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LETTER TO THE EDITOR

By the Obama Administration's estimate, 70 percent of net new jobs in the last decade were created by small business. With an increasing number of those businesses drowning in the economic tsunami, a lifeline to stimulate lending could be a crucial component leading to recovery. The President's plan to boost financial backing for small business lending, particularly loans made through the Small Business Administration (SBA), is a commendable step toward that revitalization.

However, more must be done, and be done immediately, to save these businesses and the American workers they employ. Beyond just the added financial backing, relaxing eligibility requirements for SBA 7(a) loans is another important action that policymakers should consider to get small business back on track.

America's small manufacturers, the lifeblood of our economy, have been particularly hard hit in the current economic downturn. Preliminary data from the Bureau of Labor Statistics indicates that 168,000 manufacturing jobs were lost in February alone, with the biggest losses coming in metals fabrication (28,000 jobs lost) and machining (25,000 jobs lost). Underlying those overall losses is the small but critical machine tool industry, which supplies the manufacturing technology necessary for producing virtually all manufactured products. Factories could not be modernized, new sources of energy could not be developed and advanced technology vehicles could not be produced without ongoing innovations in this field. Most importantly, the industry is also significant to protecting our national security.

These small manufacturing businesses are historically strong but don't have the resources to weather the storm without help. If SBA preferred lenders take into account only the past few months' business performance — as current policy requires — most of these businesses would fail by any credit test. Lenders should instead examine the longer-term financial history of a company when making decisions about whether to approve a loan.

AMT-The Association For Manufacturing Technology, which represents America's manufacturers of next-generation manufacturing technology, recently

surveyed its members about how their businesses have been affected by the credit crisis. The results showed that three-quarters of the respondents believe that credit has tightened over the last six months, and as a result more than one-half have altered the way they do business. Additionally, most report that banks have changed their terms of credit, and almost 60 percent of the respondents are or have considered self-financing. It is not an environment that encourages innovation nor is it conducive to global competitiveness. In fact, it is threatening the very survival of these companies. If something is not done immediately and directly, they may not be in business tomorrow.

That is evident from the comments which accompanied many of the survey responses. They paint a bleak picture of desperation — and showed why measures aimed at restarting small business lending are so urgently needed.

“Capital investment in machine tools and equipment has completely stopped,” exclaims an equipment manufacturer in Fenton, Mich. “Not slowed down, but stopped. Zero orders.”

“Time is not on our side,” laments another AMT member in Westchester, Ill. “We are desperately searching for a buyer and/or new financing. It seems to me the bank wants to get as much as they can as quickly as they can to satisfy their own agenda.”

AMT members from across the nation weighed in on the harsh realities of their businesses and told stories of jobs about to be lost or already gone, decades-old family businesses shutting down for good, financial fortunes ruined and entrepreneurial dreams dashed. Help is needed urgently to ensure that the once-bright future of our small yet vital manufacturing technology sector is not just a distant memory.

President Obama’s plan to help small business is a good first step toward solving the problem, and it is greatly appreciated. But as the SBA works to implement the plan, it needs to take into account the longer term financial history of the businesses that it is attempting to help, in addition to their assets and order backlog. Such a view would reveal the historical strength of machine tool companies and allow approval and support for companies that desperately need it to weather the current credit crisis.



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