

Testimony of David Ickert

Air Tractor, Inc.

**House Financial Services Subcommittee on International
Monetary Policy and Trade**

Hearing:

“The Role of the Export-Import Bank in
the U.S. Competitiveness and Job Creation”

March 10, 2011

1156 15th Street, N.W., Suite 1100
Washington, DC 20005
202-293-8830

Chairman Miller, Ranking Member McCarthy and members of the committee, thank you for the opportunity to testify on ways the Export-Import Bank fosters job growth by helping U.S. companies do business in the international export market. 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 International Monetary Policy and Trade on the topic of “The Role of the Export-Import Bank in U.S. Competitiveness and Job Creation.”

Before addressing the specific questions of the Subcommittee, it is instructive to state some background of Air Tractor in order to understand the perspective of this testimony. Air Tractor is a small business engaged in the manufacturing and sale of agricultural airplanes and forestry fire fighting airplanes. Air Tractor has been in business since 1972 and is now 100 percent ESOP owned. We have one location – Olney, Texas and have approximately 225 employees. Olney is a small rural town located 100 miles west of Fort Worth, Texas and 200 miles east of Lubbock. The population of Olney is approximately 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 10 percent of our annual new airplane sales (units) were delivered outside of the U.S. These exports sales were either cash-in-advance or acceptable Letter of Credit. Our needs for financing were of a medium-term tenor (usually 5 years), and in many cases the end-user customer was also a small business. After much searching and research, we discovered some key partners that would help us in our pursuit of medium-term trade finance. These partners included a commercial bank and the Export-Import Bank of the United States (“Ex-Im”). Our first medium-term transaction (Medium Term Credit Insurance) with Ex-Im was in 1995 for two fire fighting planes sold to a customer in Spain. Since that time, we have completed over eighty (80) such medium-term deals through Ex-Im. For the calendar year 2010, we completed twenty (20) medium-term insured transactions with Ex-Im. During this same time period (1995 -2010), we have seen our percentage of annual new plane production (units) delivered to customers outside of the United States grow from 10 percent to a high in 2010 of 56 percent (to 14 different countries).

Describe How Your Business Uses Ex-Im Bank Financial Products.

Air Tractor has always utilized the Ex-Im Medium Term Credit Insurance product. We submit to Ex-Im an underwriting package on each of our international end-user customers requesting Medium Term Credit Insurance coverage. When Ex-Im approves Air Tractor as an insured, we sell the plane to the customer with a purchase money note payable from the customer to Air Tractor (the note is insured by Ex-Im). By way of this financing, we are able to sell planes to customers who—because of the banking situation in their countries—would not have been able to secure financing and buy the aircraft.

Additionally, during the calendar year 2010 (and continuing) Air Tractor has utilized Ex-Im’s Working Capital Guarantee program to facilitate some export working capital needs.

How Did Your Company Become Aware of Ex-Im Bank and The Services It Provides? How Can Ex-Im Improve Outreach To Small Businesses?

As noted above, we began our search for international financing in 1994. During that search we were introduced to trade finance officers at a commercial bank that we still use today. Those officers introduced us and directed us to Ex-Im. Those same bankers still help guide and educate us in structuring international financing.

A variety of sources must be utilized to increase the outreach and word of Ex-Im to small business. My personal opinion is that 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. Our experience was such that during our search we came into contact with some knowledgeable and patient bankers that helped us find direction. These people were with a large regional (at that time) bank that had knowledge and experience with Ex-Im. Commercial banks would seem to be very logical and widely available sources to leverage the Ex-Im message and products. However, my experience has been that there are many banks in this country that either are not familiar with Ex-Im or only have a limited knowledge of Ex-Im and their services. Whether it be through Ex-Im, Treasury, other sources or a combination, deepening of knowledge about Ex-Im and their products in the commercial banking sector would be helpful in getting the Ex-Im message to small business.

Other sources of outreach are trade associations and export related groups. Personally, I have gained much value over the years through my involvement with the National Small Business Association (NSBA) and their affiliate, Small Business Exporters Association (SBEA). By working through such trade associations, Ex-Im could widen their reach to the small business community.

Online training, webinars and instructional commentary through the Ex-Im web site is another possible method of widening the exposure of Ex-Im to the small business community.

How Would You Describe Your Initial Contact With Ex-Im Bank? Was The Process Of Applying For Financing Difficult Or Easy? What Problems Did You Encounter When Your Company First Accessed The Bank? How Can Those Problems Be Improved?

Our initial contact was a number of years ago. Those initial applications were difficult, and the process was bureaucratic. With the passage of time, we now understand the process—which has improved over the years. If Ex-Im would identify first time applicants and 1) give them special personalized guidance during the first application and 2) follow up with all first time users (whether successful or not) to get constructive feedback on the process, improvement procedures could be identified and put in place.

When Do You Use Ex-Im Bank Services As Opposed To Private Sector Finance?

In some cases, we have no available option to obtain end-user financing except through Ex-Im. In other cases there may be a private sector alternative, but it is more involved and puts more burden on the small-business exporter. As a small business, there can be limits on how much burden it can assume. Ex-Im is in many cases the only option, and it is the preferred option.

Has Ex-Im Bank's Support Contributed To Job Growth Within Your Company? In What Way Did The Bank's Resources Help Your Company Create Or Maintain Jobs?

Absolutely, Ex-Im has contributed to the growth of Air Tractor and helped both create and maintain jobs in Olney, Texas! Ex-Im's support has allowed us to sell aircraft to customers who without that support would not have purchased our product. This is a direct contribution to our growth. On a broader basis, Ex-Im has allowed us to enter markets that have given us exposure that has led to additional sales (without Ex-Im support needed). As an example, the Ex-Im supported sale in 1995 to a customer in Spain was our first aircraft sale in Spain. Since then we have sold approximately fifty (50) planes into the Spanish market – none requiring Ex-Im support. In our experience, Ex-Im support has both directly and indirectly helped Air Tractor increase our international sales. Without the ability to increase our export sales, we would have limited our market to the United States only or at best only a restricted amount of sales outside of the United States. By increasing our export sales, our market footprint has grown immensely. That has provided new opportunities for growth and has been a steadying factor in our overall production with some markets supporting our production when other markets for various reasons have been slower. Since 1994, our export sales percentage has increased from 10 percent to 56 percent. With 56 percent export sales in 2010, there are over 100 employees at Air Tractor in Olney, Texas that owe their jobs to exporting.

What Areas Need To Be Addressed To Optimize The Performance Of The Bank In Its Ability To Serve U.S. Business, Small And Large, To Increase U.S. Exports And Grow Jobs?

My response to this question will be focused on the small business perspective. However, part of the response speaks to both large and small. The broad (small and large) response is to maintain a continued long-term focus on increasing exports by U.S. companies. This long-term and focused approach (hopefully started by the National Export Initiative) needs to be in place to ingrain the belief and action on the part of U.S. companies to seek out international markets as part of their everyday business. From a small business viewpoint, this long-term commitment and focus are critical. Chairman Hochberg has been very good in this small business commitment and focus. Other Ex-Im administrations have not been as good. A "start and stop" process on small business focus as Ex-Im administrations change is not the best pattern to engage more small business in exporting and creating more jobs in our country. Thus, I believe and

recommend that the next Ex-Im Congressional re-authorization continue to institutionalize the Ex-Im small business commitment by retaining the current authorization language as to 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 authorizations.

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.

In conclusion, Air Tractor has done business with Ex-Im for over fifteen (15) years and during that time has completed over eighty (80) Medium Term Credit Insurance transactions. To date we have submitted no Medium Term claims for losses to Ex-Im. Ex-Im has received our medium-term credit premiums as income through the years and never had to pay an Air Tractor medium-term claim. That is good business for Ex-Im and has been good business for Air Tractor.

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 3 red lights and a Dairy Queen. The significance of this, if we can create jobs 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 important part of that job creation is Ex-Im.

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