

US Congressional Committee on Small Business – Rural and Agricultural sub-committee.

Hearing Testimony – July 13, 2021

Good afternoon and thank you for taking the time to listen to the voice of small business. My name is Alan Crawford, and I am the President and Owner of Rangaire Manufacturing Company located in Cleburne, Texas, a small community of about 30,000 people just south of the Dallas/Ft Worth.

Rangaire has been in operation since 1948. We are a classical, manufacturing facility where we punch, form, paint and assemble steel and plastic products for the residential housing market. It has endured many changes in ownership, product lines and economic challenges. During the economic turmoil and housing crisis of 2007-2008, the parent company of Rangaire consolidated many of their operations into our plant in Cleburne. I ran the operation for them when we transitioned from manufacturing ventilation products to medicine cabinets. When the product line continued to struggle, I purchased the business from my employer and in January of 2014, started my entrepreneurial dream of owning and operating a manufacturing business. My parents were both public school teachers. My father died when I was in high-school and my mother supported our household the best she could. With financial help from family, bank borrowings, savings – lots of hard work - and mostly God's providential hand, my employees and I have been able to make this opportunity grow and eke out a profit. At the time, we saved about 55 jobs. Today, we make products that support single family, multi-family and military housing all around the world. We have more than 300 customers in all 50 states and Canada. Our sales have grown more than 30% and we have 90 employees.

The tax savings from the 2017 Tax Cuts allowed us to invest in the business which contributed to this growth - until the COVID virus hit. While we took a significant hit to sales early in the pandemic, we were able to mitigate the impact to the business and ended 2020 with sales essentially flat from 2019. We utilized PPP funds to maintain our workforce, pay bonuses and extend paid leave so that our employees could take the time to deal with COVID in their own personal way.

Lately, the current economic environment has proved to be even more challenging than the pandemic. Our product line is not very glamorous, has low margins and is very fragmented with lots of competition. Our greatest competitive threat is from low cost, foreign manufacturers or large domestic producers that have a much broader product offering and are better capitalized. Tariffs imposed on foreign competitors have help us immensely and delays in ocean freight and other logistical problems have driven even greater demand for our products. It's a good problem to have. However, the surge in commodity pricing has been nearly impossible to get in front of. Our material components such as steel, corrugated and plastic have seen cost increases from 15%-40%. We don't enjoy much pricing power on our products and consequently, our margins and cash flow are severely challenged in spite of the growth in top line revenue.

Other concerns arising this year have been supply shortages, longer lead-times and difficulty in finding labor. Labor has been a significant challenge both in finding adequate participants and meeting demands for higher wages. We are compelled to work overtime which drives up labor costs and decreases productivity. These challenges have made it difficult to meet our customer's

expectations and we risk losing them to other suppliers. Unlike businesses with proprietary products, our customers do have a choice.

Looming large is the uncertain but promised tax increases from the current administration. I'm concerned about losing the benefit of the bonus depreciation for capital investments. Texas' extraordinary population migration is causing real estate values to explode. The real estate assessed value on my business property has more than doubled – another unplanned tax hit. We continue to deal with the burden from the ACA with increasing costs of mandated health insurance. This regulation is a significant burden to a company the size of mine as we are just over the threshold to require company furnished health insurance, but still so small that these costs are a major blow to our bottom line. Even the slightest increase to costs like these may translate to 30, 40 or even 50% of our net profits.

I absolutely love being a small business owner, but I have to say, I lose a lot of sleep when thinking about making payroll, trying to mitigate cost increases and margin pressure. The impact of COVID has proven to me that businesses can survive and even thrive if we are allowed to pivot and innovatively solve problems. The sad truth over the last year has been that the businesses that have failed, in most cases, was not a result of their own decisions, but on edicts and mandates from local, state, and federal governments.

Thank you again for your time today.