

Written Testimony of Kevin Harberts
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of
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House Committee on Small Business
Subcommittee on Economic Growth, Tax, and Capital Access
“Made in the U.S.A.: Small Businesses and a New Domestic Manufacturing Renaissance”

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Thank you for the opportunity to testify before you today. My name is Kevin Harberts, President and CEO of Kryton Engineered Metals in Cedar Falls, Iowa. I think this hearing is a great opportunity to showcase manufacturing in America and shed light on an issue which crosses political lines and international borders.

Since our founding in 1981, Kryton Metals has become an industry leader in manufacturing spun and fabricated metal products. We service a range of industries including foundries, ventilation, lighting, aerospace and automotive. Many of our products contribute to enhancing the nation’s energy efficiency and are installed in LEED-Certified buildings around the country.

This time a year ago we had 63 employees; today we have grown to 71 and hope to hire another 8-12 this year. We attribute this growth directly to reshoring – a product line which left the U.S. a decade ago and came back to America’s heartland. But to understand our growth, you have to first understand how we got here.

Like many other companies in our industry, the Great Recession hit us especially hard. In 2008 and 2009, we had to lay off 35 employees due to the downturn. For any family-owned business, this is one of the most difficult things to do, but it was necessary for us to survive.

Then, about two years ago, we became aware of a life changing opportunity. A company sourcing from Europe was exploring whether they could return the manufacturing to the U.S. and find a supplier with competitive pricing to serve the North American market. We made some prototypes to demonstrate we had the capabilities but the real test was the price. In our industry, a price differential of a fraction of one penny can mean the difference between getting the job and missing out.

At the time, we were not in a position to hire more employees to meet the demand so, like all manufacturers; we learned to do more with less. The company invested heavily in a laser machine specifically so we would service the customer and increase automation to meet their target price and we were able to convince this company to reshore the work. We made these investments despite the significant risks and the environment of the Great Recession.

Our customer slowly began transferring the work to our shop in Iowa and we are now looking at a \$5-6 million product line. For a \$10 million a year company, this changed the fate of our business and the lives of our employees.

Foreign manufacturers choose to reshore and source from U.S. suppliers for several reasons such as price, quality, availability of raw materials such as steel, and location. In our case, the customer wanted to source from a U.S. supplier so that it can ship products both to Illinois and Monterey, Mexico. We not only convinced the customer that our prices are competitive but demonstrated the obvious – Iowa is much closer to Illinois and Mexico than the customer's supplier in Europe.

Prior to reshoring its business, the customer had to wait two months from the time it placed its order with Europe to receive the products in North America. After reshoring, its delivery time went from two months to two weeks.

These time savings are a significant advantage we provide to our customer over its competitors. We can develop new products for it in a matter of weeks rather than wait for a ship to cross the Atlantic. This is especially important because, while I work in a “just-in-time” industry, we all live in a “just-in-time” world where the consumer wants the latest technology and wants it today.

The decision of our customer to supply from Kryton Metals will carry us into 2020. We are currently running 50 SKUs for them and plan to grow to 300-400 by the end of 2015. We are going to save our customer money, grow our business, and – most importantly – create jobs in Iowa and throughout our entire U.S. supply chain.

These kinds of opportunities just don't happen often in our industry and are directly related to reshoring. In convincing the customer to bring the work back to the U.S. from overseas, we not only created jobs at Kryton Metals, but created jobs for our suppliers and vendors as well. For example, my raw material purchases have increased fourfold due to this reshored business which created the need for suppliers to also hire new employees to meet the demand. This is an important point about the manufacturing industry – not only do we directly employ 12 million Americans, but our industry indirectly supports a combined 18 million jobs.

Although we are currently experiencing tremendous growth, it hasn't come easily and it's not guaranteed to continue. We are now in danger of becoming a victim of our own success. We expanded our operations at such a rapid rate that I cannot find enough qualified employees to fill my job openings. While we succeeded in convincing a company to bring overseas work to the U.S., I can't expand our business without qualified employees.

Earlier I mentioned that Kryton Metals hopes to hire 8-12 more Iowans this year. This may not seem like much but, for a 70-person company, it amounts to a significant expansion. Furthermore, the positions manufacturers create are solid careers, not mere minimum wage jobs. For some of my openings, the starting salary is \$70,000-80,000 a year plus benefits.

Additionally, the uncertainty in Washington has the potential to hinder manufacturers' future growth and reshoring successes. While politicians argue among themselves, employers like me are stuck in a holding pattern. We don't know whether Congress will extend the R&D Tax Credit, we're unsure what new rules OSHA and the EPA will impose on us, and we can't find qualified workers in large part because Congress has not updated our job training laws in over a decade.

The federal government needs to help foster an environment in which businesses from around the world want to reshore work to the United States. Domestic manufacturers can only lower their prices so far and we're not changing our location. Which leaves federal government policy and instability.

Kryton Metal's future looks pretty sunny at the moment but manufacturing's future is incredibly cloudy. Although the economy is improving, it isn't doing so at the rate we need to grow American manufacturing. To improve manufacturing's forecast, we must look to overseas opportunities and convince foreign customers that the U.S. is THE place for manufacturing. Manufacturers are doing our part to encourage reshoring – now it's Washington's turn.

Thank you for allowing me to testify today and to highlight the great story that is manufacturing in America.