

**STATEMENT BY:**

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TEI Rock Drills

I thank the House Committee on Small Business, especially Chairman Graves and Ranking Member Valezquez for providing me with the opportunity to testify regarding the importance of passing the free trade agreements to my small business.

Let me start by telling you our story. I am a Mechanical Engineer that started a company called TEI Rock Drills, Inc. in 1980. As with many entrepreneurs, I started this business after the company I served as Chief Engineer, Gardner-Denver was sold and the Drilling Machinery Division essentially cashed out. I used my knowledge of the rock drilling industry to market and produce spare parts for Gardner-Denver drilling equipment employing the workers laid off by Gardner-Denver. As our sales grew, we became a family business producing and selling percussion and rotary rock drills of our own design and manufacture. To increase sales and jobs, we expanded into exporting, mostly into the Americas (Canada, Mexico, Central and South America). We became successful at exporting by using the State of Colorado International Trade office as a resource to market our products and provide information on export requirements. TEI Rock Drills is a recognized leader in rock drilling equipment, especially as attachments to construction equipment and for limited access. Our current sales total over \$8,000,000, of which about 40% is exported, primarily to the Americas and Europe. We employ about 40 total workers paying good wages for Montrose, Colorado. This result was achieved with hard work and a commitment to excellence.

Benefits to Trade Agreements and Job Creation.

Today, our brand is sold worldwide proudly displaying "Made in America" on every unit. Our manufacturing uses modern machine tools that increases the productivity of our workers. We now produce over 10 times the volume using the same production workforce. To maintain and increase production and jobs, TEI Rock Drills needs to sell worldwide. We need an open market with a level playing field. This is the secret to competing on a worldwide level.

The free trade agreements now under consideration are vital in providing a level playing field. In particular, much of the trade restrictions center on ease of transport between nations. For TEI Rock Drills,

the primary advantage of the NAFTA agreement was direct transportation to and within Mexico and Canada. We need the same direct transportation opportunities for the rest of the world.

Another aspect of international trade is the technical requirements on products, so called non-tariff barriers. Many nations use the technical requirements to hinder outside imports. Any trade agreements need to apply uniform technical requirements on products for export. The three pending trade agreements work to lower these non-tariff barriers and harmonize technical standards. Examples of technical requirements are the EU noise and safety restrictions. Japan in particular has unique technical requirements that are difficult to achieve.

Tariffs often are the largest barrier. Value added taxes are used in many countries and constitute the largest part of any import tariff. All of these cost factors reduce our ability to compete competitively in the international market. Reducing the tariff on our export product will increase our ability to sell more products, which will create more jobs for the people of Montrose, CO.

The final issue to be addressed for worldwide trade is protection of intellectual property. TEI Rock Drills has many patents for our products. These patents are very expensive to maintain, especially in that each nation has their own patent requirements. We do not currently plan to export to Asia or Africa, except South Africa. The main concern is that our products will be copied in these markets. As a small business, we do not have the resources to protect our intellectual property worldwide. The free trade agreements provide strong oversight and protection of our intellectual property. This will help us reach new markets and create more jobs.

Conclusion.

As my representatives, I ask that you consider how to reduce the restrictions to starting a manufacturing business that can compete in the world market. The capital requirements are tremendous with at least \$500,000 required per job. We need information and access to capital. We need simple and easy to understand tax laws. It is not so much the amount of taxes but the unfairness of our system. Above all, we need to know what to expect. Exporting to other nations requires expertise in efficient manufacturing in order to compete. Even more important is knowledge of the customs and requirements in each nation served. This expertise and knowledge can be provided by universities, state governments, or local business organizations. In your work here at the Capitol, please be respectful of the impact from each new regulation on the ability to start and operate a business. Every job you save is very important.

To close, I hope that I have presented my concerns about our future. We have the ability and the resources to strengthen the U.S. manufacturing sector, and exporting is a key component to making our future successful. We need to continue to open new markets and level the playing field for U.S. products, and these trade agreements are essential to accomplish this.

Please help by providing less, not more regulation. Most important, give individuals the hope and opportunity to fulfill their dreams of a world business. My dream became a reality because I am an American and I had the freedom and ability to build. Make this dream continue to be available to all Americans.

Thank you again for the opportunity to appear before this Committee, I look forward to answering your questions.

Bill Patterson