

**Statement of Mark Kreinbihl, Group President, Gorman-Rupp Company, Mansfield, OH
Before the Subcommittee on Energy and Power, U.S. House of Representatives**

**Hearing on H.R. 702, Legislation to Prohibit Restrictions on the Export of Crude Oil
July 9, 2015**

Thank you, Chairman Whitfield and Ranking Member Rush, for inviting me to testify today in support of lifting the ban on US crude oil exports, as would be accomplished by the provisions of HR 702. This action will have substantial positive impact on my company, the Gorman-Rupp Company, and our employees.

Gorman-Rupp was founded in 1933 in a barn in Mansfield, Ohio as a family-led company in the business of making pumps. Although today we are a public company, we are still led by the founder's third generation, our Chairman Jeff Gorman.

I am Group President of Gorman-Rupp Pumps, which manufactures liquid transfer pumps. Our Group employs about 500 workers, mostly located in our Mansfield, Ohio facility, where we design, manufacture and test all of our pumps.

Our products are used extensively in many aspects of crude oil and natural gas drilling, production and transportation, including construction dewatering, transfer of water used in the fracking process, filling pipelines for hydraulic testing, mixing and movement of fracking liquids, recycling and disposal of process liquids and for pumping driller's mud. In addition to our focus on pumps used in energy production, we also serve other markets, including municipal, fire protection, agricultural, and construction.

Although we have enjoyed a long history in these other markets, when the US shale energy revolution took off a few years ago, it created a new and rapidly growing market for our company serving the energy sector with our line of pumps. This allowed us to expand our business and employment in the midst of a very steep recession in our traditional construction markets. Business from the energy sector caused our order volume to recover rapidly, and in fact by early 2012, while the construction sector was still quite depressed, our energy-related business caused our orders to achieve record levels.

We regularly compare the Baker-Hughes US rig count to our Mansfield incoming pump order volume, and they track remarkably closely together. See the chart at the end of this statement comparing our incoming orders with the Baker-Hughes US oil and gas rig count. In early 2012, a peak in our orders roughly coincided with rapid rig count growth to over 2,000. Our orders retreated somewhat the

following year as the rig count flattened, and then re-achieved a near-record level in late 2014 when the U.S. rig count also grew back to over 1,800. At that point our plan called for a 12.5% sales growth in 2015, along with increases in employment, and operating and capital expenditures to support those higher sales.

From a point near the end of 2014 until now, as a result of our energy customers' inability to export and the resulting depressed domestic prices at which they must sell their crude oil, they have cut back dramatically on drilling activity. The US rig count plunged from about 1,800 to 800, while at the same time our orders have followed the rig count down, declining by 40% from late 2014 through this June. Currently, we are seeing activity at about 23% below our forecast, and 11% below 2014. From just two of our distributors alone, we recently had order cancellations in the amount of \$4 million.

The Gorman Rupp Company goes to great lengths to avoid laying off our employees, even in the worst of times. Lower orders and sales in our energy business have resulted in a substantial reduction in our work. To adjust, we reluctantly have had to take the following steps:

- 1) We have eliminated all but essential overtime. Overtime is only used now if it is critical for a customer's situation.
- 2) For many years the company has hired temporary employees to smooth out the fluctuation in workloads. These temporary employees were then hired as full-time employees when the need was seen as permanent. Early this year, all 13 temporary employees were told they were no longer needed and were let go.
- 3) We have also implemented a voluntary unpaid leave of absence program that allows individuals to take some time off without pay while workload activity in their area is slow.
- 4) Wage increases which are traditionally provided effective the first of July have been postponed due to business conditions.
- 5) Hiring of new or replacement positions are at a high level of scrutiny, and are only approved where it is absolutely necessary for the position to be filled.
- 6) We have had 21 retirements in the second quarter of this year and many of those positions will not be filled pending improvement in business conditions.
- 7) Count of full time employees is currently 25 less than the end of last year.
- 8) It has been our tradition to hire college students from employees' families for summer jobs. This year we notified our employees that we are not in a position to do that due to business conditions.

So what can Congress do to help our business create jobs, both in our company and for our customers and our suppliers? Congress can help increase markets for American-produced crude oil by lifting the ban on crude oil exports.

Why would that help? There are several important reasons:

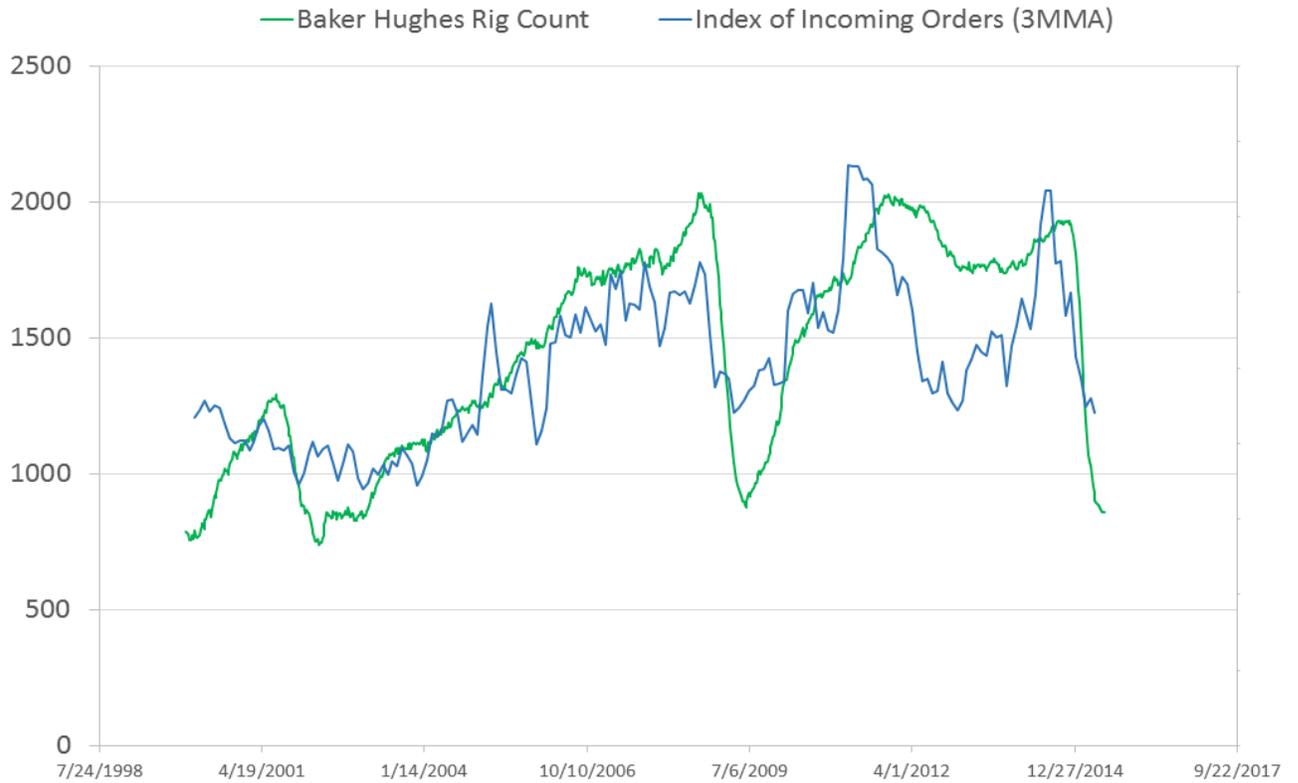
- 1) Crude oil moves around the world in what is a global energy market. By banning the export of crude oil, we artificially put the U.S. energy sector at a competitive disadvantage by removing exports as a potential market at a time when the US is in a world-wide battle for energy market share. IHS Economics estimates that lifting the ban would increase US crude oil production by up to 2.3 million barrels per day average between 2016 and 2030.⁽¹⁾
- 2) This new production will drive substantial additional investment in products and services from the crude oil supply chain, generating up to \$63 billion of supply chain economic output nationally.⁽²⁾
- 3) This investment would create up to 440,000 new supply chain jobs nationally by 2018.⁽²⁾
- 4) These export-dependent jobs and GDP growth are widely spread throughout the American economy. They would exist in all 50 states and throughout 60 different industry sectors. Of the national supply chain job gains, 10 of the top 15 states gaining jobs are non-producing states. By GDP growth, 11 of the top 15 states are non-producing states.⁽²⁾
- 5) The Energy Equipment and Infrastructure Alliance (EEIA), of which my company is a member, estimates that there are at least 120,000 supply chain businesses and 615,000 workers supporting American oil and natural gas production, of which at least 100,000 are small businesses. See the attached EEIA diagram for a description of the breadth and diversity of the industries that make up the shale energy supply chain.
- 6) The U.S. energy sector has been a leader in developing new technologies for energy exploration and extraction. Taking advantage of those technological advances before competitors do would continue to give the U.S. energy industry incentives to innovate and become even better at finding and extracting oil and natural gas in an efficient and safe manner.

At a time when the United States continues to see sluggish growth in the kind of good jobs that the energy sector provides, lifting the ban on crude oil exports is a step that could yield almost immediate results.

Thank you again, Mr. Chairman, for inviting me to address your committee.

⁽¹⁾ IHS Economics (2014). US Crude Oil Export Decision: Assessing the impact of the export ban and free trade on the US economy

⁽²⁾ IHS Economics (2015). Unleashing the Supply Chain: Assessing the economic impact of a US crude oil free trade policy



The Shale Energy Supply Chain

