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TESTIMONY OF JAMES R. THOMPSON
COMMITTEE ON SMALL BUSINESS
Washington, D.C.
December 12, 2023

First of all, thank you for inviting me to testify in front of this Committee today on the state of small business from a Texan's point of view. My name is Randy Thompson and I am the President of the Board of Directors for Pal-Con, Ltd. in Stephenville, Texas. Pal-Con, Ltd. is a family-owned manufacturing company in Erath County. Stephenville is the Cowboy Capital of the World, we're home to Tarleton State University and Stephenville ISD – 6-time state football champions – Go YellowJackets! We build a heat exchanger for improved fuel efficiency and auxiliary equipment for emissions control for natural gas transmission and power generation companies. We are the only company in the world to build a brazed-core, plate-and-fin-style heat exchanger; our heat exchanger actually reduces fuel consumption by 40 percent when installed on a natural gas turbine. We are driven to support our local community, employees, and clients; we are proud Texans, and, moreover, we are proud to say that our heat exchanger is **MADE IN THE USA**. We make a unique product, my company is strong, we've navigated all the challenges put in front of us in recent years, but we clearly have struggles we deal with every day - a workforce shortage, skilled labor shortage, supply chain issues, taxes, and regulations.

We need workers! We are one of the larger employers in Erath County. Erath County is home to about 44,000 people and we have a 3.4 percent unemployment rate – that's nearly 1,500 people who are unemployed. There is no reason for one single person to be unemployed in Erath County; every company, restaurant, ranch, arena, and service provider from healthcare to HVAC in Stephenville is hiring. Why do the benefits of not working outweigh the benefits of working? That's messed up. When I was younger, I had to work to eat! We combatted some of our workforce issues with the USCIS Humanitarian Parole program earlier this year. The program allowed us to properly vet and hire candidates from countries like Nicaragua and Venezuela; we hired a handful of skilled candidates within a month's time. They are currently working and they are great employees – talk about a win-win. This program worked out great for us initially then hit a wall. Instead of being able to process immigrants in 30 days, it's been taking eight to nine months. We'd like to continue using this program but it's no longer feasible. In order to retain employees and hire new employees, we've significantly increased our wages across the board the last few years; our payroll has increased over 40 percent just since 2020. Sadly, increasing wages isn't enough for us to win this war on higher prices. We believe that as our employees go so do we and vice versa but inflation is killing us; we're paying more at the pump, more at the grocery store, more for interest, more for cars and trucks, more for the products and services that keep our homes going...and way more for our homes. Being a small business owner in a rural community is challenging but being a small business owner in a thriving rural college town has its own issues: the lack of affordable housing in our area is often a deterrent for candidates. We need all levels of government to put more emphasis on the need for affordable housing outside the metroplexes and large cities to draw in and keep more people in the rural areas.

General labor shortages aside, the lack of skilled craftsmen is going to be detrimental to the US economy. Where are the incentives for students to learn a trade? Where are the masons, electricians, welders, plumbers, HVAC technicians, contractors, and mill wrights of the future. There is a serious shortage of skilled laborers! As those in these occupations age out, who's going to replace them? All the years spent pushing college on students, even if they ended up with degrees they'll never use, have resulted in an



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underappreciation for the trades. Pal-Con is roughly 10 percent white-collar and 90 percent blue-collar workers. Of the 90 percent of our blue-collar workers, 80 percent of them are skilled craftsman - S K I L L E D C R A F T S M A N. Trade schools need equal representation, high schools need to teach trade basics, guidance counselors need to take the reins on promoting the trades, and government needs to incentivize trade school attendance in the same manner as any other post-secondary education. Property owners to industry to municipalities will falter without knowledgeable skilled craftsman.

The US raw materials market still seems to be lagging behind. Three years of COVID-related restrictions had a negative impact on our metal suppliers. Most of our suppliers are now only order takers, they don't have any inventory to speak of. If Amazon can get it, why can't my national and local suppliers get it? This hurts us! Our heat exchanger is 98 percent made in Stephenville, Texas, with US made materials. We do not want to, no, we WILL NOT purchase foreign, inferior materials to make our products! As a result, we've seen our share of price gouging. We understand supply and demand and we understand our suppliers are dealing with workforce shortages and other challenges of their own but we don't condone the random price increases that have plagued our industry in recent years. I recently read that the US metal fabrication industry is facing major hurdles related to labor shortages, the cost of raw materials, the higher cost of energy, the cost of improving technology, the cost of cybersecurity, and competition. It is my understanding that the iron and steel manufacturing industry as a whole has declined nearly four percent in recent years. In my opinion, we, by that I mean the United States, need to strive for self-reliance; we need to support domestic suppliers in order to support domestic manufactures.

It's no secret that small business and median income families pay the majority of the taxes to support government programs. Whether we're talking local, state, or federal programs, companies like Pal-Con and our employees end up paying far more in taxes on a percentage basis. If large corporations paid their fair share, then median income families would pay far less. The current tax curve is misaligned; it needs to be reworked to reflect the current wages based on the current cost of living. I guarantee that an employee who earned \$20 an hour in 2020 ended up putting far more in his pocket after living expenses than an employee making \$30 an hour today. The small business sector and median income families are seriously underrepresented – we have no voice; we cannot afford the lobbyists and advocates the large companies and wealthy have working on their behalf. The tax liability structure in the US needs to be reassessed. Tax breaks and loopholes exist in excess for domestic and foreign-owned large companies and wealthy citizens whereas our clients see little in regard to tax relief for their efforts to reduce the use of natural resources, specifically natural gas. Our clients spend millions of dollars to maintain, repair, and replace heat exchangers on their turbines in order to reduce fuel use and additional millions to maintain, repair, and replace emission control equipment to reduce emissions – their footprint if you will. For what? Why are there no tax incentives for natural gas transmission and power generation companies who are opting to do the right thing – to save natural resources, to reduce emissions? One of our clients is responsible for transporting 40 percent of the natural gas in the US. They are challenged with updating antiqued equipment while maintaining continuous supply under intense regulatory restrictions, their impact on the nation as a whole is immense but rarely recognized for the effort they make to keep this country functioning. We will rally for and support any initiative to provide a tax credit to our clients for purchasing heat exchangers to improve the efficiency of their turbines.

While our clients are tasked with mitigating a barrage of regulations, we are pressured more and more with ESG – I hate acronyms – Environmental, Social, and Governance requirements. We are a small business in a rural area; we are not equipped to track the number of gallons of wastewater we used last



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month – nor does it, nor should it, affect the work we do or the equipment we build. We do not purchase items known to us to be from the Congo (the Democratic Republic of the Congo), we don't hire children, we don't expect or require our employees to work in unsafe conditions or in an unethical manner. Pal-Con, Ltd. is a family-owned business with family-based morals and obligations to our employees, our community, our clients, and ourselves. We are currently being overlooked, discriminated against, for project opportunities for NOT being a minority-owned business. What happened to using the best man, sorry, best person, best company for the job? The Supreme Court overturned Affirmative Action in college admissions; Affirmative Action is unconstitutional and discriminatory on its own merits. Race, ethnicity, gender, and so on should have no bearing in determining who'll do a better job. We have met client requirement after client requirement over the years, we are affiliated with more third-party safety, op qual, and quality associations than I care to mention; our dedication to safety and quality has exceeded our clients' expectations every time....without any consideration given to my Texas accent – they say I have an accent; I don't notice it.

I never saw myself standing in front of a Small Business Committee in Washington, D.C., to discuss the current state of small business in my own words, well nearly my own words. I am not an eloquent speaker, I do better in a more casual setting, but I am grateful for this opportunity. I am hopeful that from my time today you'll take away that I am a small business owner (and rancher) with some notable experience in my industry, that I am a strong supporter of small business and the working class, that I strive every day to make the best decisions for my company, my employees, my community, and my clients. As we move forward after this hearing, I hope that you'll strive every day to make the best decisions for our country, my company, my employees, my community, and my clients by addressing the labor and skilled craftsmen shortage, enabling the supply chain and raw material manufactures to grow and regain market share, reassessing the tax structure and incentivizing natural gas transmission and power generation companies for using heat exchangers to improve turbine efficiency, and defunding affirmative action and ESG initiatives. At the end of the day, we need to get back to the basics – small business built this country, small business grew this country, and small business will rebuild this country.

Thank you and God Bless Y'all.