

Good morning! My name is David Bergmann. I am the President and owner of NAECO. As your hosts today, we'd like to welcome Chairman Smith, Ranking Member Neal, the Committee members, and staff, including our very own Representative Drew Ferguson and his team. I also want to recognize the NAECO team who made this important event happen, while keeping up with our demanding production schedules!

23 years ago, in 1999, my wife and I were at a crossroads. With our young son we had just moved to Peachtree City and built a house, but I had been told my job was going away. We were happy here, so we made a plan to start this business. Starting on our kitchen table, we had no customers and one possible supplier. To pay the bills and keep health insurance, I found a new job. While I slowly built NAECO, I commuted up to 5 hours a day, and burned a lot of vacation days to build business relationships. My wife Tracy stayed home to build our family and mind the store. On our early days, sometimes she got more calls from me, than from customers.

After 5 years, I could work full-time for NAECO, and we've never looked back. In 2006 we hired our first FT employee, who is still with us. We are now 44 fantastic people and growing, with good pay, good benefits, and flexible work schedules. Our son Erick is with the company, as a Materials Scientist.

Today, we are a major worldwide supplier of products mainly used to safely control electrical power. We are a unique industry that intersects Materials Science with modern manufacturing. We've been growing – we built this addition in 2019 - and since the end of COVID we have doubled production from here. Team Ferguson has always been supportive and today is their 3rd visit to our humble company. Thank you, Drew!

For Aerospace, we make thousands of assemblies right here, that look like this. Using our parts, our customers manufacture highly sophisticated switches, relays, and circuit breakers, like this. Parts like these are used throughout the airplane, from the cockpit to the APU controls, to the electro-hydraulic flight controls. When the committee flies home this afternoon, your plane will have dozens of NAECO parts around you!

In our Transportation market, we make thousands of subassemblies per month like these, which our customer then makes into vital relays. These relays safely control train control signals, grade crossings and switches. Next time you are waiting at a crossing for a train to pass by, think of us!

When we are not making Aerospace, Railway or Industrial parts, our skilled team is running these machines to Medical parts that help adult and pediatric patients recover from the most severe orthopedic injuries.

The 2018 China tariff's did not impact us directly, but from our perspective they were a trigger of a ramp-up of materials costs that's now fueled by geopolitical problems, economic and trade policies, and supply chain shortages. Our costs are up 20% and today's main driver is workforce shortages. We are in the materials business, and I've learned there are actually sufficient raw materials to satisfy demand, but everything in-between, from industrial capacity to logistics capacity to work force availability, seems in short supply. I'd be happy to answer questions later.

For a business our size, we have an unusually ambitious R&D program. It's important to me to leverage our market position and be an innovator. We are working with the US Dept. of Energy, National Labs, and Georgia's own research Universities, to make important, game-changing breakthroughs in the materials used in the products I've just showed you. As I paid my 2022 taxes this week, I was stunned to learn that for the first time, the R&D tax credit no longer made sense for us.

Every piece of job-creating equipment in this building was purchased taking advantage of Section 179 accelerated depreciation. I'm concerned about the impact. Industrial customers will not order from you unless you already have the machinery on your floor. So, growing manufacturers like us take a gamble and buy these complex six-figure machines in the hopes that the orders will come. After they are delivered, there is installation and the learning curve to get the new machine or process to full efficiency. Sometimes, getting up to full speed can take months or even years, and meanwhile owners carry the cost of the equipment and the skilled labor. The great thing about Section 179 was that it offset some of that early risk. We paid essentially the same overall tax, but the timing kept us leaning into growth, instead of backing away.

Lastly, I want to point out that this building and this business would not exist if not for 20 years of India GSP trade policy. Over those 20 years we built export programs, I built this manufacturing operation, and we successfully competed against Chinese competitors. Since GSP expired in 2020, I pay about \$150k a year extra that I used to be able to re-invest in the company. That's about equal to one of the job-creating machines in this room, per year, so two more machines I could have had on this floor. The European Union and UK kept GSP in place, so I've lost exports to Europe. Our export sales are down from 33% of revenue to less than 20% of revenue.

I'm out of time. Thank you for listening and thank you for your service to America.