S. HRG. 108–487

[ERRATA]

SMALL BUSINESS MANUFACTURING IN A GLOBAL MARKET

FIELD HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

UNITED STATES SENATE

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

OCTOBER, 9, 2003

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(October 9, 2003)

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The statement for the hearing record of John C. Yohe was received by the committee after the hearing was in print and is being appended at a later date.

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PREPARED STATEMENT FOR THE HEARING RECORD: JOHN C. YOHE, MEGQUIER & JONES, INC., SOUTH PORTLAND, MAINE

I first wish to commend Sen. Olympia Snowe for holding this hearing and focusing attention on what is a very important and increasingly troubling issue.

My company, Megquier & Jones, Inc., is a fabricator of structural steel used in the construction of steel-framed buildings and steel bridges. We have been in business since 1885 and began fabricating steel in 1895, one of the oldest businesses in Maine that is still operating. Our work includes private as well as public projects. We provide jobs to about 53 people, have an annual payroll of about $2 million, purchase over $1 million annually in support services from Maine companies, and both as a company and through our employees do what we can to support charitable giving and community causes. I have been with the company since 1970 and became president in 1992.

I serve on the boards of the American Institute of Steel Construction (AISC) and the Structural Steel Fabricators of New England (SSFNE). These contacts with steel fabricators located throughout New England and the United States have given me a perspective not only on the industry as it stands today, but also on the changes that have occurred in recent years as the effects of free trade agreements have filtered through various companies and regions of the nation.

As you may imagine it has taken some luck, capable management, as well as high quality workers, for Megquier & Jones to stay in existence for over 100 years, through some of the most difficult economic challenges in American history. We would like to remain in existence for as long as possible, but the forces of a global marketplace and effects of free trade agreements are threatening the long-term viability of small structural steel fabricators.

OBSERVATIONS

1. While it may be possible for multinational corporations to survive and thrive under free trade agreements—shifting production and assembly to offshore locations as necessary—that is not the case for small businesses that are going to succeed or fail in Maine or some other state.

2. We are witnessing the loss of jobs and small businesses in Maine, sometimes in whole industry sectors, in part due to the punishing effects of manufacturing in a global economy, free trade environment. Some of this change is inevitable and was underway long before recent trade agreements took effect, yet some of this change has been accelerated if not created by free trade agreements.

3. The North American Free Trade Agreement (NAFTA) has had a particularly noticeable effect since 1993 on my industry. We are losing valuable public works fabrication projects to Canadian firms and the general trend is not good. These are taxpayer financed projects. Our foreign competitors are becoming stronger as we are becoming weaker, if you will, often with the unwitting aid of federal and state tax dollars.

4. I have the impression that no agency in the federal government (or state government) is paying attention to the adverse effects of imports on small manufacturers in general or specific industries such as structural steel fabrication in particular.

5. We are told that in a global economy small manufacturers must become leaner and more productive. However, as you know, there are practical limits to how far a small company such as mine can go in an effort to be more productive. My employees are very Dedicated workers and very loyal; we can only go so far in working as hard as reasonably possible and not wear out these workers. I value my employees as human beings and not some disposable resource to be used(up) and replaced. Moreover, even after a small manufacturer has maximized productivity improvements, there can still be an important gap between our costs of production and those of our foreign competitors. I believe this gap may be especially significant for small manufacturers.

You asked at the October 9 hearing "What can be done?" At risk of repeating answers and suggestions already offered, here are some thoughts I hope you find helpful.

WHAT CAN BE DONE?

1. Assure that the appropriate federal agencies, including the Small Business Administration, maintain a focus on imports and how we are being affected adversely by foreign competition. (We have found it relatively easy to obtain information on exports and surprisingly difficult to obtain information on imports. For example, some of our best information on NAFTA has come from the Canadian Government.) Who is minding the store with regard to business opportunities we are losing to our

foreign competitors? Do we know what is going on and how it is affecting small manufacturers and specific industry sectors? To whom do we turn if we face stiff competition from foreign firms? And what practical response will we receive?

2. Reassess whether federal procurement practices are harming basic infrastructure industries such as fabricated structural steel. We are losing government work, even Defense installation work, to foreign competitors. Some of this may occur through bundling that pushes contracts above the NAFTA exemption threshold. Some of this may occur through practices of general contractors whom upon obtaining government work will re-solicit bids on components such as fabricated structural steel, and small domestic fabricators are unable to overcome the exchange rate pricing advantages of foreign competitors. Congress should consider expanding the list of vital industries that warrant an extra Buy-America type of protection.

3. Reconsider agreeing to trade pacts that fail to take into account differences in currency exchange rates, how employee benefit programs are financed, and how economic development support operates. The concept of "fair trade" may be too narrow. We can be significantly under priced by foreign competitors as a result of a strong dollar and employer-based employee benefit programs, in effect significantly penalized for being a small business that is located in the United States.

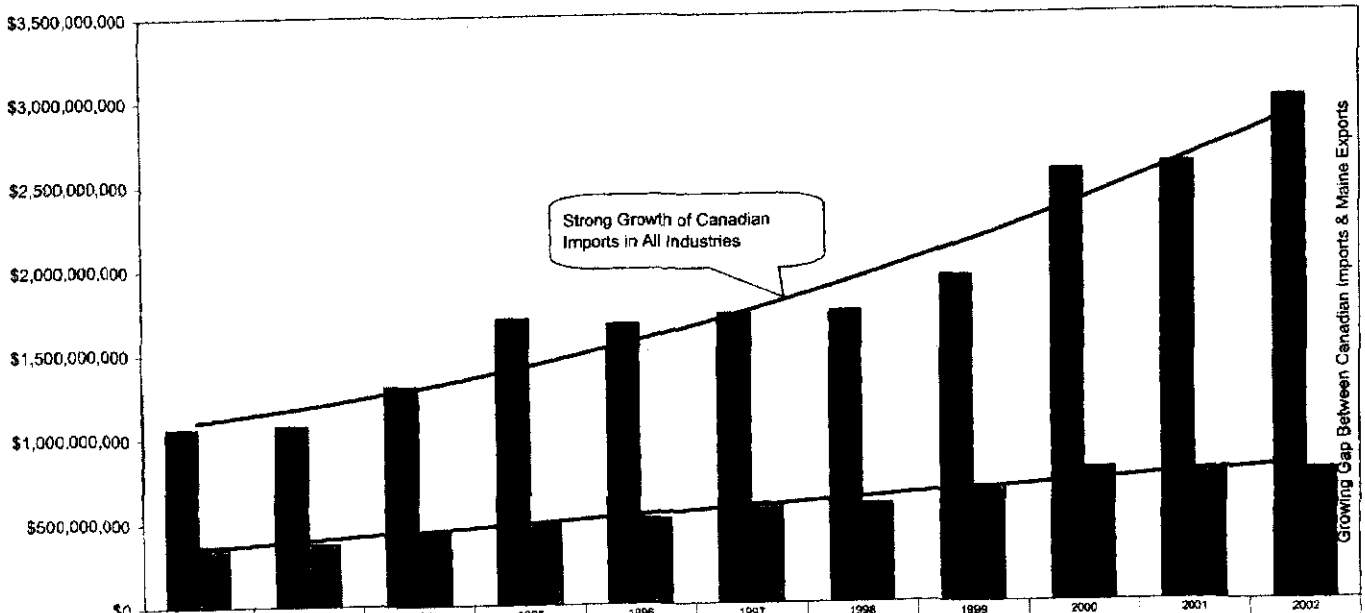
4. Continue to focus attention on how small businesses—small manufacturers—are being affected by the global economy and free trade agreements. For example, has any office of federal government or Congressional committee taken a detailed look since 1993 at the effects of NAFTA on small businesses?

The forewarned "giant sucking sound" of jobs disappearing as a result of free trade seems to be occurring. Along with these changes are the last sighs of proud small businesses that have been forced under, partly by foreign competition. The sounds of silence that result from closed factories is deafening. In Maine, as you well know, the sight of entire communities dominated by empty factories is sickening. The highway of global economic progress is becoming littered with many fatalities, particularly in states like Maine.

I again applaud your attention to small business, and in particular, your willingness to hold this field hearing.

Canadian Imports to MAINE & Exports from MAINE

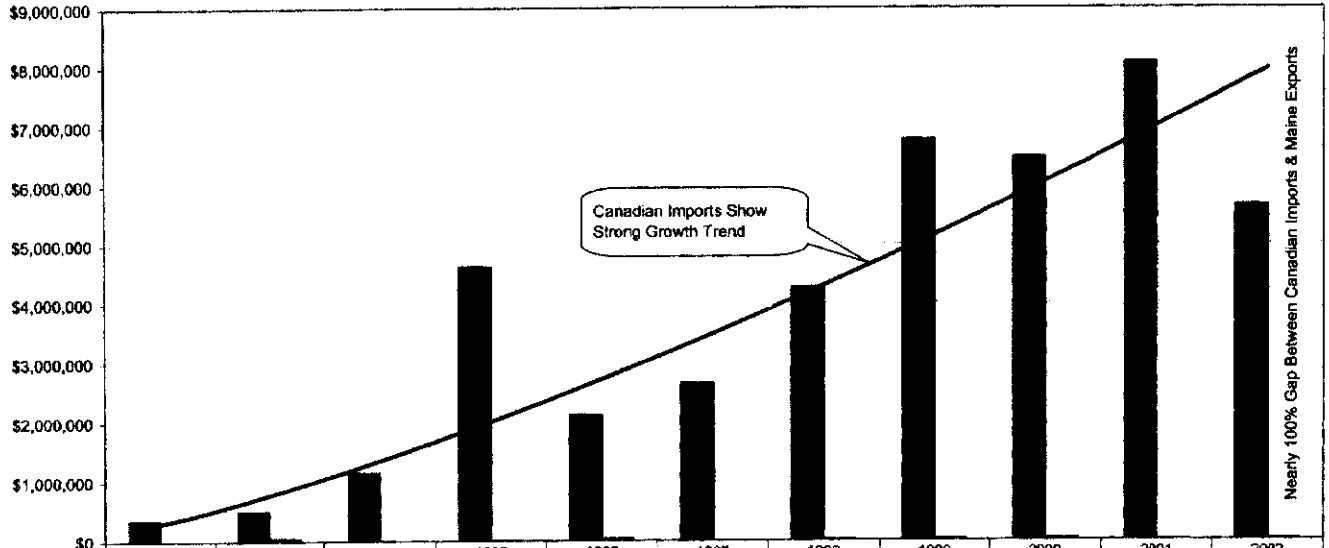
Total for All Industries



	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
ME-Imports	$1,057,970,094	$1,068,738,797	$1,299,519,980	$1,596,317,091	$1,661,029,149	$1,716,730,385	$1,728,756,651	$1,937,107,727	$2,564,547,529	$2,598,752,882	$2,993,517,573
ME-Exports	$363,890,793	$368,859,611	$437,996,302	$491,864,043	$508,370,296	$594,078,741	$584,702,673	$684,063,454	$785,758,559	$760,027,975	$770,990,953

Canadian Imports to MAINE & Exports from MAINE

Fabricated Structural Steel (NAICS 332312)



	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
■ME-Imports	$350,344	$503,603	$1,147,754	$4,624,150	$2,119,654	$2,650,154	$4,268,112	$6,770,818	$6,472,625	$8,078,290	$5,653,193
■ME-Exports	$281	$48,367	$966	$4,357	$35,157	$174	$9,462	$18,233	$28,218	$2,747	$15,383

Source: Statistics Canada