

**TESTIMONY OF SCOTT SCHERER, BOEING CAPITAL CORPORATION,  
ON THE ROLE OF THE U.S. EXPORT-IMPORT BANK  
IN ENSURING U.S. COMPETITIVENESS AND JOB CREATION,  
BEFORE THE HOUSE FINANCIAL SERVICES COMMITTEE,  
SUBCOMMITTEE ON INTERNATIONAL MONETARY POLICY & TRADE**

**2 p.m.**

**March 10, 2011**

**2128 Rayburn House Office Building**

Chairman Miller, Ranking Member McCarthy, and members of the subcommittee, I am Scott Scherer, vice president of Boeing Capital Corporation, the financing arm of The Boeing Company. Thank you for the opportunity to testify today on this important topic. I have an opening statement and request that my full written testimony be placed in the record.

On behalf of Boeing's 160,000 employees, 22,000 small, medium and large U.S. suppliers to Boeing, and the 1.2 million people working throughout our domestic supply chain that help build our products, I am here to voice our strong support for the reauthorization of the Export-Import Bank of the United States. Ex-Im Bank plays a critical role in maintaining U.S. competitiveness and creating U.S. jobs – the subject of today's hearing.

At a time of great debate over the role of government in our society, Ex-Im Bank stands out as a government institution that works and that provides *real* value to our nation. The bank's export credit guarantees and other financial instruments help American companies, their workers and their suppliers compete in the global economy, and in so doing increase American exports, create and preserve export-related jobs, help stabilize our economy during periods of tight credit like the one we just experienced, and otherwise contribute to economic growth across the United States. And because the bank

charges transaction fees to customers for its services, it not only is self-sustaining, but consistently earns a profit for U.S. taxpayers. Since 1992, according to the bank, Ex-Im has returned roughly \$5 billion to the U.S. Treasury. It is a government program that helps *lower* the deficit – something I’m sure you don’t hear all that often.

Mr. Chairman and members of the subcommittee, I will elaborate on each of these points and then make a number of recommendations for the subcommittee’s consideration as you prepare legislation.

First, on the issue of global competitiveness, the bank plays a critical role. In the aerospace business, our chief competitor, Airbus, has *three* European export credit agencies supporting its sales. What’s more, the competitive landscape for our industry is about to get a lot more crowded. Companies in Canada, Russia, Brazil and China are developing large commercial airplanes to compete with Boeing, and all of them have government export credit agencies to support them. In today’s competitive global market, financing often is the key discriminator, and foreign governments are offering export credit to the advantage of their domestic industries. To date, the U.S. government has grappled to find a policy response, and we hope to work constructively with you to ensure fair competition. I can tell you unequivocally that without Ex-Im, Boeing and its extensive U.S. supply chain would be at a significant disadvantage in a market we conservatively estimate to be worth \$3.6 trillion over the next 20 years. More than ever, we need Ex-Im to backstop U.S. industry when foreign competitors turn to their governments for financing support – to keep the playing field level and to preserve high-tech, high-paying American jobs.

Second, on the issue of U.S. exports and the jobs they support, there's no question that in today's global economy strong export performance is key to sustaining a strong, jobs-producing U.S. economy. Likewise, there's no question that Ex-Im Bank helps drive U.S. exports. In FY 2010, Ex-Im financing supported a record \$34.4 billion in U.S. exports, and in calendar year 2010, Ex-Im financial guarantees supported sales of 161 Boeing commercial airplanes, roughly a third of all Boeing deliveries that year. Boeing is one of America's largest exporters of manufactured goods. The most recent Commerce Department figures show that aerospace exports support more than 770,000 U.S. jobs, and the aerospace sector every year produces a trade surplus -- \$53 billion in 2010, according to the Aerospace Industries Association. Those job and trade surplus figures are the highest of any U.S. manufacturing industry.

I mentioned that Ex-Im Bank loan guarantees supported one-third of our commercial airplane deliveries last year. That was a higher percentage than we've seen historically because of abnormally tight commercial credit markets, which brings me to my next point, and that is the bank's vital role in helping to stabilize our economy in such economic conditions. Simply put, following the financial crisis, if it were not for Ex-Im Bank, the U.S. economic downturn would have been even worse than it was. Many of Boeing's customers would have struggled last year to secure affordable commercial bank financing. In response, Boeing may have had to cut production rates, lay off workers, and order fewer parts and services from its suppliers, who in turn would have had to cut their own production rates and potentially lay off their own workers. Ex-Im Bank helped stem at least some of the bleeding brought on by the financial crisis by shoring up exports in very tough economic times, just as it was designed to do.

The bank has a strong, diverse loan portfolio that presents little risk to the U.S. government and American taxpayers. That is particularly true for its portfolio of airplane loan guarantees. To date, the bank rate of default on commercial airplane loan guarantees is *de minimis*. Commercial airplanes are valuable assets that are easily moved from one region of the world to another, and they are in demand even during economic downturns – especially the newer fuel-efficient airplanes that comprise much of the bank’s portfolio.

Mr. Chairman and members of the subcommittee, I now would like to turn to some of our recommendations for the subcommittee’s consideration as you take up this year’s reauthorization bill.

First, we recommend that you consider raising the cap on allowable financing by the bank from the current level of \$100 billion. Doing so will enable Ex-Im to expand its portfolio, particularly among small businesses and high-tech service providers, one of the fastest growing sectors of the U.S. economy. Both show enormous promise for export growth and would benefit from increased Ex-Im Bank support.

Second, we recommend that you and the bank consider lowering the 85% domestic content requirement for Ex-Im loans and loan guarantees. The foreign content rule does not adequately take into account 21<sup>st</sup> Century supply chains, which are global in nature. In today’s global business environment, products designed and built in the United States often have parts made elsewhere, just as products designed and built in other countries often have parts made in the United States. This is an increasingly important competitive issue for U.S. exporters because the U.S. domestic content requirement is far and away the highest such requirement among the world’s export credit agencies. The

next highest is Austria's 50% domestic requirement, and some nations use a "national interest" test in lieu of a fixed percentage requirement.

Third, we recommend that Ex-Im be given the resources it needs to more fully support small businesses. The bank has been working hard to increase its outreach to small companies with the potential to export, and to reduce application and approval times. But those activities are labor intensive. In short, however, small business is the backbone of our economy and a sector that holds great export promise.

Finally, we urge the subcommittee to press for resolution of a looming issue of great importance, and that is the vacancies on the bank's current board. Ex-Im must have a quorum of three board members to process transactions. Unless vacancies are filled soon, the bank will not have such a quorum come July when only the chairman will remain in office – a situation that would jeopardize a significant portion of the U.S. exports that Ex-Im expects to support this year.

In conclusion, I want to reiterate how well the bank serves the American public – helping U.S. companies large and small compete in the global economy, driving U.S. exports, creating good-paying jobs and economic growth, and doing so with a net return to U.S. taxpayers.



Boeing, the Coalition for Employment through Exports, and many other companies large and small look forward to working with the subcommittee to reauthorize the bank and make it more efficient and productive to meet the needs of current and future users. Again, thank you, Mr. Chairman, and I now would be happy to answer any questions you or other members of the subcommittee may have.

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United States House of Representatives  
Committee on Financial Services

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Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee on Financial Services require the disclosure of the following information. A copy of this form should be attached to your written testimony.

<b>1. Name:</b>	<b>2. Organization or organizations you are representing:</b>
Scott Scherer	The Boeing Company
<b>3. Business Address and telephone number:</b> 	
<b>4. Have <u>you</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?</b>	<b>5. Have any of the <u>organizations you are representing</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?</b>
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>6. If you answered .yes. to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.</b>	
<b>7. Signature:</b> 	

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