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Testimony before the U.S. House Committee on Small Business
Subcommittee on Innovation, Entrepreneurship,
and Workforce Development

Hearing Title:

“Moving Upwards and Onwards: The Workforce and
Innovation Needs of the Aviation and Aerospace Industry”

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Introduction

Chairman Jason Crow, Ranking Member Young Kim, and other distinguished members of the Subcommittee, thank you for the opportunity to testify in this hearing about the workforce and innovation needs of the aviation and aerospace industry. I appreciate the opportunities that allow small businesses to participate in the aerospace and defense industry.

I am the president and co-founder of Patriot Machine. Over the past 31 years, my company has grown from my home's garage into a globally competitive aerospace manufacturer with 160 employees. Headquartered in St. Charles, Missouri, we supply a variety of highly complex structural parts and assemblies to America's largest aircraft manufacturers. From the beginning, innovation has been the key to thriving in a highly competitive environment. The long-term health of our company depends on regularly integrating new technologies and continually finding new and better ways to improve operations. While we pride ourselves on our culture of continuous improvement and problem-solving, there are some challenges I feel we cannot take on alone.

Labor Shortages and Workforce Development

The labor shortage in America affects all businesses. At Patriot Machine, we have seen a marked decline in the number of skilled applicants since early 2020. Increasingly we are training new hires on the job because they come to us without the necessary manufacturing skills. We also encourage our employees to further their education through financial aid for schooling, as well as internal development programs that emphasize structured on-the-job training and mentorship. The costs of recruiting, onboarding and training new hires are significant, particularly if those employees leave the company after a short period of employment. We know employees are looking for opportunities to learn and

grow and we are committed to helping them. This is why we would like to see an increase in federal funding for technical education and community college programs with a technical focus to help prepare the incoming workforce for careers in aerospace manufacturing.

Supply Chain and Rising Costs

Meanwhile, the aerospace industry's supply chain disruptions and rising prices in our sector have only worsened in the perfect storm of recent events. The price and lead-time of raw materials has doubled. Labor force issues, rising costs and other factors have caused our suppliers to increase their pricing significantly. Yet even under these volatile conditions, Patriot is bound by long-term fixed price contracts with our customers.

I encourage you to keep these challenges in mind when making decisions on the 2023 defense budget. The increase currently outlined, while helpful, does not provide significant growth due to inflation. Aerospace companies like ours depend on strong support for existing production programs, in addition to advanced development programs.

Incentivizing Innovation

Lastly, we are a capital-intensive business with a need to make serious financial investments in assets that often do not pay off for years. This is especially true of the acquisition of our high-tech machinery and equipment, which can take several years between the initial purchase, manufacture and installation. Hiring, training and retaining individuals capable of programming and operating this equipment takes significant investment as well. One item which helped manage these high-cost hurdles was the Tax Cuts and Jobs Act of 2017, which temporarily increased the allowance of bonus depreciation to qualified property to 100% of the value of assets acquired that year. However, that

percentage will be phased out by 2027. An extension of these benefits, and perhaps even a way of making these benefits permanent and known in advance, would help Patriot Machine and other small businesses plan for the future.

Conclusion

Thank you again for letting me share my perspective as a small business owner in the aerospace manufacturing industry. Your investments in aerospace projects allow us to continually improve technologies and develop the next generation of the workforce and industry leaders.