

July 20, 2020

The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Nancy Pelosi
Speaker of the House
United States House of Representatives
Washington, DC 20510

The Honorable Charles Schumer
Minority Leader
United States Senate
Washington, DC 20510

The Honorable Kevin McCarthy
Minority Leader
United States House of Representatives
Washington, DC 20510

Dear Majority Leader McConnell, Speaker Pelosi, Leader Schumer and Leader McCarthy:

Congress has done much to protect Americans and the economy as the coronavirus pandemic continues to disrupt the livelihoods of hardworking Americans and the stability of businesses, including equipment manufacturers. It is time to once again to take bold action to further support the industries and communities that serve as the backbone to the U.S. economy, such as those the Association of Equipment Manufacturers (AEM) serve who feed, fuel, and build our nation.

AEM urges Congress to expeditiously develop another coronavirus relief package to boost the economy that includes:

- reauthorization of the federal surface transportation program,
- an infusion of federal funding for state departments of transportation to shore up infrastructure projects already underway,
- emergency grants for biofuels producers,
- a mechanism to ensure better coordination among federal agencies and trading partners to prevent future supply chain disruptions,
- a specific loan program created under the Main Street Lending Program (MSLP) to provide short-term, bridge financing that small and medium-sized equipment manufacturers need to weather the current crisis,
- S. 4194, a bill to establish the National Institute of Manufacturing, and
- an investment in retraining programs for sectors, like equipment manufacturers, deemed essential.

For several months, AEM has advocated for infrastructure investment as a tool to propel our nation's recovery. On time and multi-year reauthorization of the federal surface transportation program will help our nation maintain and build new capacity throughout the multi-modal transportation network, and provide certainty to the many industries that support infrastructure construction. AEM is supportive of the historic funding levels set for infrastructure investment in both chambers. We urge Congress to move forward and pass legislation that reflects the bold commitment to U.S. roads, highways, and public transit provided for in H.R. 2, the Moving Forward Act, and S. 2302, the America's Transportation Infrastructure Act of 2019.

We must also fill budget gaps for state departments of transportation that saw their revenue slashed as a result of decreased travel during the pandemic. According to AASHTO, state departments of transportation need \$37 billion in immediate federal funding to plug this gap to ensure that current projects are not delayed or cancelled. A robust multi-year investment in infrastructure paired with sufficient aid to state departments of transportation will play a significant role in boosting our nation's recovery efforts.

The reduction of motor fuel sales not only decreased state departments of transportation revenues but also caused significant harm to our already vulnerable agricultural sector -- in particular soybean and corn producers. Indeed, with motor fuel demand plunging to 50-year lows, biofuel producers are purchasing far less U.S. corn and soybeans from producers. This is a significant blow to farmers who are already struggling with depressed crop prices and diminishing shares in global markets as more than a third of corn and soybean oil produced in the U.S. is used in the production of biofuels. While some biofuel facilities are eligible for CARES Act loan programs, specific relief for biofuel producers was not included and the U.S. Department of Agriculture's (USDA) subsequent disbursement of Commodity Credit Corporation (CCC) funds excluded the biofuel sector. Any upcoming aid package should include provisions to protect America's vulnerable agriculture sector producers, particularly those yielding crops used in the production of biofuels.

Challenges in our global supply chains threaten many industries' ability to continue production going forward. Globally there are uneven regulations in place for which businesses can remain open which threaten the production and import of required manufacturing inputs. In a recent survey of AEM members, seven out of 10 respondents indicated that they experienced a moderately negative impact on their supply chain, while a quarter more said the impact has been very negative. In order to ensure that equipment manufacturers can obtain necessary manufacturing inputs for production, Congress must encourage federal agencies to coordinate with our trading partners. In particular, the U.S. government should work with Canadian and Mexican officials to develop a unified standard for essential designations and require notification to each trading partner prior to the issuance of new guidance. Additionally, a government task force comprised of officials from each country should be created and tasked with obtaining and reviewing ongoing industry feedback to better coordinate and prevent supply chain disruptions from occurring.

Equipment manufacturers started the year with strong demand and a healthy backlog of new orders for equipment. Since the COVID-19 outbreak began, this backlog has deteriorated, and new orders have been scarce due to the lack of economic activity and uncertainty in the marketplace. In response, equipment manufacturers are significantly reducing their output, eliminating jobs, cancelling orders for inventory, and finding ways to protect cash reserves and revolving credit lines. This will, of course, negatively affect our industry's workforce, suppliers and distributors, as well as those who depend on the equipment manufacturing industry for their livelihoods. When the economic recovery begins and demand for equipment comes back, it will take months to re-establish the labor and inventory needed to return the industry to normal capacity. We expect that many of the small and medium-sized equipment manufacturers may not be able to ramp up with sufficient speed to help drive the economic comeback and many suppliers in the United States may not survive. It is therefore imperative that the United States Government provides the short-term, bridge financing that small- and medium-sized equipment manufacturers need to weather the current crisis, and provide a path for them to repay the loans as swiftly as possible until demand for new equipment returns to pre-COVID-19 levels. The Main Street New Lending Facility (MSNLF) under the Main Street Lending Program (MSLP) can provide the required credit flow to those small and medium-sized equipment manufacturers that are in sound financial condition but require additional financial support beyond what has been offered through other programs such as the Paycheck Protection Program (PPP). AEM has been working closely with both the Federal Reserve, the U.S. Treasury, and the White House to stand up this program, and we urge the Congress to support this effort.

Manufacturing, and equipment manufacturing in particular, plays a major role in sustaining the U.S. economy, but for too long federal programs to promote manufacturing have been hampered by inefficiency and redundancy. Currently, there are 58 manufacturing-related programs across nearly a dozen federal agencies, making it unnecessarily difficult and expensive to carry out individual missions and impossible to estimate total federal investment in manufacturing. In a post-COVID-19 recovery phase, AEM believes a coordinated national effort would significantly increase efficiencies and collaboration across existing federal manufacturing programs, reduce wasteful spending and improve the ability and accountability of the federal government to respond to rapid changes in the global manufacturing landscape. The recently introduced S. 4194, the National Institute of Manufacturing Act, would accomplish this task and its provisions should be included in the next aid package to finally give U.S. manufacturing the support from the federal government it deserves.

The pandemic has unfortunately led to a dramatic increase in the national unemployment rate. Congress has a major opportunity to invest in programs that retrain and reeducate a workforce displaced by the pandemic and give them the skills necessary for the jobs that remain and those that may be created later. This is particularly true for industries deemed essential, like equipment manufacturers. Additionally, as a result of the COVID-19 crisis many employers and training providers have had to explore and invest in expensive technologies to continue to offer skills-based education safely, like virtual classroom education. Congress should include provisions in the next aid package that fully cover or subsidize these unexpected costs. These programs could be instrumental in getting Americans back to work in family-sustaining jobs.

AEM commends you for your leadership and for the unprecedented levels of support enacted to date to help our nation respond to the coronavirus pandemic. As we continue to confront this challenging time, Congress must do more to support the economy and the industries that will get people back to work. We see these priorities as central to accomplishing this and look forward to working together as our country moves forward.

Sincerely,

A handwritten signature in black ink, appearing to read "Dennis Slater". The signature is fluid and cursive, with the first name "Dennis" and last name "Slater" clearly distinguishable.

Dennis Slater
President
Association of Equipment Manufacturers