

>> Announcer: Ladies and Gentlemen, please welcome our first panel of the day, Multiplier Effect, Supporting the U.S. Supply Chain discussion. Our moderator is Jordan Stoick, Vice President, Government Relations National Association of Manufacturers. And the panel includes Chuck Cadena, Head of Communications, Public and Government Affairs, Spirit AeroSystems, Karl Hutter, President and Chief Executive Officer, Click Bond, and Christopher Barber, Senior Director, Sales and Marketing, American Roll-on Roll-off Carrier.

>> Alright, good morning everybody. We're excited to be kicking off day number two with a really important panel discussion. So much of the conversation, I think, in this town, on Capital Hill, when EXIM is discussed, the focus is on larger companies and too few people focus on suppliers, and the small businesses, and the small manufacturers that really benefit from the bank as well. And so we're gonna spend some time talking about what that all means as well as the changing competitive landscape internationally with competing ECAs as well as how we can best move the bank forward in this critical year, reauthorization year, on Capital Hill. First I'd like to thank Karl, and Chuck, and Chris for joining me on the panel and give you an opportunity to tell the audience a little bit about your company and what you all do. And we'll start with Chris and work our way down.

>> Good morning. I'm Chris Barber. I'm with American Roll-On Roll-Off Carrier. We are an ocean transportation service provider. We operate U.S.-flag Roll-On Roll-Off vessels. We're headquartered in Parsippany, New Jersey, however, Washington, D.C. is a critical area for us, as we're primarily a logistics support provider for the U.S. Department of Defense and other federal agencies. We operate roll-on roll-off ships and for those of you who don't know what a roll-on roll-off vessel is, it's essentially a 15-story floating parking garage. And we load materials and supplies into our ships essentially like you would drive your automobile into a city parking garage. We drop the ramp on the deck of a terminal and you drive up into the decks of our ship, much like you would to park your car. So that's what we do.

>> Karl.

>> Sure. Good morning everyone. Karl Hutter, President and CEO of Click Bond Incorporated, Carson City, Nevada and Watertown, Connecticut. Click Bond is an innovator in the technology space around aerospace assembly and a producer of mechanical components and systems to assist the aircraft, spacecraft, and increasingly the naval and marine community around the world in more efficiently and effectively assembling and building their high-performance platforms. So we are suppliers to the global aerospace and defense community, civil and defense aerospace, both, and are very proud to be here with you today supporting the message around EXIM Bank that we'll get into, that indeed it's not just an important tool for the few but for the many, many small businesses like ours, second generation family business of

480 proud folks.

>> Thanks. Chuck.

>> Thank you, Chuck Cadena of Spirit AeroSystems. So we're a tier one supplier in the aerospace industry. We build large structure for large commercial aircraft, both in traditional metals as well as composites. We're a global company, however, we're headquartered in Wichita, Kansas. We do a lot of work for Boeing as well as we have a large fabrication capability in addition to R&D capability in the area of advanced composites.

>> Alright. Thank you. Well allow me to set the scene here, set the stage a little bit before the first question. Clearly we operate in an increasingly global competitive environment. 95% of U.S. customers are outside of the U.S. so exporting is key to the success of American manufacturing and American business. At the same time, the Export-Import Bank, at least for the last four years, has really been operating with one arm tied behind its back, maybe even both arms tied behind its back, as a result of Congressional inaction which has resulted the bank in not being able to operate at its full potential. At the same time, there are somewhere in the neighborhood of 100 ECAs operating across the world, becoming increasingly competitive more agile, flexible which is having a negative impact on, clearly on U.S. manufacturing and our companies. And I'm curious how are you seeing it impact your companies, and Karl, can we start with you?

>> Okay. Well I think the thing that's important to recognize is indeed that for those who would call EXIM Bank somehow impure capitalism, I think that I look at it from a very different view which is a global playing field, a global stage, a global competition and why would we unilaterally disarm. We have very powerful, as you indicate, export credit facilities that are part of the national strategies of countries who would look to displace us from our leadership in our most important economic areas. And Aerospace is one that I'm proud to be able to speak to. It is America's leading source of good paying jobs and advanced manufacturing careers, and our economy's largest net exporting segment. So this is good thing, and why would we wanna let ourselves get displaced there? I think that the comment I would make is that, we do see a very, I would like to see American output products, technology be able to compete on their quality, on the innovation, and even on their price, and zero out, shall we say, a financing advantage or disadvantage.

>> Chris.

>> It's very simple. The direct loans and loan guarantees that the bank generates produces materials and equipment that moves through the international fleet of vessels. So the absence of functioning bank has a severe negative impact on how we do business. It's essentially

throughput and volume that moves on our ships which is critical for us. So anytime we see any goods and materials that are produced overseas, it's obviously impacts our throughput in a negative way. The exports are key for us. We like to see the bank functioning, approving those products, these large capital projects generate, the estimates we've heard is there's 40 billion plus in materials and projects that are awaiting approval. That just simply feeds our pipeline. So the absence of that is really felt by a small company in industry like ours, it's critical for us.

>> Chuck.

>> Yeah, for the the aerospace industry, if you look at over the next 20 years, I believe the statistic is there's a demand for about 42,000 aircraft around the world. Those are long-term purchase decisions for airlines. Those airplanes are gonna stay in their fleets about that long or longer. And those purchase decisions are being made now and in the near future. Once you're locked out of that order from that airline, you're locked out for a long time and that has implications for the U.S. aerospace supply chain because over time that starves the supply chain and the capabilities we need here to have a robust aerospace supply chain in the U.S.

>> Sure. And speaking about the supply chain, when larger companies use export financing with the lack of a fully functioning EXIM Bank, larger companies have more flexibility to deal with that. Whereas suppliers and SMEs, it impacts much more directly and negatively. How concerning is that to you all about the industrial base here in the United States?

>> Again, I'll just go back to the aerospace supply chain. These companies aren't direct customers of the bank, however, they benefit from the output of it. I think over the long term, so supply chains in the aerospace industry are global and that's a good thing, that's healthy for it. But what happens, I think over time, is that as the pipeline of orders that go through the supply chain becomes less robust, you could see a hollowing out of that supply chain or because supply chains are global, that capability going outside the United States. That's concerning for several reasons, one is just from a capability standpoint. I think from a national security perspective, and I know we're gonna get into that a little bit later, these are capabilities you wanna have. You can't wait to get to a national emergency to go find those capabilities or go find those skilled workers. And when you think about smaller companies and number of people they hire, the thousands of people they hire, so a really strong manufacturing base, allows for a lot of benefits across those communities where they're located, like the community where I live, Wichita, Kansas, or even smaller communities. What we're doing is we're investing in a supply chain that trains skilled workers, provides opportunities for workers to go into manufacturing,

particularly kids coming out of high school who, maybe college isn't for them, or maybe they can go into a manufacturing job and go to a company like mine or probably a lot of others up here who provide tuition reimbursement, and get to go to college and graduate without debt. It provides healthy companies in those communities that can give back to those communities both in tax base and corporate giving, and it just helps create more, stronger, vibrant communities around the country. So there are broad implications for the benefits from EXIM to the supply chain in the U.S. just beyond the numbers, and the statistics, and the number of jobs.

>> Sure. And Chris from where you sit in your company, what's your view?

>> Well as a transportation service provider, as we say in our industry, cargo is king. And every piece of material or machinery that's made offshore versus from a company here in the States has a direct negative impact on what the throughput is on our vessels. So we feel it, we feel the absence of the bank over the course of the last few years, or the operational capacity of the bank. Alluding to what Dr. Navarro said yesterday, a strong industrial base equates to strong economic security and economic security translates directly to our national security and national security should be a priority to every single American that's sitting in this room right now. That's how we feel.

>> Yeah. And Karl, I know this is something for your company, Click Bond, the national security component is something that's important to you. So I'm curious from your companies prospective but also as a board member of the National Association of Manufacturers, kind of your broader view, not only its impact on supply chain, but the national security component.

>> Sure. Well I would agree with what both these gentlemen have said, that it is about a long term broad strength and it does tie to long term, not just orders for aircraft that tend to span a long period of time but also the trending over a decadal or more span. And that spans both in the tendency of emerging markets, potential partners and allies, whether that's on the commercial or defense side, to trend toward U.S. product and systems and build their affinities, build their interoperabilities around those or trend away from them. And it ties to the defense side as well, you know interoperability of allies as well as tending of fleets, toward U.S. manufactures or away. And those things can have consequences both economic and security wise over long periods of time. I would also just say the more directly that one of the things that gets perhaps lost along with the role that I think all of us are up here to represent which is this is not the bank of the few, it's the bank of the many. In the commercial aerospace, commercial jetliner industry, our customers are OEM customers like Boeing, or Textron, or Gulfstream would tell us that

about 60% of the economic value in the product that they assemble in Renton, or Wichita, or Savannah actually comes from the supply base small companies, medium sized companies all around the country. And so that's one big piece of the broad economic security piece. There's another national security piece that I think is where you're headed, and I wanna hit this. The economies of scale that we recognize through having a strong and vibrant civil aerospace industry in this country in broadly a manufacturing economy in this country, those efficiencies and economies go to make the war fighting capability that we can support on our defense business that much more affordable, that much more advanced, that much more benefiting from the best technologies that our minds have to offer. So there is a very strong national security couple to having a strong export economy in these high tech sectors.

>> To pick up are something you mentioned Karl, the bank of many and to try to focus a little bit more on some specific examples, whether it's from your companies or any companies that you're aware of as we, as I mentioned earlier, we're in this critical time on Capital Hill during the reauthorization year, and we're trying to tell this story on how the EXIM Bank helps small manufacturers, and SMEs, and suppliers. When looking at the aggressive posture that foreign ECAs have take, particularly China, are there any specific examples that you all can give on how that's negatively impacted, or workers, or jobs, or any potential business from your companies?

>> Excuse me. From my perspective, any threat to the maritime base is a threat to our industry and moving industries offshore to these ECAs is certainly a part of that. We provide a component of national security. The EXIM Bank supports cargo that moves on our ships, and in doing so there is a national security element to that. Our ships provide critical sealift capacity to the Department of Defense to get their materials and supplies into theater, both in peacetime and while at war. We support viable U.S. Merchant Marine which creates thousands of mariner jobs for U.S. citizens, as well as jobs in the ports with the stevedores, with the trucking companies, you name it, we create jobs all up and down the supply chain. And anytime that moves offshore to an ECA we feel that pinch.

>> Karl and Chuck, anything you wanna add?

>> Yeah. What I'd add to that is, what a fully functioning EXIM Bank does is give U.S. manufacturing, one, a level playing field in a global market that's very competitive. Dr. Navarro and others yesterday talked about how a number of countries with ECAs just are playing by different rules, China in particular. So when you think about the supply base and how, call it strategic if you want, or aggressive, some of these other ECAs are outside of the United States, danger for the supply chain is not us necessarily, right? We're not gonna up and move and be gone from Wichita, Kansas, it's these smaller

suppliers where you have these foreign ECAs willing to lower their required level of content to place work in their country. And so what you start to see is a supplier of widget X, no longer is in the United States and widget X has to be bought outside the United States, and maybe from a country that may not be so friendly to us at certain times. Without a fully functioning EXIM Bank, what we're allowing is other ECAs to pick the winners and losers in our supply chain. And if we do that, we aren't gonna like the choices they make.

>> If I hit one note that Chuck made there and that's so important, because of the terms and conditions that these other ECAs are effectively tailoring to allow them to be import credit agencies, if you will, with work offsets, there is that risk to erosion of not, we talk about the competition and it is healthy to have competition at a global scale, say, of an emerging Comac as a credible competitor to the duopoly of Boeing Airbus let's say, in commercial jetliners, Comac coming out of China. Okay, that's at that high, high level. But so much of the content, so much of the skill, so much of the industrial base that's common both to our economic security, our technological leadership, and our national defense security, the defense industrial base, is in the component manufacturers, or in the sub-structures manufacturers like Spirit. It's the erosion of that and saying, ah, fine, so we can close the deal but we're gonna move the manufacturing of sub-assemblies to that offshore customer. You're now seeding, what I would argue is actually the crown jewels. The innovation, the, no offense to our large company friends, but a lot of the innovation and the agility comes from having a strong medium small size business base at that sub-component, sub-systems level. That's the last thing we would wanna seed accidentally even as we keep our eye just on the large system integrator competition. I think that that's where the danger comes in if we allow those aggressive policies to go unanswered.

>> And you saw a lot of that discussion and concern in the report that the DOD put out earlier on the danger of the supply base in the U.S.

>> We had the opportunity, the panelists and I, to speak briefly before we came on stage, with some of the EXIM nominees, Kimberly Reed and Chairman Bachus, and we all certainly hope that the Senate acts very soon to confirm their nominations and get the board quorum up and running. But as we've discussed earlier, the House of Representatives will soon be starting on the reauthorization bill, and we hope, speaking at least from the National Association of Manufacturers perspective that that reauthorization is as long of a length of time as possible to provide manufacturers and the business community with the certainty they provide. But I'm curious, what other tools in that reauthorization do you all think, I you have some suggestions for Congress, if you do, on how we can make EXIM in reauthorization as useful as possible for your companies?

>> I'll go first and it's pretty brief and square for us. Having been part of this conversation back in 2015 when we were at 14, then 15 that we were last working through this reauthorization, we have not had a fully functions bank with a quorum since then. For us, it may as well not have been there. Why? You can't do a deal over \$10,000,000 in our aerospace side of things. I can't really think of a final product that even one each of doesn't cost \$10,000,000. So I think we need to tie together the mission of reauthorization and confirmation of nominees, and move this as a package, and get this thing running.

>> From our side it's simple. We go back to the term erosion. We've seen erosion in our industry speed up. We are losing mariners. We have a drastic shortage of mariners that can go to sea and crew our ships. The materials and supplies that the banks generates directly supports our industry through the materials that move on our ships. The U.S.-flag industry only has 82 ships left in service, servicing the government cargo. We're doing everything we can to get the bank reauthorized and support the bank. We have participated just this month in an industry day, we call it the U.S. Maritime Industry Sail-In, where we have key stakeholders from our industry which descend on Capital Hill. We abdicate support and enlist the help of members of Congress to support our issues and EXIM Bank and the board quorum issue was a key plank of our educational agenda. I estimate we probably meet with 200 House and Senate offices, and most of the feedback we got from the meeting that we had was very positive on the subject of EXIM, so I'm optimistic, and I hope that our message is clear and that we get the help and support that we need.

>> That's great, and Chuck I will tee you up a similar question in somewhat of a different fashion for you. And Chris, I couldn't agree more with the need to be communicating with members of Congress and to hear the stories, to hear the stories, make sure that they know and are educated about those stories and the impact that it's having on SMEs, and manufacturers, and suppliers in their districts all across the country. But Chuck, in closing, we're running a little short on time, policy makers here in D.C. have done a lot of things right over the past couple years to make the American economy more competitive on the global landscape. Tax reform was great. Tax reform was meant to bring tax rates down, the corporate rate down to be more in line with international tax rates. Regulatory reform has been great, making American manufacturers and businesses more competitive. It seems to me that with the explosive growth, if you will, of ECAs across the rest of the country, that we have an opportunity, Congress has an opportunity right now, in the next couple months to reauthorize the EXIM Bank and to give us that tool to make us more globally competitive, like the rest of the countries across the world and our main competitors are. With so many new members of Congress, in fact almost a quarter of the House of Representatives are new members, what would you tell them? What message can you help relay to them, but then everyone else watching and in the room so that they know what they

need to know before they vote on this important--

>> Well I think with the number of things you mentioned there that are helping the U.S. economy and U.S. economy compete globally, a fully functioning EXIM Bank is a part of that. It helps accelerate that. It helps further that. And I would just say that a lot's changed in the global economy and the global dynamics and competition we face since the last time EXIM was reauthorized in 2015, so we need to make sure that we're taking a holistic approach and reauthorizing a EXIM Bank that is for the future.

>> Alright. Well, thank you Karl, Chuck and Chris. Appreciate your time and your insight, and please join me in giving our panelists a thanks.