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Statement by
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For the

House Committee on Small Business

Hearing on

“U.S. Trade Strategy: What’s Next for Small Business Exporters?”

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Chairman Graves, Ranking Member Velázquez and members of the House Small Business Committee, thank you for the opportunity to testify regarding our experiences with international trade as a small business. My name is Tom Crafton, and I am the president of Thermcraft, Inc., of Winston Salem, North Carolina. I appreciate the opportunity to present our experiences with international trade and how it impacts business.

Thermcraft is located in Winston Salem, North Carolina and was founded in 1971 by my father, Morris Crafton. He started out with 2 two employees: just him and my mother. We celebrated the company’s 41st birthday in January and now employ over more than 70 people. We have a number of employees with long tenure: three employees have more than with 15 years of service with us, four with more than 20 years plus and one with more than 30 years of service. We manufacture high temperature (up to 3200F) customized equipment for manufacturing production lines, for research and development, and for use as a component of a complete system. We have a niche business that supplies to a wide variety of industries. We supply to companies that manufacture semiconductors, electronic components, fiber optic materials, solar cells, aircraft, glass, and components used in nuclear applications – just to name a few. Practically all manufacturing has some heat requirement in its operation, which gives us an extremely wide customer base to draw from.

to name a few. Practically all manufacturing has some heat requirement in its operation, which gives us an extremely wide customer base to draw from. Our laboratory furnaces and ovens are used in universities, manufacturing R&D facilities, national research labs, destructive testing labs and scientific institutions all over the world.

Thermcraft is also a member of the National Association of Manufacturers (NAM). The NAM is the nation's largest industrial trade association, representing small and large manufacturers in every industrial sector and in all 50 states. Its membership includes both large multinational corporations with operations in many foreign countries, and small and medium-sized manufacturers that engage in international trade. The manufacturing sector employs nearly 12 million Americans and is the engine that drives the U.S. economy by creating jobs, opportunity and prosperity.

Exports are vital to the success of American manufacturing, as they constitute 20 percent of U.S. manufacturing production and have increased at a rapid rate in recent years. In fact, over the past decade, exports grew more than five times as fast as shipments to the domestic market—exports grew by 48 percent while domestic shipments grew by only 9 percent. The U.S. exported almost \$1.5 trillion in goods last year, mostly in industrial supplies and capital goods. In my home state of North Carolina, for example, we exported more than \$24 billion worth of merchandise in 2010 – and nearly \$10 billion of that went to our FTA partners. More than 75,000 jobs in North Carolina are directly supported by exports.

Thermcraft started out in a 5,000-square foot facility located on the second floor of an old building located in the “low rent” district of Winston Salem. Within three years, we had outgrown that facility and moved to another building that gave us 20,000 square feet on two separate floors. We continued to grow, and after another three years we began construction on our own 34,500-square foot manufacturing and office facility. We moved into our new facility in 1978, and in less than 10 years we had more than doubled our floor space through several additions that included a hi-bay area with a 10-ton overhead crane.

Our business rapidly grew from laboratory and small systems to much larger systems for high-volume manufacturing companies. Our customers include Fortune 500 companies such as Corning Glass, Westinghouse, General Electric, DuPont, Boeing, Rockwell and many more. Our customers with international presence actually got us started in exporting. It was common that we would build a custom system for one of our customer's U.S.-based facilities and their engineers from a sister plant overseas would become aware of what was being done in their U.S. facility. The foreign operation would

often try to duplicate that operation in their factory, so they needed a furnace similar to what we had manufactured for the U.S. facility. Thus began our start with exporting.

The bulk of our exports have been to the semiconductor industry worldwide, primarily in Asia and Western Europe. Late in the 1970s, we purchased a company in Florida that had begun to rebuild furnaces used in the diffusion process of semiconductor manufacturing. Up to this point, the only option for a company with one of these systems was to go back to the Original Equipment Manufacturer (OEM) for replacement parts, including heating elements. Our niche in this market was to offer a second source supplier for the replacement diffusion furnace heating elements. Thermcraft could then offer a replacement furnace that was equal (or better) in quality and less expensive than the OEM. As a small business, we certainly were concerned with the customer. So in addition to better quality & price, we were also able to offer improved customer service including quick delivery in comparison to the system OEM. This approach helped solidify our position as one of the top suppliers of semiconductor heating elements.

In the early 1990s, we began dealing with a Maintenance, Repair and Overhaul (MRO) distributor in Europe. This relationship led to more frequent exports from our North Carolina factory, which in turn yielded growth for the semiconductor portion of our business. In the late 1990s, much of the semiconductor production began to move to Asia. As a result, we teamed up with manufacturing representatives in several Asian countries – including Japan, Taiwan, Singapore and China – to support the business there. Business increased significantly in these countries, giving us a better understanding of what was involved in the export process. In 2008, our export business accounted for approximately 35 percent of our total sales.

During this same period, we developed our “Expressline” series of standard off-the-shelf laboratory furnaces. In an effort to promote sales of this product, we began developing a distributor network both domestic and internationally. Last August, as part of the Commerce Department’s New Market Exporter Initiative (NMEI), we participated in a Gold Key distributor search in Singapore. With the assistance of the U.S. Commercial Service representative, we were able to find a highly qualified distributor. We now have distributors in China, Korea, Singapore, Malaysia, and India as well as the SAARC countries (Sri Lanka, Bhutan, India, Maldives, Nepal, Pakistan, and Bangladesh). We are currently working on distributor networks in Europe and the Middle East.

We also recently participated in the Arab Lab Expo, which is a laboratory equipment trade show in Dubai. We made numerous contacts for potential distributors

in that region, and we are in contact with several that are strong candidates. The U.S. commercial service officer helped with some of the arrangements for the expo and stopped by our booth during the show. In April, we attended the North Carolina Department of Commerce Road Show and met with Commercial Officers who are stationed in various countries abroad. This week, we are participating in the “Trade Winds – Asia” business development conference and trade mission that is taking place in Singapore and the surrounding southeast Asian countries of Malaysia, Indonesia, Thailand and Vietnam. It is sponsored by the U.S. Commercial Service and provides opportunities for companies to meet with senior Commercial officers stationed in different countries across the globe. The conference also facilitates business-to-business meetings with potential distributors that are coordinated by the U.S. Commercial officer in each country. These are some examples of the valuable assistance that we receive from the state and federal government.

On the flipside, we have export issues that arise on a daily basis and continue to be an ongoing struggle. For example, it can be difficult to get consistent and reliable information and help from the local representatives stationed abroad. Commercial Officers seem to see only the big picture and often fail to address the details and help small businesses through the ongoing process of exporting. Regulatory changes are constant, and the burden lies on us to keep up with those changes and decide on classifications for specific products. There is a lack of a single source for info regarding export embargoes. They are listed across multiple websites that take countless hours to research, and it is difficult to know if all requirements have been addressed. We are held responsible for the end-use of our products and many times we are unable to get adequate information from the purchaser due to many factors, one of which is the language barrier. In some cases, not getting the answers we need has cost us the order. The list goes on. It seems that there is a large gap that small businesses fall into when it comes to exporting. We can't afford to hire a different person to handle each different export function like large multi-billion dollar corporations. As in many small companies across the U.S., one employee must wear many different hats. The government agencies that regulate or promote exports are not set up to support small businesses.

We have even gone so far as to hire a private export consultant to help find the answers needed in order to expand into other countries. That consultant handles U.S. export issues and helps our customers with their country's import processes. We were surprised to hear from the professional export consultant about the difficulties that were encountered when trying to find information and get answers from the various Commercial Services. We thought the difficulties we encountered were due to our

limited export knowledge. It seems like the Commercial Service representatives have a set agenda and priorities, and if your objectives don't match that agenda then you don't get the necessary assistance to accomplish your export goals. There doesn't seem to be any cohesion within the different government departments that deal with exports. I get the impression that they are all pulling in different directions instead of working together to help businesses increase their export sales.

It would be ideal if a small business could be assigned a commercial service officer to help with its export initiatives – someone to help establish export guidelines and policies and stay current and up-to-date on the constantly changing regulations. It would also be helpful if someone could help small companies decide which market to try and penetrate next. The NMEI program provides market research that is helpful on that front, but we could use a lot more information. Small businesses tend to get lost in the process of trying to operate within the law and trying to ensure that every "T" is crossed and every "I" is dotted, instead of spending that time and money trying to increase export sales. The government wants small businesses to increase export sales but the system in place does not provide adequate assistance to get the job done. It is a constant struggle.

Small businesses can also benefit from improved access to new markets abroad. Manufacturers were pleased to see the recent implementation of new trade agreements with Korea and Colombia, and I hope the Administration will redouble their efforts to pursue more FTAs. The Trans-Pacific Partnership (TPP) agreement, for example, will lead to critical new market openings in key economies like Malaysia, New Zealand and Vietnam. Furthermore, the TPP model could form the basis of new initiatives. Economies like Brazil, Argentina and others are key growing markets and by removing their tariff and non-tariff barriers for U.S. exports, we will tap into important new avenues of growth.

Another potential market for increased U.S. exports is Russia. Russia offers an excellent opportunity for U.S. manufacturers, and the President's Export Council has estimated that U.S. exports to the country could double over the next five years to \$12 billion. This will create manufacturing jobs in a wide variety of industries and boost economic growth, if Congress establishes Permanent Normal Trade Relations (PNTR) with Russia.

Again, I appreciate the opportunity to testify about my experience as a small manufacturer who is engaged in exporting. I would be happy to answer any additional questions.