



AIA Small Businesses Talk Export Controls at June 2010 Supplier Management Conference

Tim DiDonato
Director of Business Development
Yarde Metals, Southington, CT
508 Employees

Yarde Metals manufactures, among other things, aluminum extrusions destined to be part of a wagon or cart. They found out that the aluminum extrusion was International Traffic in Arms Regulations (ITAR) controlled because the cart/wagon was going to be used to carry Patriot missiles.

“If someone had acquired that piece of aluminum, there is absolutely nothing they could do with it. It’s not like they are acquiring a technology.”

“A lot of potential customers tell us we like your price and your service but we won’t buy from you because we won’t do your compliance paperwork. We won’t tell you who the end user is. A lot of them fear we would then take their customer direct. So they walk away and buy it from an entity in Asia or Europe. Literally these are commercial products – Home Depot products.”

“In the course of a year, this costs us millions of dollars. As compliance issues have ramped up, our international business has dropped off and we have to work harder to keep what we have.”

Kenneth Bram
President
Ausco Inc., Port Washington, NY
30 Employees

Ausco Inc. manufactures valves, primarily for aerospace. Their business is 70 percent defense, 30 percent commercial. They sell to the 2nd and 3rd tier suppliers like Hamilton Sundstrand and Honeywell who then sell to companies like Boeing and Lockheed Martin.

“We were making a valve for a U.S. company operating in the UK that went into one of their assemblies. The U.S. company was then re-exporting their unit back to the United States. We were denied an export license because the use was not on the State Department’s list of recognized programs. It was for the US Navy’s T-45 program. It took us three tries to get the license.”

“It cost us \$7,500 dollars instead of \$2,500 to get the license. This was a fixed price contract. How’re you going to do business like that?”

“We’re now going through a law firm to do all our licenses because our export compliance officer won’t take any risk. And I don’t blame her. But it’s costing us a ton of money.”

“We’re turning down business – millions of dollars of business. If we’re doing \$10 million, we should be doing \$1 million in export – and we don’t. The products are prime products for export. Our general stuff is precision work you can only get in western countries. But I’m not selling it to them (overseas). And it’s only the last month or so that I recognize that I’m doing this. And it drives me insane, but what am I going to do. How many battles can I fight?”

“You’re selling \$30,000 worth of stuff and you pay \$4,000 for an export license. That’s your profit margin. You go through all that work to make almost no money.”

Greg Bolles and Erik Fabricius-Olsen

Acct. Executives

Plexus, Neenah, WI

7,100 Employees

Plexus is an electronics contract manufacturer. They have offices in Europe, Asia and North America.

Erik - “We have a customer in Australia. We’re building a product for them in Malaysia. They wanted to move some of that production to the US. We couldn’t do that for them because we told them that it was a very complex affair, with many restrictions.”

“It would have meant at least \$2 or \$3 million to us. Everyone is crying about jobs moving out of the country. Here we had an opportunity to bring them in. But the risk is too great.”

Greg - “We had another customer where we found that a metal enclosure or box holding electronic equipment was under ITAR because of what it contained, even though the box itself was just a piece of metal. So that machined metal box can not be produced offshore, because it is meant to hold the navigation system inside. The box, by default, is ITAR”

Erik - “The focus is on the paperwork trail, not the real content.”

Greg - “Some companies won’t even entertain this business. Luckily we have full time dedicated people who do nothing else. But many firms can’t afford to do that. Other firms that don’t have these resources won’t take the risk.”