## ex-Boeing employee, FAA officials to testify at 737 MAX hearing

A former Boeing Co employee who raised concerns about 737 production will testify on Wednesday at a US House hearing on the Federal Aviation Administration review of the grounded 737 MAX.

The aircraft has been grounded since March after two fatal crashes in five months killed 346 people. Federal officials say the FAA is not expected to authorize the plane to fly until January at the earliest, citing a number of steps yet to be completed.

Former Boeing employee Edward Pierson, who had worked as a senior operations manager in the flight test and evaluation unit, will testify before the US House Transportation and Infrastructure Committee, the panel said in a notice.

Boeing spokesman Gordon Johndroe said Pierson described "concerns (Pierson) raised with Boeing management about conditions on the 737 production line in 2018." He noted that "in mid-2018 he was able to raise his concerns directly with the head of the 737 program, who subsequently communicated with Pierson, including in an in-person meeting."

Johndroe said that "although Pierson did not provide specific information or detail about any particular defect or quality issue, Boeing took his concerns about 737 production disruption seriously." He added that after Pierson retired and raised the issue again as recently as this year "those concerns received renewed scrutiny at the highest levels of the company."

Boeing senior leadership, Johndroe added, "was aware of production challenges with the 737 line in 2018, and devoted significant attention and resources to addressing those issues and maintaining production quality." (AP)

In this file photo, dozens of grounded Boeing 737 MAX airplanes crowd a parking area adjacent to Boeing Field in Seattle.

# Business Plus

## Drowning in uncertainty: Unclear where tariffs will hit next

# Trade questions slow investment, squeeze profits across US

In this file photo, a container ship is unloaded at the Virginia International Gateway terminal in Norfolk, Va. Defying fears and predictions, the American job market is still shrugging off President Donald Trump's trade wars. (AP)

**By Andrea Shalal**

From a denim plant in rural Georgia to a St Paul, Minneapolis loudspeaker maker, nagging uncertainty over when President Donald Trump's trade wars might end, if ever, is confounding many US manufacturers.

A strong consumer base is keeping the US economy humming, but businesses are struggling to make crucial investment and hiring decisions given questions about relations with each of the top 10 US trading partners.

This month alone, Trump announced higher tariffs on US imports of steel and aluminum from Argentina and Brazil threatened 100% tariffs on $2.4 billion of French cheese, Champagne and other goods and vowed to further hike tariffs on other European Union products over aircraft subsidies.

Meanwhile, progress on talks to resolve the 17-month trade dispute with China remains illusive and a trade deal signed with Mexico and Canada is still awaiting ratification by the US Congress.

"We are drowning in uncertainty. This guessing game is chilling investment, putting hiring plans on hold, and sowing sourcing chaos throughout our industry," said Steve Lamar, executive vice president of the American Apparel & Footwear Association, whose members have been hit especially hard by tariffs on Chinese imports.

Trump has said China would pay for the higher tariffs. But a study by the New York Federal Reserve found that Americans are feeling most of the pain. Tariffs Hurt the Heartland, a campaign grouping more than 150 trade groups that oppose tariffs, said US consumers and businesses have paid an extra $42 billion due to the tariffs since the trade war began.

Just ask Win Cramer, president of privately held JLab Audio.

The San Diego-based maker of Bluetooth headphones has paid out millions of dollars in tariffs since September to keep consumers from bearing the cost, Cramer said. Now, Trump's recent threat to impose even higher tariffs "scares the hell out of me."

> ' The uncertainty makes it nearly impossible to make mid- to long-term business decisions '

"The uncertainty makes it nearly impossible to make mid- to long-term business decisions," he said. "We have to make really short-term decisions almost week by week by week, because that's how quickly it's changing."

JLab, which builds 100% of its products in China, is now investing more in expanding its sales and marketing operations in Europe than in the United States because the climate there is more stable.

Cramer visited factories in Vietnam in October, but found the infrastructure and capacity insufficient to ensure production of the 65,000 pieces of equipment per day he needs.

"The scale we need doesn't exist," he said. It would take five to seven years to set up outside of China fabrication of the silicon chip sets needed for JLab's air buds and headsets, the second-best selling in the world behind Apple's Air pods.

Phil Marfuggi, president of Ambriola, a US-based unit of Italian cheese-maker Auricchio SpA based in West Caldwell, New Jersey, said he has put off spending $1.5 million for two cheese-cutting and wrapping machines because it's unclear how long tariffs on Italian cheese will last and whether they could go higher.

"It's all speculative. You really can't invest in your future," he said. He had paid over $350,000 in tariffs on five recent Italian cheese shipments, money that he cannot easily recoup.

Marfuggi is also holding off adding imported Italian pasta to his lineup, since it may be zapped next under Trump's "carousel" approach to tariffs.

For now, he has slashed marketing and sponsorship outlays by 30% to 40% to offset higher tariffs that have cut revenues by 25% to 30%.

MISCO President Dan Digre said his Minnesota-based company, an audio equipment maker with 100 employees, has paid hundreds of thousands of dollars in tariffs on Chinese parts since September 2018, instead of using the money to launch a new line of higher-end speakers that would be built in the United States.

"It's probably set us back by two years," said Digre, who has retained US production long after other rivals moved to Asia. The new line was expected to boost sales and generate 20 more jobs at the plant.

"It just seems wrong. We're not creating anything new. We're spending all this time and money trying to deal with a problem that's more or less self-inflicted," he said.

Business spending in the United States declined for the second straight quarter in the July through September period as the trade war eroded confidence. Factory activity contracted for a fourth consecutive month in November as new orders slid, and US factory executives predict capital expenditures will drop 2.1% in 2020 vs 2019.

The labor market has remained resilient, however, in part due to companies' reluctance to let go of workers.

Digre, whose father started the company 70 years ago after serving in World War Two as a B-17 gunner, has tried to stave off any job cuts. "That's the last resort, so you cut in other areas, like innovation and R&D."

On the East Coast, Jeff Greenstein, president of Boston-based Delta Cycle, a privately owned maker of bike racks, padded seats and other accessories, said he has cut his marketing budget by a quarter.

"Our sales are probably lower than they would have been, our margins are squeezed and we're definitely spending less on advertising," Greenstein said.

One of the biggest problems for Delta, which has annual revenues of $5 million to $10 million, is that tariffs keep changing, often with short notice.

The tariff increases have cascaded through the 35-year-old business, forcing time-consuming and complex changes to the pricing schedule and negotiations with customers and suppliers about how to split the extra costs.

"For a company of our size to have five or six pricing changes in a year is a straight up waste of time," he said.

For Mount Vernon Mills, a South Carolina-based manufacturer of apparel fabrics, uncertainty about congressional passage of a new US-Mexico-Canada trade deal has raised questions about investments in new automation equipment.

The private company, founded in 1847, produces 75 million yards of denim and other fabrics each year, much of it in the rural towns of Trion and Alto, Georgia. Most is shipped to Mexico to be sewn into jeans and other apparel, which is then shipped back for sale to American consumers.

There have been some signs of progress on the USMCA trade deal. Mexican President Andres Manuel Lopez Obrador said this week the country's senators had accepted proposed changes to the pact, perhaps smoothing the way toward ratification by US lawmakers. That's good news for the companies that make jeans, and the people who wear them.

Scott Deitz, Vice-President of Greensboro, North Carolina-based Kontoor Brands, one of MVM's biggest customers, said the price of the Wrangler and Lee jeans it produces in Mexico could rise by $10 to $15 if Trump makes good his threat to cancel the current North American Free Trade Agreement if Congress fails to pass the replacement accord.

MVM President David Hastings said the yearlong stalemate has stalled investment by his customers and could fuel interest in shifting production from Latin America to Asia and elsewhere, a move that would pose huge challenges for his firm.

"It's important for Congress to adopt this agreement so that these companies have the incentive to continue to invest in this hemisphere," he said. "We're worried. We're the last major denim manufacturer in the United States." (RTRS)

## Could accelerate investment in crypto sector

# Power-hungry crypto miners court investors

LONDON, Dec 10, (RTRS): The old image of bitcoin miners is of young techies in their bedrooms, hunched over laptops that solve maths puzzles to earn new coins. Now they're more likely to be savvy startups with ultra-high-speed chips and massive, power-guzzling machines.

And, in a new development, they're beginning to look to financial derivatives to hedge against the wild swings in their electricity needs that can turn profits to dust.

The growth of a market for such tools could accelerate investment in cryptocurrency mining, originally the preserve of lone enthusiasts but now a capital-intensive industry that is expected to see growing demand for digital coins.

Crypto miners must draw on increasingly large amounts of computing power as they compete against others to solve the complex mathematical equations to build the blockchain and earn rewards in the form of new digital coins.

Startups have largely been defenseless against changes in so-called "hashrate" – in short, a fluctuating measure of the processing power of the entire bitcoin network that dictates how much power miners need to produce new coins.

A spike in hashrate means more electricity is required, ramping up production costs and eating into eventual profits of coins sold. This wildcard could become a major obstacle for startups to attract much-needed investment from institutions and markets.

The answer, seven cryptocurrency miners and industry players told Reuters, are derivatives that allow miners to hedge the hashrate. In theory, that would give clearer projections of cash-flow – a prerequisite for would-be investors.

The miners and crypto traders, spread from the United States and Canada to Britain and Hong Kong, said a market for such products, though in a very early form, was emerging and would grow in importance.

"The trend in hashrate is upwards. Unless miners increase production, they will get fewer bitcoin with the same power," said Michel Rauchs, author of a Cambridge university study on cryptocurrency miners.

"With hashrate derivatives, they can price in risk."

London-based DAG Global, which pitches itself as a cryptocurrency merchant bank, said miners were showing strong interest in the firm's products for hedging hashrates.

"As the hashrate changes, you can go from being profitable to losing money very quickly," said Robert Andersen, who leads DAG's digital asset sales. "The contract insures you against that. It's like insurance, and for that you pay a premium."

> ' We're building products around hashrate and difficulty '

Another firm, crypto trader GSR, said it has been working on similar products but, given the early stage of the market, was not yet ready to offer them. "We're building products around hashrate and difficulty," said co-founder Richard Rosenblum.

"It's going to take more than a few months for there to be significant liquidity," he said, cautioning that a market could take a few years to develop.

And for sure, the market is at a very early stage. Firm figures are hard to come by, but some crypto players say it likely totals around $50-$100 million dollars a year.

For traditional investors, hunting high-yielding returns in an era of ultra-low interest rates, crypto miners could offer a tempting proposition.

With bitcoin trading at around $7,500, the 1,800 bitcoin that can be produced on any given day equates to an annual market of around $5 billion a year.

And many investors want a slice.

In an major example of a crypto mining company going public, last month Chinese giant Canaan launched a $90 million initial public offering on the Nasdaq, valuing the firm at around $2 billion.

While this is an indication of capital market appetite, Canaan is one of only a handful of giant, global crypto miners. Many others are smaller outfits that would likely have to work harder to convince investors they can manage their risks.

Still, said Marco Krohn, co-founder of Hong Kong-based Genesis Mining, which produces bitcoin from Iceland to Kazakhstan, hundreds of millions of investment dollars could be up for grabs.

"You need to leverage the traditional financial markets – and these people ask questions. They tend to be risk averse."

To attract such investors, mining firms told Reuters they are looking more closely at controlling their risks – both on hashrates and prices - via financial tools.

"The adoption of derivatives in the mining community has definitely increased in recent months," said Kevin Shao, a manager at Canaan's block-chain unit, speaking through an interpreter.

It may be early days for crypto mining hedging tools, but changes are definitely afoot, said US firm BitOoda, which has since April brokered a product known as a "difficulty swap".

Sam Doctor, the company's chief strategist, said the market for such products was growing more liquid, with the length of contracts also on the rise.

"There are more players on the sidelines watching how these trades perform before they take the step of trading themselves."