Bank's statutory charter. Section 635(b)(1)(B) requires the Bank's Board of Directors "in authorizing any loan or guarantee" to "take into account any serious adverse effect of such loan or guarantee on the competitive position of United States industry . . . and employment in the United States." Section 635a-2 requires the Bank to "insure that full consideration is given to the extent to which any loan or financial guarantee is likely to have an adverse effect on industries . . . and employment in the United States, either by reducing demand for goods produced in the United States or by increasing imports to the United States." And Section 635(e)(1) specifically prohibits the Bank from providing loans or financial guarantees for establishing or expanding the production of any commodity for export by another country if "the extension of such credit or guarantee will cause substantial injury to United States producers of the same, similar, or competing commodity."

THE BANK'S ATTITUDE TOWARDS ECONOMIC IMPACT

Despite Congress's clear directives, the Bank conducts no economic impact analysis whatsoever for aircraft financing transactions. Its record in other industries is hardly better. According to a 2007 Government Accountability Office (GAO) report entitled "Improvements Needed In Assessment of Economic Impact," the Bank from 2003 to 2005 failed to conduct any economic impact analysis whatsoever for 8,383 of the 9,154 applications it received (or nearly 92% of all applications received). Of the remainder, the Bank only conducted a full economic impact analysis for 20 of those applications (or 0.2% of all applications received).

How has the Bank evaded accountability for this complete failure to comply with its mandate from Congress? It operates in a shroud of secrecy. Other than the 0.2% of transactions that receive a full economic impact analysis, the Bank operates behind closed doors, providing the public with only 48 hours advance notice before voting on transactions in proceedings that—in the case of aircraft transactions—are entirely closed to the public. Further, for aircraft transactions (transactions that, to repeat, make up half of the Bank's portfolio), the Bank's public pre-approval notice only identifies the name of the airline to be subsidized. The notice does not identify the type or number of aircraft or the amount of the loan guarantee or other financing terms. By contrast, when Emirates acquired three Boeing 777-300 Extended Range aircraft in 2009 with Ex-Im support, the airline itself issued a press release identifying the type and number of aircraft, the amount of the Ex-Im guarantee (\$413.7 million), and the term of the loan (12 years).

Delta, along with two trade associations that represent U.S. airlines and their pilots, recently sued the Bank for its failure to conduct an economic impact analysis before authorizing \$3.4 billion in loan guarantees for Air India to purchase 30 Boeing aircraft — including 27 state-of-the-art Dreamliner aircraft. That litigation is ongoing. In court, the Bank has taken the position that it does not have to answer to anyone—not the public, not the courts, and not Congress—because it must have the freedom to act like a commercial bank. But the Export-Import Bank is not a commercial bank. It is an agency of the U.S. government, empowered to pledge the full faith and credit of the U.S. Treasury only after it has complied with the various statutory obligations imposed by Congress. Now that the GAO has brought to light the Bank's failure to acknowledge its economic-impact obligations, it is more vital than ever that Congress require the Bank to conform its practices to the limits Congress imposed on it more than twenty-five years ago. Indeed, the Bank has already argued in federal court that Congress has *acquiesced* in the Bank's disregard of those statutory limits, so that it no longer matters what Congress actually told the Bank to do in its charter.

SOLUTIONS

Delta understands the desire to reauthorize the Bank and expand its authorization limit for the benefit of American small businesses. The fastest and surest way to reach that goal is to include reforms that address the transparency and adverse-effect shortcomings I have outlined today. In addition, any reauthorization must address the underlying “everyone else does it” problem that justifies the Bank's existence. Delta, along with the Airline Pilots Association and the Allied Pilots Association, has been working with Congressional leaders to include provisions in the Bank's reauthorization that would address these problems. In particular, Delta supports legislation that would require reasonable advance notice before the Bank votes to approve long range aircraft transactions — including notice of basic information about the transaction and its potential impact on U.S. airlines and their employees — so that the public has a legitimate opportunity to weigh in on the harmful effects of the Bank's commitments. Any reauthorization should also make absolutely clear that the Bank's economic impact obligations apply to aircraft transactions. And finally, Delta supports a requirement that the United States negotiate an end to government-subsidized long-range aircraft purchases, in order to stop the inevitable subsidy-begetting practices created by the worldwide presence of export credit agencies.

CONCLUSION

Again, thank you for the opportunity to testify before the Committee on these vital issues. In closing, I would like to draw from President Obama's 2012 State of the Union speech, in which he stated, “If the playing field is level, I promise you – America will always win.” The reforms we support will level the playing field for U.S. industry and employees.

Thank you for allowing us to submit the comments.



Joint Statement Submitted by
 American Apparel & Footwear Association (AAFA)
 National Cotton Council (NCC)
 National Council of Textile Organizations (NCTO)

Before the
 Senate Banking, Housing and Urban Affairs Committee

On

Export-Import Bank Reauthorization: Saving American Jobs and Supporting American
 Exporters

April 17, 2012

Thank you for providing the above organizations the opportunity to submit testimony regarding today's hearing, "Export-Import Bank Reauthorization: Saving American Jobs and Supporting American Exporters." Our organizations strongly believe that today's hearing will help Members of Congress, the business community at-large, and think tank organizations better understand how the Export-Import Bank (Ex-Im Bank) can serve as an important export tool for U.S. companies in a globally competitive environment while at the same time creating U.S. jobs.

The Ex-Im Bank could and should play a critical role in supporting and expanding U.S. jobs in the U.S. textile industry and, in turn, anchor a strong Western Hemisphere textile and apparel supply chain. Regrettably, the Ex-Im Bank has failed to fulfill this role because the structure of Ex-Im Bank (the Bank) loans and guarantees do not reflect either the realities of the apparel and textile supply chain, U.S. trade policy, or today's global supply chains in general.

As you know the Bank is operating under a short term authorization that is set to expire on May 31, 2012. What is more concerning is that the Bank expects to reach its funding cap sometime this month.

Congressional in-action is causing our U.S. exporters to fall behind foreign competition at a time when the U.S. economy is experiencing glimmers of recovery. We were encouraged when Senate Majority Leader Reid filed Amendment #1836, the Ex-Im Reauthorization, to the Jumpstart Our Businesses Act the week of March 12th. This Amendment filed by Senators Cantwell (D-WA), Johnson (D-SD), Graham (R-SC), and Shelby (R-AL) would have reauthorized the Bank and its programs for four-years and increased the Bank's funding capabilities to \$140 billion. In addition, the amendment contained important language that would allow the Bank to better support the textile and apparel global supply chain.

The Senate language in Section 7 of the Ex-Im Reauthorization bill adds representation for the textile industry on the Bank's Advisory Committee. This role will allow for the industry to provide suggestions to the Bank's Board and President on how Bank policies and products are affecting the textile and apparel global supply chain. Additionally, the reauthorization requires the Bank to report to Congress on an annual basis on the Bank's efforts to provide financing to the U.S. textile and apparel global supply chain. We believe that this language will take important steps in assisting the Bank in better understanding how the textile and apparel supply chain has changed over time and continues to be an important engine of the U.S. economy. The following sections of our written remarks outline the justification and need for inclusion of this language.

At the direction of U.S. trade policy, the textile and apparel supply chain has developed across the Western Hemisphere and has evolved into a mutually beneficial relationship for both U.S. cotton growers and U.S. textile manufacturers as well as U.S. apparel importers. The Free Trade Agreements and preference program areas in this Hemisphere for the most part grant duty-free access to the U.S. market for apparel assembled in the region as long as the apparel is made, either entirely or in part, from U.S.-grown cotton and U.S.-made yarn and fabric. As a result, all parties in the supply chain benefit – from U.S. cotton growers, U.S. yarn and fabric manufacturers, to apparel manufacturers in the region and ultimately the U.S. apparel brands and retailers. All parties are positioned to reap the benefits of U.S. trade policy. However, the supply chain is missing the necessary ingredient – reliable supply chain financing.

Prior to this reauthorization, the Ex-Im Bank did very little to support supply chain financing, which, in turn, has had the practical effect of suffocating domestic capital investment and job creation. Traditionally, the Bank has only considered the creditworthiness of the producer receiving U.S. textile industry exports and has failed to acknowledge that these components, once exported to central and South America, return to major U.S. brands and retailers as finished goods. This policy has limited the financing opportunities at the Bank for the U.S. textile industry.

Ex-Im Bank financing would facilitate and grow the Western Hemisphere apparel and textile supply chain by increasing the incentives for U.S. apparel brands and retailers to increase their sourcing from the region because such financing would make access to the U.S. cotton and textiles necessary to obtain the benefits under the various free trade agreements and preference programs easier, faster and more

reliable. As a result, Ex-Im Bank financing would lead to increase exports of U.S. cotton, yarn, and fabric to the region. Those increased exports would support and grow U.S. jobs.

U.S. Government – “You Should Export to the Region, but We Won’t Help You”

The Ex-Im Bank bases much of its financing decisions on country risk. In the case of the Western Hemisphere apparel and textile supply chain, this “Country Limitation” policy outright eliminates the possibility of financing for some countries and severely restricts financing and/or significantly increases the interest rates for many others that are integral to this supply chain.

As a result, the U.S. government strongly encourages U.S. textile manufacturers to export their products to Central America and the Dominican Republic through the incentives it negotiated through CAFTA-DR while at the same time saying that financing U.S. exports to half of the CAFTA-DR countries is too high of a risk to provide anything but the most limited loans and loan guarantees, at high interest rates to boot. For Haiti, a country that the U.S. Congress has deemed a priority through passage of the HOPE and HELP trade preference programs, the Ex-Im Bank basically says the country is off limits.

Improving Products to Better Provide “Supply Chain Financing”

While the amount of paperwork and the timeline for approval remain major barriers preventing any small business from utilizing Export-Import Bank programs, for the Western Hemisphere apparel and textile supply chain we believe that the Export-Import Bank must adapt to today’s global supply chain. As in textiles and apparel, the United States doesn’t just export final manufactured products anymore. Exports of U.S.-made goods today are just one part of a global supply chain. In our industry, U.S. exports of cotton, yarn, or fabric, return to the United States as finished apparel or home goods. The programs offered by the Export-Import Bank should reflect these realities.

It is our belief that the legislative text as outlined would be a great first step towards bringing much needed liquidity to the Western Hemisphere supply chain at a time when major brands and retailers are considering shifting sourcing back to this region of the world.

Conclusion

Thank you again for holding a hearing on this important issue. We believe that a combination of changes in both Export-Import Bank policies and programs will position the Export-Import Bank to truly assist U.S. companies, particularly small businesses, and the hundreds of thousands of U.S. workers they employ, that play a critical role in today’s global supply chains. We would be happy to discuss any of the above points in more detail with the Committee.



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April 16, 2012

The Honorable Tim Johnson
Chairman, Senate Banking Committee
534 Dirksen
Washington, D.C. 20510

Re: Reauthorization of the Export-Import Bank

Dear Senator Johnson:

Thank you for allowing me the opportunity to provide Orbital Sciences Corporation's position on the reauthorization of the Export-Import Bank. Orbital Sciences Corporation is a Virginia based entrepreneurial aerospace company that this April celebrates 30 years of pioneering work in the development and operations of launch vehicles, spacecraft and satellites for a variety of commercial, civil space and national security customers.

Along with my position at Orbital as Vice Chairman and Chief Financial Officer, I am also a member of the Congressionally-established Advisory Committee for the Export-Import Bank.

As we emerge from the recent recession brought on by the credit crisis, it is evident that the U.S. consumer will no longer be the catalyst driving U.S. economic growth. The best path we can take to establish a growth trajectory that will be sufficient to compensate for our significant current national debt and the future obligations of our entitlement programs is to focus on growth through U.S. exports. The Export-Import Bank is a vital tool to jump start and accelerate this export driven economic growth.

The story of Orbital Sciences Corporation is illustrative of the power of the Export-Import Bank in supporting the efforts of a small-sized aerospace company that markets its products to commercial satellite customers around the globe. With an employee base of 3,700 scientists, engineers, technicians and support staff, Orbital maintains a well-balanced product line – 38% of our \$1.345 billion revenues in 2011 came from work for the Department of Defense and National Intelligence

The Honorable Tim Johnson
Chairman, Senate Banking Committee
April 16, 2012
Page Two

Agencies, 33% from work for NASA, other civilian agencies and universities, and 29% from commercial and international satellite operators.

Orbital's commercial satellite business experiences significant competition from European satellite manufacturers, such as EADS/Astrium and Thales/Alenia, that are able to provide attractive financing alternatives to the customer through the aggressive use of Coface loan guarantees.

In order to level the playing field to promote growth of U.S. high technology jobs, the Export-Import Bank provided direct loans or loan guarantees for a number of Orbital's satellite projects. With the Export-Import Bank neutralizing the advantage provided by Coface, Orbital was able to successfully win this business. For every commercial satellite that Orbital builds, approximately 300 jobs are supported through direct, indirect and induced U.S. jobs.

For example, we were able to win the contract to build the HYLAS 2 telecommunications satellite for Avanti Communications of London, expanding Avanti's Eastern European coverage and providing new coverage in the Middle East and Africa, thanks in part to a \$215 million direct loan from the Export-Import Bank to Avanti.

As I have noted, with each new communications satellite that we build, hundreds of U.S.-based high-tech jobs are created or sustained, not only at Orbital, but also at the numerous suppliers of subsystems that are incorporated into our state-of-the-art satellites. The ability of the Export-Import Bank to level the playing field with European competition and to provide financing when the private sector is unavailable is instrumental in maintaining U.S. dominance in commercial space technology and to support a vibrant and growing high technology workforce.

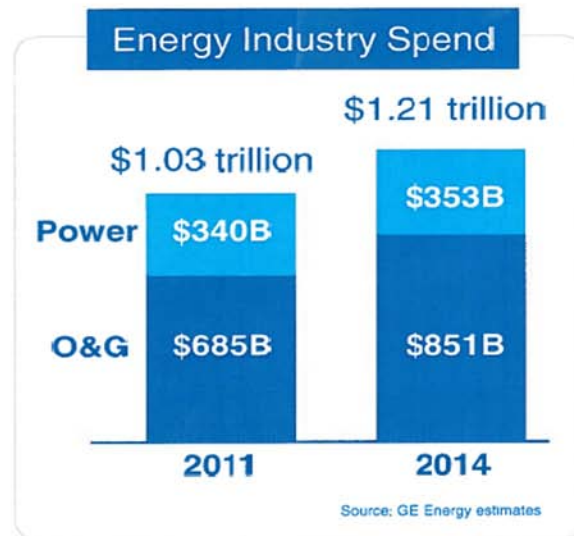
I fully support a four-year reauthorization of the Export-Import Bank with lending authority of \$140 billion that is currently supported in the Senate. With an historical loan default rate of around 1.5%, the Export-Import Bank is low risk to the U.S. taxpayer. Taking into account the fact that the Export-Import Bank has actually returned over \$700 million to the U.S. Treasury in FY 2011 alone and supported thousands of U.S. jobs, I cannot see how any case against the Export-Import Bank has any merit. What else could you ask for from a government agency? It performs its mission in supporting job creation, covers its expenses and actually returns funds to the U.S. Treasury.

For these and many other reasons I am proud to endorse the reauthorization of the Export-Import Bank, which is an essential tool to facilitate the export driven growth of the U.S. economy.

Sincerely,



Global energy capital spend



Key points

- Total energy industry* spend expected to grow by ~4% CAGR from 2011 to 2014.
- 2008 investment levels in the energy sector were recovered and exceeded by 2011.

* Excluding T&D power investments.

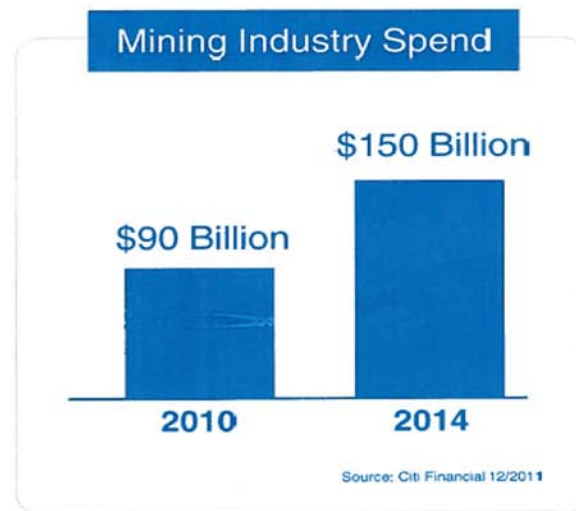
Global energy industry capital requirements continue to grow



Imagination at work

1
GE Title or job number
4/16/2012

Global mining capital spend



Key points

- Total mining industry CAPEX spend expected to grow by ~11% CAGR from 2010 to 2014.
- Investments growth driven by several factors including migration from mechanization to automation equipment, and fast equipment replacement cycle.

50

Global mining industry capital requirements continue to grow



imagination at work

GE Title or job number²
4/16/2012