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Testimony

of David Ickert
Vice President of Finance
Air Tractor, Inc.

on behalf of the National Association of Manufacturers

before the Senate Banking, Housing and Urban Affairs Committee

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

April 17, 2012



**TESTIMONY OF THE NATIONAL ASSOCIATION OF MANUFACTURERS
BEFORE THE
SENATE BANKING, HOUSING AND URBAN AFFAIRS COMMITTEE
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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 Ex-Im 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 FY2011, 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 FY2011. 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 returned \$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 five 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 five 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 products were used in countries where the local banking structure would not support five-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 U.S.). 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 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.