

UNITED STATES INTERNATIONAL TRADE COMMISSION

PUBLIC DOCUMENT

IN THE MATTER OF:

**SMALL AND MEDIUM-SIZED ENTERPRISES:
U.S. AND EU EXPORT ACTIVITIES, AND
BARRIERS AND OPPORTUNITIES
EXPERIENCED BY U.S. FIRMS, INV NO. 332-509**

AND

**SMALL AND MEDIUM-SIZED ENTERPRISES:
CHARACTERISTICS AND PERFORMANCE
INV. NO. 332-510**

**PRE-HEARING BRIEF
OF
MIDAMERICA ST. LOUIS AIRPORT**

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ATTACHMENT 1:

BIOGRAPHICAL DATA; M. TIM CANTWELL, MIDAMERICA ST. LOUIS AIRPORT DIRECTOR

INTRODUCTION AND OVERVIEW

This pre-hearing brief is submitted by Mr. M. Tim Cantwell, Director, abbreviated biography at Attachment 1, MidAmerica St. Louis Airport to assist the U.S. International Trade Commission (“Commission”) in its investigations relating to exports by small and medium-sized enterprises (“SMEs”).

In February, 2003, the St. Clair County, Illinois Public Building Commission (PBC) adopted a business model for MidAmerica St. Louis Airport that directed the airport leadership to pursue and host the capability to allow for import and export of air cargo goods directly from the airport proper to enhance SMEs opportunities in the local area. This charge was legally established by the PBC as they are empowered by a direct government to government agreement to operate MidAmerica St. Louis Airport on behalf of the federally authorized public airport sponsor St. Clair County, Illinois.

From March 2003 to November 2008 the airport steadfastly marketed to the commercial industry interests and accumulated all of the necessary initial local, state and federal compliance approvals to begin to host international air cargo commerce. This was not an insignificant endeavor as the airport was a ‘green field’, with no supporting cargo facilities, not an authorized port of entry nor did it have any of the capabilities to handle air cargo commerce. In those five years the airport had to 1) become a Port of Entry 2) assemble all of the physical capabilities to host air cargo commerce 3) market to the international community for service at the airport 4) convince the supply and trade chain stakeholders to use a new trade route and 5) share in the risks with the stakeholders that is indigenous to any start up operations, just to name a few items.

It is the airport’s view that we have seen many barriers and opportunities U. S. based SMEs are experiencing and, therefore, we ask the USITC to note them and assist in breaking down the barriers to enhance the SME opportunities through air commerce in the southern Illinois region and the lower midwest. Before stating them, it is important to know why the airport is an advocate for such actions.

As a transportation link to the national air transportation system, a commercial airport is the communities' link to all commerce afforded to the air domain. As that link, sponsors of airports not only host any and all air activity but, in order to be effective, must be the major force to balance the movement of private and commercial commerce. By charter to the Federal Aviation Administration, the airport ensures safe movement of all personnel and vehicles where they commingle and/or operate separately on the airport grounds and air. By federal, state and local laws, the airport sponsor ensures compliance with all applicable laws pertaining to any civil activity. You could say an airport is a small city community with all of the requisite compliance directives associated with local, state and federal government. This is different than a shopping center, bus stop or train station in that those entities do not have a need to have indigenous firefighting capability nor law enforcement and they use the locale's resources for such services. Commercial airports have to be self standing.

The bottom line why MidAmerica St. Louis Airport desires to speak to this field hearing is the need for an awareness of the imbalance between the commerce and the compliance in international air cargo commerce at new airport ports of entry that are not enabling SMEs to conduct international air cargo operations on a level playing field as established, legacy Ports of Entry.

The simple commercial business barriers that exist, as experienced by the airport business development team, are understood as existing in any commercial endeavor throughout the United States. To start a new logistics avenue for commercial product international export, especially in these current fiscal times, is a risky undertaking. This natural tendency to adhere to existing, established export avenues is safe but only continually adds to the same traditional areas of international trade growth, mainly the physical perimeter border areas of the United States. Midwest SMEs are tied to those traditional avenues for export and have no alternative nor better efficiency to get their goods to the international

market. It is understood that most ocean freight cannot be loaded onto ocean freighters in the Illinois farmlands. Rail is quite efficient in allowing for North American continental international trade and is truck. However, in air commerce, unless you have been a legacy Port of Entry, there is not a balanced opportunity to enter to the market. And, if you're an SME not near an air logistics legacy Port of Entry, as in the case of MidAmerica St. Louis Airport as a User Fee Airport, you are not easily enabled, nor fiscally competitive, to have your goods exported. It becomes a classic discussion of the chicken and egg: you become an unlimited Port of Enter, not 'User Fee", by having enough goods passing through you particular port to become a true Port of Entry. But, by being a User Fee Port of Entry, you can't economically excite the quantity of goods that make you eligible to be a full Port of Entry. So, whichever side of the conundrum you are on, trying to start an international market at a User Fee Airport is not a fiscal reality unless someone can pay the full bill (explained following) or there is enough freight to not have to qualify, first, as a User Fee Airport.

On the compliance side, there are enough rules, pseudo rules, and bureaucracy that it is hard for me, as the airport director, to imagine how anyone can be an active and profitable member in the international environment unless they have had been passed down the business or the relationships or both. MidAmerica St. Louis Airport was the first United States User Fee Airport established after 9 11. That in itself was monumental in that there are no guidelines published to do so nor, at that time, was there a clear understanding of what side of the newly birthed Department of Homeland Security was responsible for all of the authorizations required. Just that undertaking characterizes barriers not allowing for SMEs to export and import in the southern Illinois region. From April 2003 until February 2007 the airport slaved in satisfying all of the demands that the US Customs and Border Protection Agency requires of any community to establish an outpost for their activity. Yes, I stated an outpost. Since legacy 'Ports' have their territorial geographic boundaries clearly delineated, international goods and services can only enter inside those laterally defined surfaces. Any community with the aim to give

their local SMEs a link to international trade must either use the legacy ports (have their resident companies ship their goods to those ports first) or they can provide all of the capital improvements and personnel pay to have their own. There is no federal sponsorship for any of this activity until it reaches a level adjudicated by the Customs Agency. While this seems to avoid every township or even company from being its own port of entry leading to a state of apparent anarchy, Customs and Border Protection will state that to ensure their resources aren't 'stretched' or used inefficiently, it clearly puts the financial burden for new avenues for SMEs exports in untenable economics unless there is a major capital infusion by a sponsor. St. Clair County, as the airport sponsor, has stood up to that charge but it is clearly an inhibiting factor to other locales who host a User Fee Port of Entry status. Also, the compliance allowances for Port of Entry and User Fee Airports are not only majorly different in nature but are very different in commercial convenience as well. At Ports of Entry, remote electronic filing is allowed for importer of record entries. That same technology, we're not even talking about manpower, is not afforded to User Fee Airport record entries. In fact, it is more manpower intensive for the User Fee Airport entry since the paperwork must be physically handed to the customs official, in person, no matter where the importer of record resides. Any US physical address satisfies a full Port of Entry for this paperwork accounting, even if it is 2,000 miles away.

The imbalances aren't just the for the Customs and Border Protection domain. US Department of Agriculture Animal Plant Health Inspection Services have both 'pre 9 11 grandfathering' and 'post 9 11 rules.' Where 'pre 9 11' primary regulated garbage destruction could be accomplished by on site collection and off site destruction, which allowed for multiple customers to use a large, efficient plant at economical levels, the 'post 9 11' rules require on site destruction that requires, especially for a new market entry User Fee Airport, an investment that could be \$5 Million IF an incinerator COULD be approved (many states do not allow for any further builds of incinerators).

Suggestions for these and other imbalances, as well as offerings for improved SME export performance follow in the narrative of informational points the Commission's investigations.

I. MidAmerica St. Louis Airport

The airport is collocated with Scott Air Force Base, the region's number three employer, and has over 30,000 large aircraft operations a year. As a fully certified FAA Part 139 Commercial Passenger and Cargo airport, MidAmerica also garners US Port of Entry 4581 and Foreign Trade Zone 31 status. Coupled with easy access to major interstate highways, the airport is a new, central US portal for international commerce.

II. COMMENTS ON INFORMATIONAL POINTS RELATED TO THE COMMISSION'S INVESTIGATIONS

Presented below are the inputs to the Commission's investigation in the order the Commission presented in their inquiry. MidAmerica St. Louis Airport looks forward to an enhanced discussion with the Commission during the field hearing in St. Louis, Missouri on Wednesday, March 10, 2010.

Investigation No. 332-509

1. *What are the most significant constraints that the US SMEs face in their efforts to Export?*

MidAmerica St. Louis Airport has an assisting view to constraints SMEs face in the Southern Illinois region. The airport, as host to User Fee Port 4581, has marketed use of the airport to over 1,000 SMEs in the region to use the airport for their import and export functions. These SMEs have realized the time savings, the cost savings and the localization benefits of using the regional international air node for product importation. However, in air transportation, there must be a balance between inbound (import) and outbound (export) freight to allow for economical reach for export freight. It's the import freight process that is inhibited that won't

allow for an export opportunity. Air freight and the SMEs who will prosper from air freight, need capacity for shipment. Without inbound (import) there cannot be outbound (export).

The inbound (import) opportunity is being inhibited due to the financial and operational constraints on a User Fee Airport. User Fee Airports are staffed (most times augmented in MidAmerica St. Louis Airport's case) at established times and all expenses, to include CBP mandated technology and personnel salaries, are the burden of the community. And, in another reference to the chicken and egg logic, until a community can show it has a CBP set level of commerce, set by CBP, there is no authorization to become a true Port of Entry. This inhibits the import capability in that times for inspection, times for operations, costs for inspections and costs for operations (just to name some) that make the airport disadvantaged compared to competitive legacy ports. This inhibits imports, which inhibits exports. The local SMEs are not economically on par with their peer groups serviced directly by true Ports of Entry.

Customs and Border Protection are not the only purview of federal compliance, as a User Fee Airport, impeding the air imports, ergo the air exports. While the US Department of Agriculture (USDA) is currently pursuing some understanding of their restrictiveness in Southern Illinois, they too enjoy some complicity in adding to the SME's burden to expand their export market.

Two examples, one import, one export, add to the problems of an airport facilitating their export capability. The first, Latin America (LATAM) trade to the United States is 80% based on perishable import products. These products include flowers, fish, vegetables, and are distinguished as biologically perishing, ergo the need to fly into the US commerce. In the case of flowers, there are protocols established that allow for USDA staffing at legacy Ports of Entry to

facilitate identification of non indigenous pests that could be quarantined and eradicated with proper USDA authorized procedures. This is not a lighthearted USDA duty, it is imperative to ensure the US economy does not suffer from foreign infestation. The reason this is inhibiting to the SME in southern Illinois is that the staffing to ensure proper identification does not exist in this area and the process for this procedure is burdensome without local staffing capability. Suspected specimens are now shipped to outside the area inspectors who, on their standard hours of work, review the specimens for destruction. The products are 'held' until 'cleared' or deemed to need fumigation or destructions. And, while local staffing is not available, the USDA has authorized 'preventative' fumigation of held product. However, this burden is costly and dangerous (Methyl Bromide is used to fumigate, a highly toxic gas). So, SMEs in southern Illinois, and for that matter, many of the legacy Ports of Entry, are inhibited from getting import air freight that will produce export air capacity, for other SME products. (The expensive and dangerous work around will be discussed in number 2 following.)

The second example is directly related to SME export capability. Live animals are an export commodity for air cargo mainly due to the relatively short time travels, vis a vis ocean, which decrease stress on the animals. The Midwest, especially southern Illinois, is replete with animal farms and animal quarantine facilities that are currently part of this export market. However, those animals, and thus the expense to the supplying SMEs, need to take at least two days of travel once scheduled space is available to be transported onto air conveyance for exportation. These travels and travel days add to the risk that lethal levels of anxiety are experienced by the livestock. Also, to ensure there is rest and recovery time between travel segments, the animals need the oversight of a handler, a bedding area and, sometimes, to be unloaded and offloaded from their travel crates. MidAmerica St. Louis Airport has been trying to just enter into the

discussion to be a Live Animal Export Port , for use by our local SMEs, so that they can cut down the at least two days time and the multiple care expenses that will allow southern Illinois SMEs the capability to be extremely competitive in the export market. Being approved, which the airport is capable but cannot get the requisite guidelines or discussions started, will allow for more SMEs in this area to export their products.

2. *If SMEs have been successful in overcoming those constraints, what strategies have they adopted?*

Again, this answer is stated as the airport acting as a facilitator of international trade. From the airport perspective, the airport has innovatively complied with Customs and Border Patrol regulations and USDA requirements to allow for hosting User Fee Port capabilities. The User Fee capital and operational expense has been burdened by the airport sponsor, not the airport user. This has allowed SMEs to use the User Fee Port without paying into the Customs and Border Protection invoices (Yes, a federal agency sending out invoices for federal compliance requirements, to include unaudited overtime and office equipment purchases). If the burden would to be put on the SMEs there would be no Port capability.

The airport also had to 'size' the Port capability so that Customs and Border Protection would allow for air commerce at an appropriate level, to begin. In the 2003 request to establish the User Fee Port of Entry, the airport requested the sizing of the Port to be able to process 'no more than 20 individuals' into the United States. This was 'suggested' by the Customs bureau as a way to assure approval since it took limited manning on their part but allowed for air cargo activity (crews of air cargo carriers number no more than that number). And "20 and Below" is a recognized Customs 'demarcation of port manning levels', the next level being processing 150

people. While this approval was based on people processing it does not provide the needed resources to process international cargo loads of up to 200 tons a day of cargo. 200 tons a day processing is the equivalent of 'processing' eight people flying just 2 747-400s a day. So, the SMEs have had to continually beg the oversight Port of Entry for personnel to match their import product schedules. Since the requisite capabilities at the airport (specifically technology allowed for use in other compliance actions for legacy Ports of Entry) are not being used or cannot be used, due to qualification levels, for completion of the importation process, the augmenting staffs also have to travel back to their point of origin to complete inspection processing, which delays commercial activity. This augmentation, required on every international cargo flight, is a continuing work around that does not exist at full Ports of Entry.

3. *What particular benefits do SMEs believe they have received from increased export opportunities including those from free trade agreements and other trading arrangements; which trade agreements or other arrangements have been most beneficial?*

In the current MidAmerica St. Louis Airport operations the SMEs have experienced a definite advantage for getting lift into the airport by the current trade agreement with Colombia. There being no duty on Colombia flower importation allows for a market environment that allows for local SMEs to be competitive. A great export opportunity will be realized when the new US-Colombian trade agreement is in place because it allows for decreased or no duties on products leaving the southern Illinois area and being sold in Colombia. One particular industry, paper products, will have a huge benefit in that finished goods like diapers, paper towels, etc. will have economic equaling in Colombia.

However, of significance, is a benefit from the current importation opportunity of direct delivery of flowers to the Midwest. The airport hosts the first 'on ramp' perishable center north

of Alabama in the United States. This central delivery site affords SMEs to have product in hand approximately two full business days sooner, at least, than the traditional avenue of Miami. (For understanding, the normal life cycle of a rose is 14 days from time of cutting to time of refuse. 2 day improvement 'on the shelf' is an increase of 16% shelf life). One SME who uses this route has experienced bar scan income (income received after his product is scanned through a check out center in his retail outlets) increase 20% using this trade route. The benefit of this direct route is measurable but only due to the work around that require outside monies to make the routing profitable for SMEs.

Investigation Number 332-510

1. Differences between SME and Large Service Exporters.

SMEs in southern Illinois are not able to enter export markets in a reasonable economic condition because Large Service Exporters continually have the ability to chop rates and enlarge subsidies to keep them out of the market. Also, international trade markets are not transparent. Where there is a link with an international commodity there is always a relationship, sometimes family relationship, that is intertwined inside the products supply chain. On the first international shipments into the airport we observed origination growers boycotting use of the airplane flying to MidAmerica. Instead, they would only allow their product to be shipped through Miami. Why? This is only through conversations that would render the facts as hearsay in a court of law: because their friends or their relatives in Miami would not be handling, ie. getting paid for handling, for the product they exported to the US. The SME buyers in the Midwest had to find other farmers to buy their product.

2. Overcoming data gaps to further enhance the understanding of SMEs in Service Sector Exports.

The airport is not in a position to comment to the commission on this aspect of the investigation. From the airport's research we understand the commission has a very hard challenge in this regard.

3. Trade Barriers (Nontariff Barriers and Tariffs) that may disproportionately affect SME export performance, as well as possible linkages between exporting and SME performance.

See responses to Investigation No. 332-509.

4. Degree to which SMEs Operate as Multinationals, as affiliate firms, or as contributors of indirect exports to the international trade through sales to larger exporting firms.

The airport is not in a position to comment to the commission on this aspect of the investigation.

III Conclusion

The airport appreciates the opportunity to submit this pre-hearing brief. It is my wish to present myself to your commission on March 10, 2010 in St. Louis, Missouri. At that time, or any time, if there are questions the Commission may have concerning the issues raised or any other item the Commission might deem appropriate for the airport to comment, we stand by to assist.

Sincerely submitted,

M. Tim Cantwell

Director, MidAmerica St. Louis Airport

Foreign Trade Zone 31

User Fee Port 4581

ATTACHMENT 1

Tim Cantwell

Tim, a born St. Louisan, is the current MidAmerica St. Louis Airport Director. In that position he oversees all of the commercial activity of the joint use airport on behalf of St. Clair County. The airport is collocated with Scott Air Force Base, the region's number three employer, and has over 30,000 large aircraft operations a year. As a fully certified FAA Part 139 Commercial Passenger and Cargo airport, MidAmerica also garners US Port of Entry 4581 and Foreign Trade Zone 31 status. Coupled with easy access to major interstate highways, the airport is a new, central US portal for international commerce.

Tim is a 1976 graduate of The United States Air Force Academy with advanced degrees in International Relations from Salve Regina University and National Security from the US Naval War College. He served 22 years in command, staff, and flying positions throughout all levels of the Air Force to include Senate and House liaison, United States Central Air Forces and Group and Squadron Command. His flying experience includes over 400 combat hours in southwest Asia in both the F 16 and the F 15E.

Tim became the Director of Institutional Advancement for CBC High School in 1997, strategically guiding the school through decision making, planning, fundraising and building the current new \$55 Million campus at the intersection of Highways 270 and 40 in Town and Country. During this time he started Certain LLC, a consulting company whose clients included the Very Light Jet company Visionaire on single engine confidence, equity enhancement, strategic planning and organizational functions. He was designated the Director of MidAmerica St. Louis Airport in late 2002 and brought it from a regional airport to an international cargo airport with scheduled intercontinental cargo service, the first in the region's history.

Expanding his Managing Director leadership in Certain LLC, Tim also began consulting for aviation engineering firms. His expertise is in translating compliance, commerce and engineering functions to airport operators and constructing operational models for new, alternative or joint use airports to host new or growing commercial operations. His unique experience in bringing about the first United States Port of Entry airport after Department of Homeland Security establishment highlights current and successful expertise. He established 3,600 acres of Foreign Trade Zone on the airport, secured funding for a state of the art cargo and perishable center, negotiated airport use with the full spectrum of air commerce from shipper to buyer through the airport for Latin American and Asian goods.

Tim is very active in The International Air Cargo Association and a Trustee member of its membership committee. He is a life member of the United States Air Force Academy Association of Graduates and is a qualified commercial instrument pilot.