

Approved 1-24-89
Date

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Senator Dave Kerr at
Chairperson

8:00 a.m./p.m. on January 18, 1989 in room 123-S of the Capitol.

All members were present except:

Committee staff present:

Bill Edds, Revisor of Statutes' Office
Lynne Holt, Kans Leg Research Dept
Carol de la Torre, Secretary to the Committee

Conferees appearing before the committee:

Charles Warren, Pres., Kansas, Inc.
Ray Williams, U.S. Small Business Administration, Kansas City, MO.
Jim Parmelee, Taylor Forge Engineered Systems, Inc., Paola, KS.

The meeting was called to order at 8:00 a.m. by the Chairman,
Senator Dave Kerr.

Minutes from the January 11th and 12th meetings were reviewed by the
Committee. Senator Karr moved that the minutes from those days be
approved. The motion was seconded by Senator Moran. Minutes approved.

Senate Bill 21 - An act concerning economic development; relating to
the financing of exports from Kansas; prescribing
certain powers, duties and functions for the secre-
tary of commerce.

A briefing was presented by Lynne Holt, Kansas Legislative Research
Department. Senator Steineger asked if the program could be used to
replace existing export finance relationships. Senator Kerr stated the
goal of the program is the development of an international banking com-
munity in our state. The goal is not to replace existing credit facilities.

Charles Warren, Pres., Kansas Inc., was the first conferee. The Committee
received a handout which was a background paper on the policy position
that was adopted by the Kansas Inc. Board. Included was a brief explana-
tion of the Trade Fair Assistance Program and the Export Finance Program.
(Attachment I). Mr. Warren stated that the most important thing the
Committee could do this session is enact some significant programs for
exports.

Ray Williams, Regional International Trade Officer, U.S. Small Business
Administration, was the next conferee. His statement and testimony before
the Committee is attached (Attachment II). Mr. Williams stated he felt
there was a real need for the program. SBA will do whatever it can to
work with the Committee.

Senator Steineger questioned what this bill does for Kansas that the SBA
is not already doing. Mr. Williams advised, nothing. However, Mr. Williams
stated he was not opposed to this bill. He stated it was a good idea.
Concerns were expressed and arose as to whether this bill duplicates
existing federal export assistance programs. Mr. Williams advised that
this was something that the Committee would have to determine.

The final conferee was Jim Parmelee, Chief Financial Officer of Taylor
Forge Engineered Systems, Inc., and Director of Taylor Forge Engineered
Systems International, Ltd. His remarks are attached. (Attachment III).
Mr. Parmelee advised the Committee that he strongly supported the direction
that this bill takes. He commended the state on its continued efforts to
increase Kansas exports.

Unless specifically noted, the individual remarks recorded herein have not
been transcribed verbatim. Individual remarks as reported herein have not
been submitted to the individuals appearing before the committee for
editing or corrections.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT,
room 123-S, Statehouse, at 8:00 a.m./p.m. on January 18, 1989.

There being no further business, the meeting was adjourned at 9:00 a.m.

TESTIMONY ON SENATE BILL 21, EXPORT FINANCE PROGRAM

TO

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

JANUARY 18, 1989

CHARLES R. WARREN, PRESIDENT

KANSAS INC.

Sen Eco - Devo
1-18-89
Attachment 1

Today, Kansas and the state's business community has the chance to significantly expand the market for its products through sales to foreign countries. Nationally, businesses are taking advantage of the dollar's value decline, the increasing ease of international communication, and continued reasonable air fares to aggressively increase their product sales in foreign markets.

The attachment from the January 2-8, 1989 issue of the Washington Post Weekly details a number of examples of small firm growth generated by marketing to customers in foreign countries. Please note that the article opens with an example of a firm that in 13 months had export sales go from zero to \$250,000. These export sales now account for 25 percent of the firm's total sales. That firm is located in Illinois, a state with one of the more active state-assisted export programs. The foreign export market is an opportunity Kansas businesses can not afford to miss. Expanding state exports is a key component of Kansas Inc.'s economic development strategy.

Today, I am testifying in support of Senate Bill 21, which proposes creating an export finance program. Additionally, during the 1989 session, you will be asked to consider funding a trade fair assistance program and continued funding for the Department of Commerce's Trade Division. Both of these are important to the state's business community.

I would first of all commend the efforts of the Joint Economic Development Committee that culminated in its decision to recommend the legislation captured in Senate Bill 21. The Committee this past interim session dedicated two days to consideration of export program options. The two-day agenda was an intense effort that included: testimony from Kansas businesses that presently export and representatives from the financial community; a presentation of findings and conclusions from the Kansas Inc. funded survey of exporting and non-exporting manufacturers; presentation from Secretary Priddle of the Department of Commerce; and, discussions lead by program staff from the Minnesota and Illinois state export programs.

Senate Bill 21 is a product of those two-days in July and, in my opinion, the Committee has accurately identified a need and a mechanism to address that need. The legislation, as drafted, adopts the Minnesota model which centers on providing exporters and banks loan guarantees. With a \$1 million comittment, this approach has the advantage of leveraging state money up to \$4 million and keeps the state out of the direct-loan business. As opposed to Minnesota's emphasis on pre-shipping financing, the legislation will provide a small business with a source of guaranteed financing either prior to shipment or after the goods have been shipped. Interim testimony indicated that a source of funds during either period in the exporting process is critical to a small business.

I have only minor suggestions regarding Senate Bill 21 but I feel they will positively impact the quality of the proposed finance program. These suggestions are:

- * the state should make sure that its program meshes and compliments existing federal programs. I encourage the committee to pay close attention to the suggestions that are made by representatives of the Small Business Administration and the Export/Import Bank today. Our survey revealed that critical barriers to a firm's entry into the export arena are a fear of the unknown and a general lack of knowing how to get started in exports.

- * the terms presented in Section 4 (b), are currently set at 360 days, it is vital that these terms be flexible. There are times when unanticipated delays well beyond a firm's control occur in exporting so these businesses must know they will not be butting up against a fixed timeline.

- * again, in Section 4 (b) the reference to "cannot be obtained from Kansas financial institutions for the Kansas export transaction" is too vague and should contain a clearer definition of how many

Kansas financial institutions must reject the loan before out-of-state institutions are contacted.

I feel the most important economic development decisions the 1989 Legislature will make concerns these efforts to make Kansas a stronger presence in the global marketplace. The commitment must be made with the understanding that these programs are investments and should be treated as such. They will not necessarily result in quick and visible successes but I assure you, patience will be rewarded. The legislative commitment must be made with the realization that the best chances these programs have of succeeding are by:

- * giving Commerce the resources necessary to hire a staff of sufficient quality to make the program work (this includes a person with significant export banking experience); and

- * providing sufficient latitude for administrators to adapt program guidelines so that they mesh with the array of federal programs and respond to the needs of the business community.

Thank you.

KANSAS BUSINESS REVIEW

Vol. 12, No. 1
Fall 1988

**The Importance of the Service Sector:
The Case of Johnson County 1**
Gina Sanborn
with David Burress, Pat Oslund, and Anthony Redwood

A service economy is not necessarily a low-wage economy that depends on imports. Export-oriented services, like business services and headquarters firms found in Johnson County and in Overland Park in particular, draw wealth from outside the state, create high-paying jobs for highly skilled workers, and have a significant impact on the county and state economies.

Kansas Industry in the Global Economy 11
Anthony Redwood and Kathleen Harnish

While only 15 to 20 percent of U.S. industrial production is exported, 70 percent meets with competition from exports. Thus Kansas public policy must address how to lay the foundations for domestic competition as well as how to mitigate the state's special problems in exporting to other countries.

Characteristics of Kansas Exporters 17
Steven Maynard-Moody and William Cheek

A survey of 424 Kansas businesses reveals that firms selling their products in foreign countries are larger than average, and they do their own foreign marketing and finance exports internally. Both exporters and non-exporters report that lack of export know-how and unavailability of financing constrain export activity.

Leading Sectors of the Kansas Economy 19
Donald Lien and David Rearden

A vector autoregression model shows that services; finance, insurance, and real estate; and wholesale trade will be the leading sources of Kansas employment growth in 1989. Farm employment will fall, and growth in construction and government employment will be slow.

Economic Outlook 22

Economic Indicators 27

Advisory Board of the Institute for Public Policy and Business Research—Edward Bruske, President, Kansas Chamber of Commerce and Industry; Harland Priddle, Secretary of Commerce; Executive Vice Chancellor Judith Ramaley; Vice Chancellor Frances Horowitz; Anthony Redwood, Executive Director, Institute for Public Policy and Business Research; Dean John O. Tollefson, School of Business; Joseph Sicilian, Chairman, Department of Economics.

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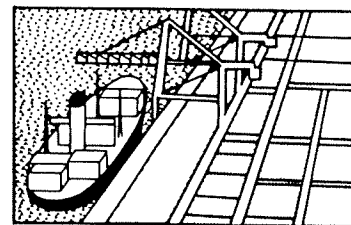
The purpose of the *Kansas Business Review* is to provide a forum for the dissemination of research studies and reports in the fields of economics and business that would be of special interest and relevance to business persons, public officials, and academicians in Kansas and the Plains Region.

The Editorial Review Board welcomes submissions of original manuscripts as well as reports on research and opinion pieces. The style, however, should emphasize exposition rather than technical details. All submissions will be reviewed initially by the editorial staff and, when judged appropriate, will be sent to referees who are knowledgeable about the content.

Manuscripts for consideration should be typed, double-spaced, and submitted in triplicate. In general, length should not exceed three thousand words.

Submit manuscripts to: Editor, *Kansas Business Review*, The Institute for Public Policy and Business Research, 607 Blake Hall, The University of Kansas, Lawrence, Kansas 66045-2960.

Characteristics of Kansas Exporters



Steven Maynard-Moody
William Cheek

Dr. Maynard-Moody is director of policy studies at the Institute for Public Policy and Business Research and associate professor in the Department of Public Administration. William Cheek was a research assistant at the Institute at the time of the survey.

Increasing Kansas's participation in the national and world economies is an important part of the state government's plan for economic development. How this might be accomplished most efficiently is still to be determined. To provide data for informed policy making, 424 business owners and managers were asked about their product markets, their firms' characteristics, barriers to exporting to foreign countries, and programs to facilitate foreign export trade. The survey results point to several factors affecting exports that might be addressed by policy makers.

Methodology

The telephone survey for this study was conducted from February 29 to March 8, 1988. A total of 424 interviews with the owners or managers of exporting and non-exporting Kansas firms were completed. The response rate for the survey was 89 percent: for every ten individuals contacted, nine responded to the survey.

Questions asked in the survey were designed by the Institute research staff in collaboration with Kansas Inc., which the Kansas legislature has established as the planning organization for state economic development.

The sample was drawn from the Kansas Department of Commerce's *Di-*

rectory of Manufacturers and Products. Two hundred and three exporting firms and 221 non-exporting firms were included in the final sample.

The percentages obtained in the sample are estimates of the entire populations under consideration. Sampling theory suggests that when an adequate random sample is obtained within a population, the sample will adequately reflect the responses that would be given if the entire population were surveyed. The margin of error in a survey is the probable difference between interviewing everyone in a given population and a sample drawn from that population. The margin of error for this survey is 5 percent at a 95 percent level of confidence. Given this margin of error, chances are that in about 19 out of 20 cases if all exporters and non-exporters in Kansas had been surveyed with the same questionnaire, the result would differ from the poll findings by no more than 5 percent in either direction.

Although great care is taken in composing questions and drawing a sample, caution should be exercised in the interpretation of telephone survey results. Responses generally represent immediate answers to questions, and respondents are limited to the answer categories given. Nevertheless, telephone surveys are by far the best form of public opinion polling to obtain random and representative samples in a timely fashion.

Results

The survey results show clearly that larger firms are more likely to export than smaller ones. The majority

of Kansas exporting businesses employ between ten and 99 full-time employees. Nearly half of exporters have sales of between \$1 million and \$10 million. In contrast, most non-exporting firms have fewer than ten full-time employees and less than \$1 million in sales.

Even though exporting firms are relatively large, decisions about exporting are made by executives in Kansas (rather than by out-of-state corporate leaders) in about two-thirds of export firms. And most of these managers are optimistic about their potential for increasing exports.

For the most part, these executives have decided to do their own marketing, and they do not rely heavily on foreign trade fairs to sell their products. Nearly 80 percent of exporters market their products themselves. About 10 percent use U.S. marketing firms, and another 10 percent hire international marketing firms.

Only 39 percent of exporters attend foreign trade fairs. However, 59 percent plan to attend trade fairs in the future. This increase may point to rising interest in export expansion in the Kansas business community. If the state were to pay half the expenses of attending foreign trade fairs, 66 percent of exporters say they would attend.

Characteristically, Kansas firms that sell their products abroad also distinguish themselves from non-exporters by their activity in national markets. Exporters sell 72 percent of their products in the national market rather than locally, within the state, or abroad. Businesses that do not export sell less than a third of their products nationally, and nearly half their sales are in the local market.

The survey respondents export

knowledge, work, and money, process technology, management of foreign-exchange risks, quality, design, innovation, service and marketing. Increasingly, concentration rather than conglomeration or diversification will be needed, with growing emphasis on knowing one's technology, market, and customers.¹⁴

These imperatives must be placed in an international perspective. The customer for Kansas industry may be of another culture and hold different values, standards, and preferences. Kansas industry will not be internationally successful until it develops a better understanding of the world and its people. While we focus on programmatic responses to this dilemma in the short run, such as overseas offices and export finance support, there are more far-reaching implications. These include, for example, changes in the state education system from bottom to top, ranging from a renewed focus on geography, history, languages, and foreign culture studies to the development of an international emphasis in the business education of our future managers.

Special Difficulties for Kansas

Earlier in this paper, we noted some characteristics of Kansas that contribute to relatively low levels of exporting by Kansas industry. From a policy development perspective, these factors can be couched in terms of the following barriers:

- 1) general lack of knowledge about the opportunities;
- 2) financing difficulties and business organization;
- 3) cultural differences; and
- 4) bureaucratic hassles.

A growing number of federal and, more recently, state policies seek to mitigate factors that hinder small

business exporting. These focus in particular on

- 1) informing businesses of opportunities;
- 2) encouraging businesses to export and helping with financing;
- 3) utilizing educational resources to bridge differences in culture and business practices; and
- 4) making international transactions easier.

The bottom line is that Kansas needs special measures to help businesses overcome difficulties that are either more severe in Kansas or state-specific. A few programs are in place, more are needed. Furthermore, it is not a short-term issue, for some of the state's particular characteristics, like location, are permanent, and others, like cultural awareness, need decades of emphasis in the educational system to bear fruit.

Conclusion

The issue is *not* whether Kansas industry should compete in world markets. It has no choice but to do so, and the rewards from doing so are worth the effort. Rather, the key questions are 1) What fundamental changes are necessary to underpin our participation in the world economy over the long run on a competitive basis? and 2) Given the nature of Kansas industry, what mechanisms and policies are needed on a more immediate basis to help Kansas industry participate more in the global economy?

This article is sponsored by the U.S. Small Business Association and the Kansas Small Business Development Centers. It is from Kansas Industry in the Global Economy: Issues of Competitiveness and Public Policy, by Anthony Redwood and Kathleen Harnish, Monograph Series no. 153, Institute for Public Policy and Business Research, University of Kansas.

Notes

1. Camille Schuster, "Ways for Kansas to Attract Additional Foreign Investments and Increase Exportation of Products," a presentation given at the Economic Outlook Conference, University of Kansas, October 9, 1987.
2. "Factories Get More Competitive," *USA Today*, August 3, 1987.
3. "Poor Management Cited in Report," *Lawrence Daily Journal-World*, February 17, 1988.
4. "Efficiency of Economy's Service Sector Must Be Buttressed, Study for U.S. Says," *Wall Street Journal*, July 3, 1987.
5. "America's Switch to a Service-Based Economy Promises Broad Changes in Work," *Wall Street Journal*, August 4, 1987.
6. David Birch, "Is Manufacturing Dead?" *INC.*, June 1987.
7. Richard Sexton and Robert Glass, "Instability in the Kansas Economy," *Kansas Business Review*, March - June 1983.
8. Anthony Redwood, *Job Creation in Non-Metropolitan Communities: Issues for State Policy*, Monograph Series no. 129 (Lawrence, KS: Institute for Public Policy and Business Research, September 1987).
9. Chalmers Johnson, *The Industrial Policy Debate*, (Institute for Contemporary Studies, 1984) 3-26.
10. Anthony Redwood, with Kathleen Harnish and Carolyn Coleman, *Higher Education-Private Sector Linkages for Economic Development*, Monograph Series no. 120 (Lawrence, KS: Institute for Public Policy and Business Research, November 1986).
11. Charles Krider and Steven Maynard-Moody, *Business Retention and Expansion in Kansas Mid-Size Communities*, Monograph Series no. 137 (Lawrence, KS: Institute for Public Policy and Business Research, February 1988).
12. Jack Gaumnitz, "Venture Capital Financing in Kansas," *Kansas Business Review*, Winter 1986 - 1987.
13. Charles Krider, *Vocational/Technical Education and Kansas Economic Development*, Monograph Series no. 128 (Lawrence, KS: Institute for Public Policy and Business Research, November 1987).
14. Peter Drucker, "Low Wages No Longer Give Competitive Edge," *Wall Street Journal*, March 16, 1988.

STATEMENT OF

RAY L. WILLIAMS

REGIONAL INTERNATIONAL TRADE OFFICER

U.S. SMALL BUSINESS ADMINISTRATION

BEFORE THE

COMMITTEE ON ECONOMIC DEVELOPMENT

KANSAS STATE LEGISLATURE

JANUARY 18, 1989

Sen Eco-Devo
1-18-89
Attachment 2

MR./MADAM CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE THIS COMMITTEE TO SPEAK ON YOUR PROPOSED EXPORT FINANCING PROGRAM. SOME OF THE ITEMS THAT I WILL BRING UP CAN PROBABLY BE ADDRESSED IN THE REGULATIONS THAT WILL UNDOUBTABLY BE WRITTEN OR WITHIN THE STANDARD OPERATING PROCEDURE (SOP). SOME OF THE ITEMS ARE CURRENTLY A PART OF THE SBA'S EXPORT FINANCING PROGRAM, OTHERS ARE NOT AND MAKE SOME PARTS SUBJECT TO INTERPETATION, LEADING TO UNWARRANTED DELAYS.

FIRST, UPON REVIEW OF THE PROGRAM, I WOULD LIKE TO POINT OUT THE IMPACT OF THE ONE PERCENT GUARANTEE FEE AS IT RELATES TO CONTRACT FINANCING. IF A FIRM USED THE PROPOSED FINANCING AND WAS ABLE TO PRODUCE AND SHIP FOUR CONTRACTS (WORTH \$300,000 EACH) PER YEAR, THE GUARANTEE FEE WOULD BE \$12,000 PER YEAR. HOWEVER, IF THE PROGRAM WERE REVOLVING IN NATURE, THE FEE WOULD BE \$3,000. THIS MAY WARRANT CONSIDERATION SINCE ALL CREDIT & PERFORMANCE INFORMATION WOULD HAVE BEEN COMPILED ON THE FIRST TRANSACTION.

SECONDLY, IT MAY BE APPROPRIATE TO ADD AN EXTENSION (POSSIBLY 120 DAYS) OPTION INTO THE BILL. THIS MAY BE NECESSARY TO CLEAR SOME TRANSACTION THAT WOULD OCCUR LATE IN THE TWELVE MONTH PERIOD, PARTICULARLY IF THE CONTRACT WOULD REQUIRE MULTIPLE SHIPMENTS.

THIRD, IT MAY BE IMPORTANT TO DEVELOP A "MEMORANDUM OF UNDERSTANDING" WITH OTHER FEDERAL ORGANIZATIONS TO CONSIDER THOSE REQUIREMENTS THAT EXCEED THE \$300,000 GUARANTEE LIMIT. AT ONE TIME THE SBA HAD SUCH AN AGREEMENT WITH THE STATE OF CALIFORNIA. I AM NOT CERTAIN WHAT THE AGENCY'S POSITION WOULD BE TODAY, BUT I WOULD DO WHAT EVER IS NECESSARY TO TRY TO DEVELOP SUCH AN AGREEMENT. ALONG THIS LINE, IT MAY BE NECESSARY FOR THE SECRETARY OF COMMERCE TO HAVE THE LATITUDE TO MAKE CERTAIN ADJUSTMENTS IN ORDER TO "MATCH UP" WITH OTHER PROGRAMS. (LOAN GUARANTEE FEES, LIMITS ON BANK FEES, ETC.)

FOURTH, THE REQUIREMENT THAT EXPORT FINANCING BE DONE THROUGH KANSAS BANKS MAY PRODUCE HARDSHIPS FOR FIRMS LOCATED IN WESTERN KANSAS WITH CORRESPONDENT BANK RELATIONS IN DENVER. THIS MAY REQUIRE THEM TO GO TO EASTERN PART OF THE STATE TO APPROACH BANKS WHERE THEY HAVE NO PREVIOUS RELATIONSHIP, WHICH COULD RESULT IN DELAYS AND EXTRA EXPENSE.

I HAVE ATTACHED THE EXPORT RELATED LOANS APPROVED IN FY 88 IN KANSAS. I BELIEVE THAT THIS IS NOT REPRESENTATIVE OF THE DEMAND FOR EXPORT FINANCING IN KANSAS, BUT PROBABLY REFLECTS THE DIFFICULTY OF MARKETING EXPORT FINANCING PROGRAMS. I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOUR COMMITTEE AND ASSURE YOU THAT THE SBA WILL DO WHATEVER IT CAN TO MAKE YOUR PROGRAM SUCCESSFUL.

EXPORT RELATED LOANS

FY 88

STATE OF KANSAS

MIDWEST MACHINE WORKS 1701 NORTH TOPEKA AVENUE TOPEKA, KANSAS 66608	\$295,000
MIDWEST GAME SUPPLY CO. 6108 MERRIAM LANE MERRIAM, KANSAS 66203	\$153,000
ASIMA CORPORATION 113 PENNSYLVANIA INDEPENDENCE, KANSAS 67301	\$588,000
JENCAST PRODUCTS, INC. COFFEYVILLE, KANSAS	\$500,000



TAYLOR FORGE ENGINEERED SYSTEMS, INC.

First & Iron Streets · Paola, Kansas 66071

Tel: 913-294-5331 · Telex: 42331

REMARKS TO BE GIVEN ON SENATE BILL NO. 21

JIM PARMELEE IS THE CHIEF FINANCIAL OFFICER OF TAYLOR FORGE ENGINEERED SYSTEMS, INC. AND DIRECTOR OF TAYLOR FORGE ENGINEERED SYSTEMS INTERNATIONAL, LTD.

TAYLOR FORGE ENGINEERED SYSTEMS MANUFACTURES HARDWARE SUCH AS PRESSURE VESSELS FOR THE ENERGY AND AEROSPACE INDUSTRIES. WE HAVE MANUFACTURING PLANTS IN PAOLA AND GREELEY, KANSAS WITH A CURRENT EMPLOYMENT OF ABOUT 150 PEOPLE. WE HAVE A PLANT CAPACITY THAT WOULD ALLOW US TO INCREASE EMPLOYMENT BY 200 MORE PEOPLE. AS YOU CAN SEE WE COULD TAKE ON ALOT OF EXPORT BUSINESS.

CURRENTLY WE EXPORT 10-20% OR 1 TO 2 MILLION DOLLARS A YEAR. WE EXPORT TO MOST NON-COMMUNIST AREAS THAT PRODUCE GAS AND OIL SUCH AS NORWAY, KUWAIT, THAILAND, EGYPT, AUSTRALIA, MEXICO AND CANADA. IN ADDITION WE SUPPLY SOME PARTS TO POWER PLANTS IN NON-OIL AND GAS REGIONS.

*An Eco-Dev
1-18-89
Attachment 3*

PAGE 2

TO ADDRESS BILL 21 DIRECTLY I WOULD LIKE TO SAY WE STRONGLY SUPPORT THE DIRECTION IT TAKES. I WOULD ALSO LIKE TO COMMEND OUR STATE GOVERNMENT ON ITS' CONTINUING EFFORT TO INCREASE KANSAS EXPORTS. THERE IS ALOT TO DO BUT YOU ARE MAKING A GOOD START.

ALTHOUGH THIS IS A GOOD BILL, IT COULD BE BETTER. I WOULD LIKE TO BRIEFLY TOUCH ON A FEW AREAS THAT COULD HELP TAYLOR FORGE ENGINEERED SYSTEMS.

MY FIRST POINT IS TO ADDRESS THE \$300,000 GUARANTEE LIMIT. I CAN INVISION IN OUR CASE THE LIMIT WOULD BE NEEDED AT A HIGHER AMOUNT IF WE WERE BUSY. WE HAVE HAD INDIVIDUAL ORDERS FOR MORE THAN \$1,000,000. AT ONE TIME LAST YEAR WE HAD QUOTATIONS FOR SIX ORDERS OVER A MILLION EACH, OF WHICH THREE WERE EXPORT. IF WE WOULD HAVE WON ALL SIX WE WOULD HAVE HAD TO TURN TWO OR THREE DOWN DUE TO A LACK OF FINANCING.

I WOULD LIKE TO SEE THE REVIEW COMMITTEE GIVEN THE AUTHORITY TO GIVE LARGER GUARANTEES IF THE COMPANY'S BALANCE SHEET LOOKS GOOD.

MY SECOND POINT DEALS WITH THE 360 DAY MAXIMUM GUARANTEE PERIOD. IN OUR CASE THIS WOULD BE GOOD OVER 90% OF THE TIME, BUT ON LARGE EXPORT JOBS THE LENGTH OF TIME HAS RUN 18 MONTHS OR LONGER DUE TO THE SIZE OR CUSTOMER CREATED DELAYS. HERE AGAIN, I WOULD LIKE TO SEE THE REVIEW COMMITTEE GIVEN THE AUTHORITY TO EXTEND THE TIME FRAME FOR GOOD PROJECTS IF THE THREAT OF DEFAULT DOES NOT INCREASE GREATLY.

PAGE 3

THE THIRD AREA I WOULD LIKE TO ADDRESS IS THE PROVISION THAT LIMITS THE LOANS TO KANSAS BANKS. OUR CURRENT BANKING FACILITY IS LEAD BY A LARGE BANK IN KANSAS CITY, MO. IN CONJUNCTION WITH A MUCH SMALLER BANK IN PAOLA, KS. DO I HAVE A PROBLEM HERE? I SURE DO NOT WANT TO FIND A NEW LEAD BANK IN KANSAS. NOT THAT I DO NOT LIKE KANSAS BANKERS, IN FACT WE ARE VERY FOND OF OUR PAOLA BANK. TO CHANGE BANKS CAN BE COSTLY IN FEES, ETC. IN ADDITION I HAVE FOUND IT DIFFICULT TO TALK IN MUCH DETAIL ABOUT EXPORTS TO KANSAS BANKERS.

BELIEVE ME WHEN I SAY THAT IT IS DIFFICULT TO DO EXPORT BUSINESS WITH MOST KANSAS CITY BANKS - NO MATTER WHAT THEY SAY. WELL, I WOULD LIKE TO SEE SOME FLEXIBILITY FOR THOSE OF US IN THE KANSAS CITY AREA TO INCLUDE THOSE BANKS IN THE KANSAS CITY, MO. AREA.

TWO AREAS THAT THIS BILL DOES NOT ADDRESS THAT I WISH IT WOULD ARE BONDING/ BANK GUARANTEES AND FINANCIAL SUPPORT FOR TRADE SHOWS.

IN THE AREA OF BONDING WE HAVE FOUND IT VERY DIFFICULT TO GET PERFORMANCE BONDS IN THE EXPORT AREA. SOMETIMES THIS REQUIREMENT CAN BE CHANGED TO A BANK GUARANTEE OR LETTER OF CREDIT, BUT THAT EATS INTO YOUR LOAN LIMIT EVEN THOUGH YOU HAVE NOT TAKEN ANY CASH. YOU CAN BELIEVE THAT A MILLION DOLLAR LC WOULD TAKE A BIG CHUNK OUT OF MY LOAN LIMIT.

I CAN'T STAND HERE TODAY AND TELL YOU HOW THIS SHOULD WORK, BUT ONE WAY WOULD

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IN THE AREA OF TRADE SHOWS WE REALLY NEED TO DO MORE. THE BEST WAY TO SELL OUR PRODUCT IS TO BE AT THE DIFFERENT ENERGY TRADE SHOWS THROUGH OUT THE WORLD. OUR MAIN CANADIAN COMPETITOR IS PROVIDED FUNDS TO GO TO SHOWS IN THE US AND OTHER COUNTRIES. WE FIGURE IT TAKES AN AVERAGE OF \$15,000 PER SHOW DEPENDING ON WHAT PART OF THE WORLD THE SHOW IS IN. IF WE COULD GET HELP WITH HALF WE WOULD PROBABLY GO TO ALL SHOWS WORTH WHILE. IF WE COULD GET A THIRD OF THE COST WE WOULD ATTEND ONE OR TWO A YEAR MORE.

IN CLOSING I WOULD LIKE TO THANK YOU FOR THIS OPPORTUNITY TO TALK TO YOU AND SAY THAT ANYTHING YOU CAN DO TO INCREASE EXPORTS MEANS 10 MORE JOBS IN OUR PLANT FOR EVERY MILLION DOLLARS IN SALES.