

Testimony of David Ickert

Air Tractor, Inc.

On behalf of the Small Business Exporters Association

**Senate Banking, Housing and Urban Affairs Subcommittee on
Security and International Trade and Finance**

Hearing:

“Stakeholder Perspectives on Reauthorization of the Export-Import Bank of the United States”

June 30, 2011

1156 15th Street, N.W., Suite 1100

Washington, DC 20005

202-293-8830

Chairman Warner, Ranking Member Johanns 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”). I am David Ickert, Vice President – Finance of Air Tractor, Inc. (“Air Tractor”) of Olney, Texas. It is my pleasure to submit testimony to the Subcommittee on Security and International Trade and Finance stating why we at Air Tractor strongly support the reauthorization of Ex-Im.

Our support for the reauthorization of Ex-Im is deeply rooted in Air Tractor’s experiences – with exports, Ex-Im and job creation. I will relate the experiences of Air Tractor, but it is a much broader and deeper story than that of Air Tractor. I believe that it is story of many small businesses across our nation, and maybe more compelling, it is the promise of the vast potential that exists in this country with many small business that could be exporting but are not. This potential, when properly nurtured and developed, will yield its treasures of a reduced national trade deficit and most important of all – JOBS.

Air Tractor is a small business engaged in the manufacture of agricultural and forestry fire fighting airplanes. The company has been in business 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 three thousand (3,000).

In 1994, Air Tractor started exploring the possibility of finding sources of financing for our end user customers located outside of the United States. At that time, approximately ten percent (10%) of our annual new airplane sales (units) were delivered outside of the U.S. These export sales were either cash-in-advance or acceptable Letter of Credit. Our needs for financing were of a medium-term tenor (usually five years), and in many cases the end-user customer was a small business. After much searching and research, we discovered two key partners that would help us in our pursuit of medium term trade finance. These partners were a commercial bank and Ex-Im. Our first medium-term transaction (Ex-Im Medium Term Credit Insurance) was in 1995 for two fire fighting aircraft sold to a customer in Spain. Since that first aircraft sale in Spain, we have sold approximately fifty (50) planes into the Spanish market – none requiring Ex-Im support. Since that time, we have completed over eighty (80) such medium-term deals through Ex-Im. For the calendar year 2010, we completely twenty (20) medium-term insured transactions with Ex-Im (and anticipate 30 such deals for 2011). It is also worth noting that of those eighty plus transactions we have completed with Ex-Im, Air Tractor has never made a medium-term claim on Ex-Im. In addition to the Medium Term Credit Insurance product, Air Tractor has also utilized Ex-Im’s Working Capital Guarantee Program.

It is instructive to study the employment at Air Tractor since 2007 and to also study our percent of export sales (aircraft units) over that same period. There is a definite correlation of these two

factors. To view these numbers against the backdrop of employment in the U.S. for the same period brightens the light on this correlation. These numbers for Air Tractor are:

Year	Air Tractor Employees (as of 12/31)	% of Air Tractor units Export
2007	165	36%
2008	197	45%
2009	204	49%
2010	220	56%

Thus, while the headlines throughout our country reflected a growing unemployment for this period, Air Tractor created jobs. For the period of 2007 through 2010 our employment grew 33 percent. During that same time period our percent of annual export sales increased 55 percent. It is not coincidental that these two factors grew in lockstep. The growth of exports has been a significant contributor to the job growth of Air Tractor in recent years.

The growth of exports at Air Tractor is a direct result of Ex-Im having programs such as the Medium Term Credit Insurance program that we could access to provide financing for our end user customers outside of the United States. As noted previously, prior to using Ex-Im, Air Tractor's export percent was 10 percent. Exports have grown from the 10 percent level (with no export finance) to 56 percent in 2010 (when we had twenty medium-term deals closed at Ex-Im). With 56 percent export sales in 2010, there are over 100 employees at Air Tractor in Olney, Texas that directly owe their jobs to exporting.

During 2010 our exports went to fourteen (14) different countries. That is a significant number of countries for a small business such as ours. However, in the scheme of worldwide sales, it reflects the many opportunities we have to continue expanding our international footprint. Our future growth is outside of the borders of the United States. Those opportunities are the driving force to sustain and create additional jobs in Olney, Texas. Air Tractor cannot fully take advantage of these opportunities without Ex-Im.

As stated previously, this is not a story of Air Tractor as much as it is a story of the job creating force that small businesses are and can be when they engage in exporting. Through such entities as the National Small Business Association (NSBA) and its affiliate, Small Business Exporters Association (SBEA), both of which I am a Board Member, stories such as these can be documented multiple times. It is well reported that 95 percent of the world consumers are domiciled outside of the United States. As the world economy has tightened, the global trade

arena has become more competitive. This global market offers the opportunities for growth and job creation, but entities such as Ex-Im are necessary to help businesses, especially small businesses, meet the competitive challenges that exist in the global arena.

Bank Chairman Fred P. Hochberg and the current Ex-Im administration have done a very good job of maintaining a focus and long-term commitment to small business. That has not always been the case with other Ex-Im administrations as it relates to small business. A “start and stop” process on small business focus as Ex-Im administrations change is not the best way to engage more small businesses in exporting and job creation in our country. Thus, I recommend that the next Ex-Im Congressional reauthorization should continue to institutionalize the Ex-Im small business commitment by retaining the current authorization language as to the minimum percent of small business approvals by Ex-Im, defining the key roles of small business officers at Ex-Im and other small business provisions in the current authorization.

There are several key provisions of the Ex-Im Charter that are very important and necessary to small business exporters. While the House bill, *H.R. 2072, Securing American Jobs Through Exports Act of 2011*, does not change the language, it also fails to even mention these critical provisions for small business exporters. While remaining unchanged, SBEA and I believe these provisions should at least be stated in the Findings section of any reauthorization bill. They include:

Sec. 2 (b) (1) (E) (v) – The not less than twenty percent direct financing authority for small business is an absolute must for continuity of emphasis to small business in the long term. Leaving this clause unchanged is necessary and any new “formulas” that turn the twenty percent into a goal rather than a mandate, or allow Ex-Im to avoid the mandate in certain years, should not be an option. The main objective is to improve direct access to Ex-Im capital by small business, year in and year out.

Sec. 3 (d) (1) A and 3 (d) (2) (A) – Language that mandates the existence of the Advisory Committee and the section requiring at least three members of that Committee be representatives of small business. Representation on input to Ex-Im is vital for small business.

Sec. 8 (b) (3) (f) – The section requiring reports to Congress if the small business authority percent is not met and details of how this would be fixed if the twenty percent is not met.

These three sections should be retained without changes, and emphasized in any Ex-Im Bank reauthorization bill.

Other ways to deepen the commitment to small business should also be considered. One such consideration is making the Senior Vice President for Small Business a member of the credit committee, who reports directly to the President, and is a voting member of the credit committee or any successor entity. The Sen. Vice President must have a sense of the “big picture” in terms

of how the agency reasons as it decides which applicants are approved, and which are declined, for credit worthiness reasons, and therefore must have a say in these decisions.

Additionally, as Ex-Im continues to grow in both number of approvals and dollar volume of approvals as they have in the last couple of years, they will need adequate administrative budget to be staffed and have the electronic infrastructure to properly handle the growth that we should see as they continue to increase their volume of business.

Furthermore, I should mention an amendment adopted by the House Financial Services Committee during deliberation of H.R. 2072 barring Ex-Im from providing assistance to companies that conduct certain business with Iran. In a voice vote, the committee approved an amendment sponsored by Reps. John Campbell (R-Calif.) and Brad Sherman (D-Calif.), and now goes to the full House for its consideration. Denying Ex-Im Bank loans, credits, or credit guarantees for U.S. exports to the sanctioned entity would be burdensome for small exporters. These type of mandates that interfere with Ex-Im's business puts extra constraints on small business compared to big business with respect to exports as it further creates controversy, confusion, and costs for U.S. interests.

During 2010, Air Tractor paid over \$300,000 in fees to Ex-Im for products we contracted with them through Ex-Im. As noted earlier we have never made a medium-term claim on an Ex-Im policy. This is a net plus for Ex-Im – revenue but no corresponding claim expense. This is not always the case, but as I heard Chairman Hochberg state in a speech in January of this year, “The Bank makes money!” What a wonderful situation – everyone wins, including the U.S. taxpayer.

President Obama recognized the importance and the powerful impact of exporting on job creation when he established the National Export Initiative (“NEI”) by Executive Order signed March 11, 2010. The NEI is an important step in our country becoming more competitive in the global arena. As we do so, more jobs will be created in the United States. The goal to double our country's exports in five years may seem ambitious, but it can be done. Small business will play a vital part in meeting this goal. Ex-Im is a necessary and key entity needed for business – both small and large – to meet the goal of the NEI.

Olney, Texas is my hometown. It is a great place to live and work. However, when one thinks of a town originating export transactions, a small, west Texas town does not immediately come to mind. As I have described it before, Olney has three red lights and a Dairy Queen – not an international hub. The significance of this is that if we can create jobs through exporting on Main Street, Olney, Texas – anyone can do it. We have a great potential for job creation in this country through small business exporting. A very key player in that job creation process is Ex-Im. Thus, we would urge for the Congressional reauthorization of Ex-Im.

I would like to thank Chairman Warner for holding this hearing, bringing Ex-Im Bank to the forefront and for allowing me the opportunity to testify.