

IMPACT OF U.S. TRADE POLICIES ON SMALL BUSINESSES AND MANUFACTURING

HEARING

BEFORE THE

SUBCOMMITTEE ON AGRICULTURE, ENERGY AND
TRADE

OF THE

COMMITTEE ON SMALL BUSINESS
UNITED STATES

HOUSE OF REPRESENTATIVES

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MONDAY, APRIL 2, 2012

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON AGRICULTURE, ENERGY AND TRADE,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:01 a.m., Technology Center, 2000 Technology Drive, Pittsburgh, Pennsylvania, Hon. Scott Tipton [chairman of the Subcommittee] presiding.

Present: Representatives Tipton and Critz

Chairman TIPTON. Well, good morning. The hearing will come to order.

First of all, I would like to thank Ranking Member Todd Akin and Mark Critz for hosting today's hearing. I have to tell you it's great to be here in Steeler Nation. I do have to note as I came through the airport—this time yesterday I was in Aspen and flew into the airport. And when I got there, I couldn't help notice a Tim Tebow jersey, even though we will not be able to get credit for him any more. I guess he is up in New York.

It is a pleasure to be here. While Mark does not like me to really remind him of last year's playoff game, I must commend you and your mayor for following through on a friendly bet they made with Denver's man. I hope that this friendly rivalry that we have in terms of football will continue and obviously wish both teams success, unless they are playing against each other. And I think we all know which side we all fall down on at that point.

I would also to thank all of our witnesses for taking time on both of our panels here today. I note that you have full-time jobs and are willing to take time away from that. I think it is important. I want to let you know how much we appreciate it, and we do look forward to your testimony.

Although Mark and I do come from different parts of the country, I know he shares my passion for increasing U.S. exports and ensuring fair trade practices for small businesses. Today's hearing will provide an opportunity to examine the impact of trade policies on small businesses and identify best practices to increase U.S. exports.

There is strong bipartisan agreement in Washington on the benefits of exporting. Exports are a major component of the U.S. economy, and they help support millions of good-paying local jobs. In 2011 U.S. exports totaled 2.1 trillion, nearly 14 percent of the nation's gross domestic product.

Although the benefits of exports are clear, only one percent of small businesses in the U.S. currently export. Along with limited personnel, small firm space and a number of tariff and nontariff barriers limit their ability to reach new markets. As a result, small businesses rely heavily on negotiated trade agreements to be able to remove those trade barriers and provide strong intellectual property protection and to streamline the trade process. In 2010, 41 percent of total U.S. exports were with countries with free trade agreements.

While many firms benefit from increased international trade, some businesses may suffer as a result. Moreover, many small businesses become victims to unfair trade practices, such as price dumping and intellectual property theft. These predatory practices can be catastrophic for domestic small businesses. The federal government needs to use every tool available to combat these unfair trade practices to sure we do have indeed a level playing field.

Last month Mark and I came together to be able to support legislation H.R. 4105 to amend the Tariff Act of 1930 to apply countervailing duties to nonmarket economies, such as China. This legislation is now public law, and it sends a powerful message to our competitors who are not complying with international trade rules.

I have no doubt that U.S. small businesses can compete with any company in the world if provided with a fair and equal playing field. The multilateral and bilateral trade agreements, combined with a strong framework to be able to reduce trade barriers, increase transparency and strengthen trade enforcement. However, we must hold these countries accountable for unfair trade practices.

Again, I would like to thank all of our witnesses for taking the time to be here this morning. We do look forward to your testimony.

Now I would like to recognize the Ranking Member for his opening statement.

Mr. CRITZ. To start off, I want to thank the Chairman at this particular time for making this journey out to Pittsburgh. Making football references and taking that a little bit further, something you may not be aware of is when John Elway was coming out of college, he had made the statement that if he was drafted by the Steelers, that he would go play baseball—he would not come to Pittsburgh to play football.

Now, a lot of younger folks look at John Elway and say, “He is a great guy and we love him” and all this kind of stuff, but I still carry a little bit of animosity. So you are welcome for those Super Bowl trophies that he brought to Denver for not having in his plan to play football in this city. I really appreciate you coming here, Mr. Chairman.

Now he is taking credit for the good weather outside.

And I am not sure if that is true because you said you were skiing. Were you skiing yesterday?

Chairman TIPTON. No. I did not get to ski yesterday.

Mr. CRITZ. Okay. We appreciate you being here because this is an important issue and we will try with this hearing, to see where we can do better, where we are doing well, and where we can move this country forward.

Job creation is absolutely essential to move Western Pennsylvania's economy forward. As we generate these new employment opportunities, we must do so in a way that provides a strong foundation for working Pennsylvanians. This means adding occupations in sectors that have a real future in our state and that pay well. And to do this, we need to look no further than our state's manufacturing sector.

Pennsylvania manufacturers employ more than 500,000 people and pay an average of more than 40 percent higher than jobs in other fields. As a result, manufacturing is a key to our economic recovery, and we must take steps to build on its successes. With 95 percent of all consumers living outside the U.S., trade is critical to manufacturers.

In fact, between 2003 and 2010, exports of manufactured goods increased by a hundred percent to more than \$30 billion. In 2010, these exports supported more than 250,000 jobs in showing the real impact that trade can have not only on the industry itself, but also on our state's economy. But even with these successes, it is clear that our manufacturers can sell even more goods to foreign customers.

The reason is clear. Foreign companies cut corners in terms of damaging the environment and not paying a living wage. We cannot allow this to become a race to the bottom, and allow these lower standards to dictate U.S. policy.

But adhering to these superior standards is not without cost. It is 20 percent more expensive to do business in the United States than it is in our nine largest trading partners. So while we do right by protecting our workers and safeguarding the environment, there is a real expense to doing so. Leveling this playing field is a challenging goal. Typically our country has tried to do so through free trade agreements, but more often than not, such a course has left something to be desired. While these FTAs benefit many U.S. companies, they often do so at the expense of U.S. manufacturers.

To this very point, I opposed all of the recent agreements and took to the House floor in opposition to the South Korean Free Trade Agreement. This one agreement is estimated to displace 109,000 jobs and increase our trade deficit with Korea by \$16.7 trillion.

On legislation this year, I also won approval of an amendment to require all agencies implementing FTAs to analyze and reduce their impact on small businesses, including manufacturers. Opening borders is just not enough. We also have to ensure that rules are not overly burdensome and stacked in favor of international competitors.

To this latter point, we must take action to ensure these FTAs are held to the same standards as the U.S. It makes little sense to bring in new competitors and have a much lower cost of doing business. America is not going to lower its labor and environmental standards or permit human rights abuses, so we need to hold our partners to similar principles. Not doing so creates economic distortions as well as moral injustices.

In a similar vein, it is crucial to ensure that foreign countries are not undervaluing their currencies. Doing so distorts trade and puts U.S. companies at a major disadvantage by artificially increasing

the price of our exports while decreasing the price of imports. It is a double-edged sword for domestic manufacturing, and action is long overdue.

Aside from these multilateral matters, there are tools right here in the U.S. that manufacturers can use to increase their competitiveness abroad. This includes specialized programs that assist companies in selling their products in foreign markets. Individually, none of these programs are sufficient to shift the balance of the U.S. trade deficit, but when taken as a whole, these initiatives can play a useful role in stimulating manufacturing exports.

Among the agencies providing services are the International Trade Administration which, through its U.S. Export Assistance Centers, can assist in identifying international customers, create market entry strategies, and help with often complex foreign rules and paperwork requirements.

Other agencies, including the SBA and the Ex-Im Bank, provide specialized financing packages for U.S. exports. These loans and lines of credit are often essential in completing a foreign transaction.

Finally, it is worth noting that Pennsylvania's very own and award-winning Center for Trade Development provides tools for those looking to sell abroad. Taken together, these programs provide the means for Pennsylvania's manufacturers to win new foreign customers. With the U.S. economy continuing to recover and many international markets in disarray, this is a time of transition for the manufacturing industry. While the debt problems in continental Europe continue to create uncertainty, the growth of Asia and Pacific Rim economies represent real opportunities for our manufacturers.

Regardless of these ups and downs, one thing is certain, and that is that we need Pennsylvania's manufacturing sector to be strong and ready to take advantage of any and all foreign market opportunities. As the largest sector in terms of gross state product, and the fourth largest source of jobs, manufacturing is central to the future of the Keystone State. Given this, it is clear that anything we can do to strengthen the manufacturing sector's ability to compete globally will come back to benefit our state many times over.

We want to thank all of the witnesses in advance, and I look forward to their testimony. Thank you, Chairman Tipton, and thanks again for bringing up the market economies legislation that was passed earlier. Working together, we can help solve U.S. issues.

It is good to have a chairman like Chairman Tipton, because we are always trying to figure out how we can do things that help our nation.

And with that I yield back.

Chairman TIPTON. Well, thank you.

I would like to be able to explain our lighting system. In Congress, when they ring a bell, we just stream out and walk over to vote as soon as the bell rings.

Mr. CRITZ. I salivate.

Chairman TIPTON. We have a little variation on that. Just to explain them to you, you will each have five minutes for your testimony. The light will start out as green and then when it turns yellow, you will have one minute remaining. Then when it turns red,

if you could, go ahead and wrap up your statement. And we will certainly let you finish with that.

So with that, we would like to go ahead and begin with our testimony here.

I would now like to yield back to the ranking member to introduce our witnesses.

Mr. CRITZ. Thank you, Chairman.

I will go through all three of your bios and then, Mr. Hanley, if you will start off with your testimony.

Joseph Hanley is the director of the Mid-Atlantic region for the U.S. Department of Commerce, U.S. Export Assistance Center, which covers New Jersey, Pennsylvania, Delaware, Maryland, Virginia, West Virginia, North Carolina and South Carolina. In this capacity, he oversees the provision of assistance to businesses seeking to export their goods abroad.

Thank you for being here.

Thomas Cummings is the Northeast and Mid-Atlantic regional director for the Ex-Im Bank of the United States. In this capacity he is responsible for bank sales and marketing to small businesses in a 16-state territory, which includes all of Pennsylvania.

Since 1934 the Export-Import Bank of the United States has been the official export credit agency of the United States federal government, providing loans that help create and sustain U.S. jobs by financing sales of U.S. exports to international buyers.

Thank you for being here.

Peter O'Neill is the executive director of the Center for Trade Development. The center directs Pennsylvania's Export Assistance Program. It has won numerous awards and in 2010 assisted over 1350 companies through its overseas trade representatives and its regional export network partners across the state. The program directly generated \$483 million of new export sales from businesses, supporting more than 6,400 jobs.

Thank you very much for being here.

Mr. Hanley, if you would open up with your opening statement.

STATEMENTS OF JOSEPH HANLEY, DIRECTOR, U.S. AND FOREIGN COMMERCIAL SERVICE NETWORK; THOMAS P. CUMMINGS, REGIONAL DIRECTOR, EXPORT-IMPORT BANK OF THE UNITED STATES; AND PETER C. O'NEILL, EXECUTIVE DIRECTOR, CENTER FOR TRADE DEVELOPMENT, PENNSYLVANIA

STATEMENT OF JOSEPH HANLEY

Mr. HANLEY. Thank you, Chairman Tipton and Representative Critz, for the opportunity to testify today on behalf of the International Trade Administrations and U.S. & Foreign Commercial Service, US&FCS, and supporting the National Export Initiative by helping grow U.S. exports, assisting its small business growth, and supporting American jobs.

Products and services carrying the "Made in the USA" designation are valued around the world for quality and reliability. Jobs supported by exports increased to 9.7 million in 2011, up 1.2 million since 2009.

In 2011 each billion dollars of U.S. exports supported just over 5,000 jobs. Through February 2012, U.S. manufacturers alone have added 429,000 U.S. jobs since 2010. Moreover, the Department of Commerce estimates that exports contribute an additional 18 percent to workers' earnings in the U.S. manufacturing sector, and workers in export-intensive service industries earn 15 to 20 percent more than comparable workers in other industries.

As the key U.S. government export promotion agency, the US&FCS delivers export promotion events and customized exporting solutions to U.S. small- and medium-sized businesses to help them compete and succeed in the global marketplace.

Domestically, we have 108 U.S. Export Assistance Centers, and we have 112 offices located in the U.S. embassies and consulates in more than 70 countries around the world to provide export services, including market intelligence, business matchmaking and trade counseling to U.S. businesses looking to expand through exporting.

US&FCS's three centers in Pennsylvania—located in Pittsburgh, Philadelphia and South Central Pennsylvania—have delivered over 4,000 individual trade counseling sessions and customized services to over 1,000 Pennsylvania businesses in FY11 and FY12 to date, resulting in 257 Pennsylvania companies reporting 688 export successes to 91 different countries valued at over \$500 million.

75 percent of Pennsylvania companies reporting these successes were small or medium in size. 62 percent have less than 100 employees. RPM Industries is a great example of the way in which small companies can be successful exporters, and of the value of federal export assistance.

Located in Washington, Pennsylvania, RPM Industries manufactures prelubrication and fluid evacuation systems for use in heavy-duty diesel and gasoline engines. To expand business opportunities in Brazil, RPM turned to the US&FCS to augment its export development strategy. RPM participated in one of US&FCS's annual spring trade missions, Trade Winds, which took place in the spring of 2010 in Brazil.

By the close of this year, RPM expects sales of nearly \$1 million of its systems to Brazil and is working to expand into other South American markets. Recent examples of our domestic outreach to help US&FCS export abroad included a visit by our colleague from the U.S. Embassy to the European Union in Brussels, to conduct a three-city tour to update Pennsylvania exporters on product standards in the European Union.

We partnered with local development district offices throughout the tour to maximize our client outreach. As a result, over 96 attendees, representing 56 Pennsylvania companies, participated in these events. Indeed in the past 18 months, the Pittsburgh U.S. Export Assistance Center has regularly worked with a broad range of federal, state, and local government agencies, as well as the private sector, to deliver or support over 60 outreach and educational events across Western and Central Pennsylvania.

Efforts to enhance U.S. commercial competitiveness can be thwarted by markets distorting unfair trade practices of foreign governments and firms. To ensure that all industries facing unfair competition are able to take advantage of available trade law rem-

edies, the International Trade Administration's Import Administration has established the Antidumping and Countervailing Duties Petition Counseling and Analysis Unit.

The unit's main responsibility is to help U.S. industry understand the unfair trade laws dealing with dumping and unfair foreign government subsidies as well as the process for filing a petition, requesting the initiation of an investigation.

On February 28, 2012, the President signed Executive Order 13601, establishing the Interagency Trade Enforcement Center or ITEC. The ITEC, led by the Office of the U.S. Trade Representative and the Department of Commerce, will coordinate the enforcement of U.S. trade rights under our International Trade Agreements and the enforcement of domestic trade rights by leveraging existing and additional resources more efficiently across the administration.

Secretary of Commerce John Brice has also made supporting business investment in the United States, which is key to promoting economic and job growth, one of his priorities. Select USA is the first federal government-wide initiative to facilitate foreign business investment, attraction, retention, and expansion in the United States.

Select USA services and supports state, regional, and local economic development organizations. It also provides current prospective business investors with a single point of contact to agencies across the federal government. In the last three decades, the worldwide stock of foreign direct investment has grown from 700 million in 1980 to 19 trillion in 2010.

To increase the economic competitiveness of our U.S. businesses, US&FCS is working diligently each day at home and abroad to connect small- and medium-size enterprises with 95 percent of consumers living outside the United States. U.S. businesses, particularly SMEs, have the full support and assistance of the U.S. government to enter and expand their business in foreign markets.

Thank you again for the opportunity to appear before you today, and I look forward to answering your questions.

Mr. CRITZ. Mr. Cummings.

STATEMENT OF THOMAS P. CUMMINGS

Mr. CUMMINGS. Good morning. Thank you, Mr. Chairman, for the invitation to testify here in Pittsburgh today and speak about the role of the Export-Import Bank of the United States, Ex-Im Bank, or the Bank, in supporting small business exporters and their important contribution to U.S. job creation.

I am happy to say that the bank has stepped up its challenge by helping businesses, large and small, increase their exports, thereby supporting U.S. jobs. During fiscal year 2011, the bank's overall financing has exceeded 32 billion for the first time. The financing supported over 40.6 billion in exports and more than 3600 companies and helped to support nearly 290,000 U.S. export-related jobs.

I am proud to say that the bank set a record in fiscal year 2011 by financing more than 6 billion in financing to small businesses. In fact, small business comprises 87 percent of the transactions we did at the bank last year.

During the last four decades that I have been involved in export finance, the need for Ex-Im Bank has never been greater nor the

challenges more daunting. As the official export credit agency of the United States, Ex-Im's mandate is to enable U.S. companies, both large and small, to turn export opportunities into sales that help create and sustain U.S. jobs.

The bank achieves its mission by providing export financing through loan guarantee and insurance programs when the private sector is unwilling or unable to do so. Ex-Im Bank also tries to level the playing fields by meeting and financing competition that foreign export credit agencies provide to their businesses.

Ex-Im Bank is careful not to compete with the commercial sector in helping finance exports. Our activity typically increases during economic downturns and provides an alternative source of financing when commercial bank financing is not available. Since 2008 the bank has operated at no cost to the U.S. taxpayer because it is financially self-sustaining. Ex-Im Bank more than covers its administrative costs and loan loss reserve expenses through its fees.

Over the past five years, Ex-Im Bank has generated 1.9 billion in excess revenues for the U.S. Treasury. As a result of our diligent credit review and management, the bank has a loss ratio of less than 2 percent, which is well below that of commercial banks with similar activities.

During the financial crisis, when private sector trade credit and political risk insurers were withdrawing coverage and reducing credit lines, Ex-Im Bank maintained a consistent underwriting philosophy and did not withdraw coverage or reduce lines. Notably, the bank even offered coverage to exporters on buyers that the private sector had denied, all with excellent results.

Ex-Im Bank offers three basic financial products: Loans, guarantees, and credit insurance. Direct loans provide financing to foreign buyers for their purchases of U.S. goods and services. These loans can cover up to the lesser of 85 percent of the contract value or 100 percent of the U.S. content.

Loan guarantees cover the repayment risks on the foreign buyer's debt obligation incurred to purchase U.S. goods and services. The coverage is 100 percent of the financed portion, which can be up to 85 percent of the contract value or 100 percent of U.S. content, whichever is less.

Working capital guarantees provide a repayment guarantees to a lender on secured short-term working capital loans extended to qualified exporters. Under this program the bank is actually guaranteeing the exporter performance risk. These guarantees cover 90 percent of the loan value, and the lender is at risk for 10 percent of the loan value.

In fiscal year 2011, Ex-Im Bank authorized approximately 2.1 billion in small business working capital guarantees compared to 1.45 billion in fiscal year 2010.

Export credit insurance helps U.S. exporters sell their goods by protecting them against the risk of nonpayment by foreign debtors for political or commercial reasons. This allows the exporter to extend credit directly to their international customers and compete with the terms being offered by exporters from other nations.

In fiscal year 2011, Ex-Im Bank authorized over 3.27 billion in export credit insurance to small businesses. Small business transactions are in excess of 85 percent of the bank transactions. During

the year, the bank conducted 32 global access forums to raise awareness of Ex-Im Bank's products to small businesses. All of the bank's field offices are dedicated solely to small business outreach and support.

Within the next three months, the bank will also be opening four new field offices. They will be located in Atlanta, Minneapolis, Detroit, and Seattle. This will be in addition to the eight existing field offices.

Ex-Im Bank's small business authorization numbers are showing rapid growth after reaching 3.8 billion in 2008, 4.3 billion in 2009, 5.1 billion in 2010, and just over 6 billion in 2011. The bank knows it must do more, especially for more small businesses.

So last year we introduced a new insurance product called Export Express Insurance. The product is geared toward the smallest of exporters. The market has reacted well to this new product, and we have issued over 200 express insurance policies; that is, 200 small businesses that can now sell overseas without the fear of not getting repaid on competitive open accounting foreign sales.

We are currently in the midst of launching a brand-new product called Global Credit Express. This product is a working capital loan facility from Ex-Im Bank for amounts up to a maximum of \$500,000 to small business exporters. This product is designed to fill a void. Banks were unwilling to finance small loans, so Ex-Im Bank decided to finance them directly. Anticipated demand is huge.

Supply chain finance, the bank provision, competitively priced working capital financing to businesses that supply products or services to large U.S. exporters. The program works to approve lenders with existing supply chain finance programs, enabling the lender to purchase accounts receivable from small business suppliers whose goods will be part of the export.

Mr. CRITZ. You can enter the rest of your remarks for the record.

Mr. CUMMINGS. Okay.

Mr. CRITZ. Do you want to go through your conclusion?

Mr. CUMMINGS. That will be acceptable. The global marketplace is truly brutal and competitive for businesses large and small. Commercial bank lenders typically limit the amount of exposure their customers can have in the various regions around the globe.

Many banks are less willing to finance deals today than they would have just a year or two ago. The need for Ex-Im Bank products has never been greater. The export agencies above the governments around the world are extremely aggressive in supporting their exporters. U.S. exporters have a right to demand the same level of support.

Thank you.

Mr. CRITZ. Mr. O'Neill. Would you also explain how is it that you ended up in between the two title agencies.

STATEMENT OF PETER C. O'NEILL

Mr. O'NEILL. First of all, welcome back. Welcome home, Congressman and welcome to the Chairman. I have submitted written testimony to you, and I thought I would take a couple minutes to summarize some of that for you.

Pennsylvania has the largest state-sponsored trade program in the country. And some often wonder why. Why Pennsylvania and

not other states? I do not think that we are geniuses at trade development, but what we have is the fortune to have a continuity of political support at the state and at the governor level through several different party changes over the last 25 years.

Export promotion has continued to be supported throughout the last two and a half decades. That is a unique thing. Unfortunately, not a lot of states can attest to that. Trade budgets rise and fall with political shifts in priority and budgetary issues, but we have been able to maintain fairly stable budgetary support throughout the years. We have been able to evolve and refine our program over time, to the point where we have a very grounded program that really does address some of the major obstacles for small- and mid-sized companies to export.

You can distill these down to two or three points. Companies do not have the time to develop and explore international markets. They do not have the money to go explore international markets. They may not have the managerial know-how to understand the mechanics of exporting and they cannot mitigate the risk and thus they do not do more and that is why we have the one percent export rate.

That is why we have 15,000 exporters, many of which only export to one or two markets. It is abysmal. We need to do more, and this is an appropriate thing for government to do, to help lift these companies into international markets by providing programs that bridge those gaps, the money, the time, the managerial know-how, and the mechanics of it.

If you think about it, we do not really get involved with trade policy at the state level. It is not our job to do that. If you are the defense bringing trade policy to level playing fields and address unfair competition, then we are your offense in terms of working with companies to get them into the market.

I also want to mention technology for a second. I know we are talking about manufacturing today, but the merge of technology and manufacturing is real. It is happening. And I think it is going to be harder and harder to separate the two because anybody who is competitive in the manufacturing industry in the United States who is exporting today hopefully has a layer of technology embedded in that manufacturing process that makes them globally competitive. So I think we need to talk about technology as well and the merging of manufacturing in technology now and even increasingly in the future.

Right now downstairs we have nine of Pennsylvania's representatives meeting with companies one-on-one to talk about what is stopping you from exporting more and how can those nine representatives from Korea and Dubai and Brazil help them demystify those markets and figure out how to enter those markets in a cost-effective manner.

This is trade promotion at the grassroots level. There is nothing particularly sexy about it, but we are able to move the needle and help a lot of companies in the last 15 years really demystify markets and be at a comfort level in exporting that heretofore they had not been able to do.

I would also like to talk quickly about STEP. I know your committee is responsible for helping the State Trade Export Program.

I cannot support it enough. It came at just the right time for us. As robust a program as we have had, we have taken our lumps when it has come to budget cuts over the years. This year would have been a very difficult year for us. We would have had to collapse 25 percent of our operation due to the issues we have here in Pennsylvania with regard to budget.

It has plugged holes for us. It has been able to allow us to launch 25 outbound international trade missions. It has allowed us to give grants to companies to offset the cost of international market exploration and it has allowed us to do deep market research for companies that otherwise could not afford to. It has been very, very important to us, and I appreciate that. I hope you can continue to support that.

I know this is only funded for two years, but if Pennsylvania's history is any indication here, and a lessen, it is the continuity of the program over time to allow it to evolve and refine that I think will bear fruit in the next five to ten years.

As far as federal state cooperation is concerned, we work very closely with our folks in Pittsburgh and in Philadelphia. I think there is more we can do. I worry about lack of flexibility and deployment of federal assets when it comes to different states. Vermont is very different than Pennsylvania. Is it possible beyond that, just simply the number of federal people you deploy in each state—is it possible for the federal folks in our state, for example, to adapt their program to be more responsive to the local environment both in the metropolitan regions as well as in the state as a whole.

I think we ought to talk about flexibility there that I do not see right now, but we are happy to share and cooperate, as we have been in the past. I think the future is bright. Thank you.

Chairman TIPTON. Thank you, Mr. O'Neill. And thank you all of you for taking, again, the time to be able to testify here.

I will start out with a question. Mr. Hanley, I recently held an information center with colleagues in my district. As we were talking beforehand, they did an excellent job, and I want to be able to communicate and if you would pass on as well. We have been here in Pennsylvania. Our thanks for all of their hard work on that.

My question is in regards to the role of the SBA and Department of Commerce in promoting international trade. The SBA has been expanding their International Trade office in recent years, and it appears to be duplicative of the Commercial Service. How does the SBA fit into your mission of helping small businesses export?

Mr. HANLEY. Well, thank you, Chairman Tipton. And it is certainly a timely question with the advent of STEP. We are six months into the STEP program. Before I address your question, if I could just quickly mention for the record that we had a typo in the first page of the written testimony that was submitted, and an important one, quite frankly, I think.

We have helped companies export for the first time, or increase their exports, 75 percent, not 55, for small- or medium-sized businesses. So for an organization that prides itself on the work we do for small- and medium-sized businesses, to understate how many we have helped certainly hit me right in the heart when I saw that. So I want to get that corrected for the record.

As far as the STEP program is concerned, yes, the STEP program has certainly changed the landscape, so to speak, across the country, as Pete mentioned, and in states all around the country, to help companies to export. We have been working with SBA directly on the deployment of the STEP money. We have gone to meetings with SBA on several occasions to provide our input and our guidance, given 30 years of attention to export promotions specifically.

In our worldwide network, we certainly have a lot to offer in terms of how that money can be best utilized for SMEs. So we have met with SBA in Washington, in fact, when Doverspike right here served on the panel that reviewed STEP grant applicants for disbursement of SBA STEP grant monies. At the same time, we are working with the states directly.

In the first year, we sat down with all the states to help them devise a plan to utilize that money. With our expertise, both domestically and abroad, we have had a great opportunity to advise the states and to work with the states to put that money to work. Many of the states, unlike Pete's job here, do not have as robust and as big a budget. So they turn to us to execute around the STEP grant monies. So when the money is dispersed to the states, we, in the best case have put together a plan with those states on where we can receive their trade missions.

Our message to the states throughout this process has been given our capacity constraints around the world and to work with us early and often in developing a plan and a proposal for SBA so that we are in the best position to help them execute around that STEP grant money. As I said, with 30 years of experience focusing on only export promotion, we have the expertise and the worldwide network to make things happen for SMEs. So that is sort of the STEP grant side.

Just quickly if I can mention the finance side of it, SBA has, as you know, for years provided international finance tools, just like our friends at Ex-Im Bank, to help our small businesses to export. SBA, in fact, is co-located with Export Assistance Centers in 19 different locations, if I have my number correct. That has changed up and down slightly. In that fashion, as we are going out and working with small businesses to advise them on developing new markets, invariably finance is part of that discussion. Finance has to be a part of marketing.

So by having SBA located with us, we are able to give a powerful one-two punch, bring in the SBA finance experts, and deliver the finance programs alongside the marketing and new market development programs that we offer.

Chairman TIPTON. Just to kind of follow up just a little bit on that, I am a small-business man. That is my real life. Some of the duplicative services, do you see that some of the SBA's actions being duplicative of the Commercial Service end of it?

Mr. HANLEY. I do believe that the district offices, the Small Business District office and SBA, in general, has responded to the President's call to support the National Export Initiative, a government-wide approach to making exports a priority in business development.

SBA's programs—while the SBA district office, in fact, has begun to join us, Pete and I sat down the district office just a couple of weeks ago to talk about STEP grant funding for next year. I think their entry into this area is a new but welcome one. At the same time, SBA's programs through the SBDCs—the SBDCs have been tremendous partners of ours throughout the years.

The SBDCs at the universities have that research capability and are able to work with us to extend outreach into more companies. So SBDCs have been a historical partner of ours. The district offices, I think through the advent of STEP, have begun to engage us.

The district offices obviously have a lot on their plate beyond export promotion, and they are doing a lot of other things. I do not even pretend to know all the things on their plate. But I know they have a lot happening out at the district offices beyond exports.

Then the last part of SBA that has historically worked with us has been their SCORE program, which are retired executives that volunteer. To the extent that we can secure retired executives with international business experience, I think that is a tremendous way to augment what is going on at the Export Assistance Centers to bring that real-world business experience into our SMEs.

Not all SCORE volunteers have international business experience, so it is not effective in all cases. But to the extent SCORE can be sort of developed into, also, a cadre of international business executives retired, that would be a welcome addition to SBA's program.

Chairman TIPTON. Thank you.

Mr. O'Neill, the State of Pennsylvania, like many states, has its own trade promotion office to be able to assist exporters and importers. Your state also has offices in 10 international countries.

Do you believe the federal government is doing an effective job of complementing the state's operations and mission?

Mr. O'NEILL. That is a good question. Yes and no. I think it is a bit of a challenge for a state like ours. Again, why does Pennsylvania have such a robust program? Yes, I mentioned the historical nature of it. Perhaps also there is some echo effect of it being walloped during deindustrialization in the 1950s and 1960s and needing to address that in some way.

We took it upon ourselves, many years ago to build a program that would be all our own. I think the issue here is that the challenge is too large for any one organization to address the lack of performance and the historical underperformance of Pennsylvania or the country as an exporting nation. We do not do a very good job. It is not in our blood. It is certainly in the Germans', who have been traders for thousands of years. It is only in the last 30 years that we realized there is another market out there and that indeed that market is much, much larger than our own. Companies are beginning to get it, but at the rate that we are going, we are barely scratching the surface.

With a large program like our own, we work with perhaps 10 percent of the exporting community in any given year. That is not going to be enough. So between the federal and state assets on the ground in Pennsylvania, it is helpful. And we do coordinate. We rely on the feds in areas where we are not.

We are in 21 countries, covering about 40 markets that we think are the most promising. But the rest of that world is unknown to us, and we have to rely on the federal assets to help us in those markets.

The international buyer programs, the gold key services that are provided, the advocacy that is done, very often we have a company with an issue that is really at the national level. I have got to go to my federal partners to help with that. So I would say there is duplication—it is not in the sense that I have needs that cannot be filled even with as good a program I have. I am glad they are there, that they can back me up on issues and in markets where I am not.

So I would say it is a good partnership. It can be better. I think with STEP it has created a dialogue now, not only in Pennsylvania, but around the country, as: What are states going to do? How are they either going to start a program, bolster a program, or expand a program? How are they going to do it in concert with the federal government? That is a dialogue that is beginning, and it really needs to be encouraged.

Chairman TIPTON. Thank you. I appreciate that.

I will just open this up for the whole panel. Considering that only one percent of small businesses in the U.S. export, what do we need to do to get more to be able to participate? You just mentioned downstairs that you have people that are sitting down and trying to find out why, what is inhibiting you from being able to export. So I open it up. I would like to be able to hear your thoughts.

Mr. HANLEY. You are absolutely right. Those are paltry numbers Pete mentioned and you mentioned. We do need more SMEs to be involved in exporting. And what can we do. That is a question we ask ourselves every day at the Export Assistance Centers. Websites, our newsletter outreach, working with partners to multiply and get the message out. It is a challenge that we face.

First of all, I think the sheer numbers are incredible. I think there are over 11,000 manufacturing exporters in Pennsylvania. In order to make that change, this is really a people-to-people business. Websites can help in your efficiency, and indeed we are certainly hopeful that we could develop more effective websites for more online service, so to speak. But at the end of the day, just as business is people to people, working with companies and helping them to export, to develop those international business plans, to get them to move off those one or two markets into four or five, it is people-to-people work.

Having the people on the ground in the field to do the outreach, to do the counseling, to develop the credibility with the small business that, in fact, we can make a difference in that small business' business plans takes looking them in the eye, takes going out and meeting with them at their place of business.

You cannot do it from behind a desk or behind the phone. You cannot do it from Washington. You need that field base here, and then you have to have the capacity abroad to deliver those products and services that are going to make a difference for the small business.

We could probably talk about this for a day. But at the end of the day, if you do not have people out there working directly with these small businesses, they are not going to get to where they need to go.

Mr. O'NEILL. It has always been my dream to have a map of Pennsylvania with every exporter plotted on it so I know where they all are, I know where the clusters are, just to plan my day, to go make company calls, to do it most efficiently. I cannot do that. The only people who have that information is the U.S. Census Bureau, and that information is not available to us. I don't think we are going to change that any time soon.

But there is an indication that all of the gold is right there, and I can't tap it in order to plot those companies. So what I have to do is go look for databases to buy or borrow or beg for and plot them myself.

It is a shame, because if I had it, not only would I be able to more effectively task the staff to get out and talk to companies in a more efficient manner, but we would be able to tell the story to people such as yourselves by looking at a picture as opposed to giving a nine-page testimonial as to what the potential is and what the challenge is. Because a picture is worth a thousand words, as you know. That is a big issue for us.

There's also issues with federal data sharing. The U.S. Department of Commerce cannot readily hand over their database of clients to us for us to process and work with as well. There are issues there. And Joe probably understands the statutes better than I do. We don't have any blanket agreements that we are allowed to share information because of privacy issues.

Data management, we are working on that to be more efficient data managers of the client information we have, who is out, where do they want to go, where are they now, how can we get them into the third and fourth and fifth market.

Then, finally, as Joe says, at the end of the day, we cannot be as efficient as we possibly can be. This is human capital. We have got to meet people face to face. They have got to trust you. You have got to build a relationship with them, and they have got to take your word that you have their best interest at heart. As much as we don't want to hire any more people, once you have done everything else to increase your efficiency, you have got to put people on the ground, knock on doors and say why aren't you exporting more.

Chairman TIPTON. Mr. Cummings.

Mr. CUMMINGS. I agree with my two colleagues. I think the important thing is to be able to look people in the eye, tell them what it is they have the ability to do.

The other part of it is we are also trying to eliminate some of the risks of them doing business internationally, whether it be through some of the commercial service programs. For ourselves often it is through our credit risk insurance program where a company doesn't have to be concerned that they may not get paid on their overseas sales, because now they can insure that receivable. That gives them a lot of confidence.

After the meetings many times, they know who they can contact if they do have a question, if they do have a problem, so the compa-

nies don't feel like they are going it alone. I think that that's a very important thing, that they know they are going in as a group rather than going it alone. It makes all the difference in the world.

Chairman TIPTON. Certainly I want to be respectful of your time. Just give me "You bet" or "No, it hasn't" or "Maybe in between."

Do you think the U.S. economy and small business exporters in particular are better off with free trade agreements in place or worse?

Mr. Cummings.

Mr. CUMMINGS. I feel in general better off.

Mr. O'NEILL. I have looked at some of the charts of trade both pre and post-FTA. The needle doesn't move much. It is not that it is a windfall for companies or a major threat. In looking at charts pre and post, there isn't an immediate change. It is a gradual uptick, but I think that is just global trade taking on continuous momentum.

Chairman TIPTON. Mr. Hanley.

Mr. HANLEY. Yes. I feel overall FTAs bring about more opportunities.

Chairman TIPTON. Great. Thank you so much.

I would now like to yield Ranking Member Critz for his questions.

Mr. CRITZ. Thank you, Mr. Chairman. I neglected to thank the Pittsburgh Technology Council for hosting us and allowing us to use their facility. Thank you very much for this opportunity. I find it amazing that you have nine trade representatives on the floor below us today doing exactly what we're trying to do to the SMEs, so I think this is fortuitous. Thank you to the Pittsburgh Technology Council for hosting us.

I think I have about 30 questions.

Chairman TIPTON. I have a gavel.

Mr. CRITZ. And you are not afraid to use it.

In talking with Michael Day, who is on the Small Business Committee staff, something came to light that I took notes on, and have a prepared question.

You've been talking about face to face, and I understand. That makes a lot of sense. I deal and we deal on our Committee frequently with small businessmen who have no time to do anything other than the job that they're doing, including many times marketing their own company within their market, let alone going after outside opportunities.

Well, in Commerce's recent budget submission, 15 additional staff and nearly \$20 million of funding was requested to build the Export.gov version 2.0. Do you believe this money would be better spent in face-to-face assistance like what you provide at the local level here in Pennsylvania?

Anyone who wants to comment; probably Mr. Hanley would be prudent.

Mr. HANLEY. The effort here is not to take a website and use it to replace face to face. The effort here is to, in fact, allow our highly trained, highly skilled trade professionals around the country and the world to focus on those higher value-added business development work to be done with our small businesses. So in that effect, if a company simply needs some market research that is writ-

ten by our colleagues, say, in Brazil, rather than dialing up the Export Assistance Center and asking us to go find that research and then send it to them, that company would be able to easily access, get online and pull down that research directly. Not to say that we are not there to help them, not to say that we are here to say go to the website.

An Export Assistance Center's culture, if you have worked at them, as you know, is to provide that level of client service. But to the extent somebody needs an HS code for their product, to the extent they can go online and pull down that HS code rather than calling up a trade specialist in an export assistance center, again it frees up the time that our trade specialists and our overseas staff are working to develop new markets, new business lines and new business channels for those companies.

So to the extent that that market research, some transactional questions can be answered online where some self-serve can take place, I think that is going to make us more efficient. At the end of the day, our performance metrics won't change and our metrics will be export successes and has that client, in fact, concluded an export sale as a result of our work. So that's the effort to bring up to current standards what was probably state of the art ten years ago so these companies can get online and register.

By the way, our vision here in the field is that when a company gets online, registers and pulls down some research and asks for some information, that that will go right to that local export center who then can see that the client that they are working with on perhaps new business development in Europe is also pulling down research, for instance, on Mexico. So we are better capable, better positioned to help them in the long run.

So it is the chain of efficiency and better service we believe, not an idea of replacing people on the ground with a website.

Mr. CRITZ. Pete, how much do you use the website Export.gov?

Mr. O'NEILL. I don't use it myself personally.

Mr. CRITZ. I mean, does your staff?

Mr. O'NEILL. I'd have to guess at that, but I would imagine not a heck of a lot. There is kind of a triage system when we meet a company and assess their capability to export and assess their interest and figure out whether their interests align with what the international markets are telling us, that our staff both in Harrisburg and around the state will go to Export.gov and other websites to see if we have a match, see if what the company makes actually is relevant to the market that we are targeting. So it does happen.

With that said, \$20 million is a lot of money.

Mr. CRITZ. STEP I think got 30 million; right?

Mr. O'NEILL. 30 million. 20 million is a lot of money. I would hope three years from now we can sit down and show that that 60 million has paid off in spades for you and all of us. I think it will. It might take a little while.

If I had \$20 million right now, I think we would go back and put more people on the ground and sit down and talk with the companies to bring these companies into markets as opposed to the—smaller the company, the less likely they are going to go to that website, because, as you said, he doesn't have the time for it. He does not have the staff to do it.

We built those kinds of websites ourselves, humble versions of the website you speak of, Virtual Trade Adviser, which is a quick snapshot for the company of where in the world should I go. It was a quick snapshot. Cost us a hundred thousand dollars. To get companies to go to that website, just to simply go to it was like pulling teeth. The road is littered with websites that are export diagnostic tests, see how ready you are or here is the world, go ahead and explore it from the comfort of your chair.

It's real difficult to get hundreds and hundreds and hundreds of companies to use it. What I find is staff use it, federal staff, state staff, and private consultants use them and then package those and sell those to the company for a price. That happens.

Mr. CRITZ. I understand. If we're talking about one percent exporting, we need to be better. So I understand the efficiencies. But, again, in dealing in foreign markets, is that personal touch really that important; that we're going to get more bang from our buck by going and investing in more personal face-to-face kind of stuff than in becoming more high tech?

Maybe the paper is better than the electronics. That is what we are trying to figure out, too; how best to move forward.

Pete and I were discussing earlier the lack of access to information as to who is doing work where. We were talking about how Census actually promotes its small business portion, that it has all the data that we are talking about. So if we are looking for who is trading or who is doing work with Brazil, they can push that information out. So there has to be more coordination there to make that data more available, more accessible, so you can be more efficient as well.

Mr. HANLEY. If I could just add?

Mr. CRITZ. Sure.

Mr. HANLEY. Because this sort of dovetails with Chairman Tip-ton's question about SBA and our website, and this is not part of the new website development, but it is going on today with Export.gov.

As U.S. companies get on Export.gov and register, there is a process by which they take a look at those companies that register. Those who are new to export, who have not been involved in exporting yet, those are referred over to SBA. Then those who are export ready or are exporting to one or two markets, that's typically our sweet spot.

So many small businesses only export to one or two markets and are best positioned to grow their exports. Those export ready companies have been referred over to the Department of Commerce. So in that fashion in Washington, we are seeing the direction of new to export versus export ready companies so that we can then place our assets around the world, a hundred people, six locations in China, for example, to better support those export ready companies.

So I just want to pull those two thoughts, two questions together. Thank you.

Mr. CRITZ. Thank you.

Pete, you mentioned the Gold Key program. We have noted for Pittsburgh-based companies, international sales account for eight percent of their business. This international expansion doesn't

come easily. The Department of Commerce offers Golden Key match-making services which link small manufacturers here in the U.S. to foreign buyers broad. However, we continue to hear that the cost of this program is prohibitive for many small firms.

Mr. Hanley, how is your agency making this program more affordable for small manufacturers under the national export strategy, and what is your experience with Gold Key?

Mr. HANLEY. Right now the Gold Key service costs \$700, and being someone who is out there working with clients, you get all different reactions to that \$700 I can assure you. The U.S. Department of Commerce is mandated by the Office of Management and Budget Circular 25 to fully recover costs on any fee-based programs or services that we provide to individual businesses.

So we are always working with OMB to be in compliance with their circular, with their requirement that we recover full costs. So it is really OMB's direction that guides us towards our fee-based structures.

Mr. O'NEILL. As far as we are concerned with regard to Gold Key services, it is nice to be able to say our mantra is give everything away for free; give it away till the hurts. At some point the company needs to buy in, because if you give everything away for free, they don't necessarily take it seriously or value it. We understand, and we are conscious of that. But it becomes pretty clear very quickly whether you have got a company that is very serious about a market or whether they are fishing, and we can figure it out pretty quickly.

So we do try to give everything away for free including what would be a Gold Key service that our state overseas offices provide. Certainly in markets where we don't swim, we are going to go to them for help.

I just think it is one more obstacle for a small company. \$700 may not sound like a lot, and I'm sure the value in many posts is well worth it and beyond, but it is one more thing that a company has to tally up when they are contemplating that overseas trip.

Our STEP grant money is available for Gold Key on a matching basis pay for Gold Key subscription services, and we are happy to apply it. It has not been used much this year, but we do make it available so that it does subsidize the cost of the Gold Key so we can cut that \$700 fee to \$350 with our grant courtesy of STEP.

Mr. CRITZ. Mr. Cummings, we left you alone pretty much the whole time. I have one question for you.

Last year the average Ex-Im loan size in Pennsylvania was more than \$16.4 million, significantly higher than the average SBA loan in the state, which was about \$275,000, and far exceeds the size of loans for which there is currently the greatest demand. \$16.4 million is a big loan for a small business.

What mechanisms are in place to make sure these loans the agency reports are going to small businesses, that they are actually small businesses?

Mr. CUMMINGS. We do follow all the guidelines to make sure that what we classify as a small business is, in fact, a small business by definition. But you do run into a lot of problems when you do averages. As soon as you start talking averages, when you do, for example, a transportation division of GE up in Erie, and that falls

in, those numbers are in the hundreds of millions of dollars bring the averages way up.

In actual loans in last year, we only actually did 18 loans. Most of what we do are actually insurance and guarantees. And most of the loans generally are larger dollar transactions. But you will see next year a real drop right to the floor in the size of the loans because under our new Export Express product, we are actually going to be directly doing loans directly to U.S. exporters in support of their exports.

The largest loan will be \$500,000. We are starting at floor zero and going up to \$500,000. The reason we are doing this is because we have identified a need in the market for very, very small loans. The commercial banking sector said that they can't make money on doing that size loan. So we decided to do them ourselves.

We tried to make it such a simple loan, that they get a referral in from a commercial bank just that they were doing business with the bank. We do a simple credit score on the company. As long as the credit score is acceptable, they are going to get a loan from Ex-Im Bank with a maximum loan value of \$500,000. We are estimating, we are expecting most of them to be in the \$300,000 range. So if we do a fair amount of loans, and I believe we will in your district, Congressman, you are going to see those numbers really drop.

Mr. CRITZ. Those are small loans, but are they also what would be classified as small business small loans?

Mr. CUMMINGS. Correct. In order to qualify for this program, a company has to be a small business. Generally we don't even find that large businesses are looking for loans in that range.

Mr. CRITZ. It is 11:00, and we have a second panel.

So my last question is: If you had one closing comment to make, to say what we can do in our Subcommittee and our Committee assignment regarding a program that is working, something that you have seen that needs a little bit of a tweak, if it is coordination, if it is helping make sure the federal and state agencies are coordinating so we don't have duplication or we are getting the best bang out of our buck; is there one thing that you would like to mention?

I will go right to left. Mr. Hanley, starting with you.

There is one thing sticking in your craw that says boy, if Congress would just do or not do this?

Mr. HANLEY. When the President's National Export Initiative was announced two and a half years ago, I watched that announcement, and I said finally, wow, exactly what we do. It now is being elevated to the level of importance it deserves to help small businesses and help this country add jobs.

In that time, as you know, we have had some difficulties in having the priorities of the President's National Export Initiative supported in terms of budget. So we have an opportunity, I think, this year, once again, to support the President's National Export Initiative through his budget request. That for me would be an important step in the right direction.

Mr. CRITZ. Pete.

Mr. O'NEILL. Better coordination of the federal government in domestic trade programs. We have got a number of different programs coming at us, and we try our best to incorporate those into

the state construct, but there are surprises that come our way. Small business development centers just trained 18—we have 18 SBDCs in the state, and now each one of those has an international trade coordinator. I am not sure what they do or what their mandate is, but we have them and we have to figure out what we are going to do.

That was a surprise to us that that was coming down the pike. We have got the MEP program that is now supporting the export tech program, which is a multi-day export training program going on, not in concert with us. We learn about these things after the fact and we try to adapt where we can to be good partners and players. But we are really not trainers. That is not what we do.

I think better coordination. I know we have an export promotion cabinet through the NEI. I think there has got to be some kind of just take a moment and hear from the states' perspective to make sure the states are in line and attuned to what is coming at us from several different agencies all at once.

If I can just cheat for a second, and say one more opportunity.

We started in concert with the Pittsburgh Technology Council this export tech program which is a \$200,000 grant from EDA, the idea being small technology firms need to go international often well before a product or a service is even fully realized. They need to go find venture capital abroad. They need to find research partners abroad. We just proved this last week when we took six biotechnology companies to Amsterdam for our bio-Europe show.

Five of those six companies were not classified as profitable, and you can understand why. Because they are startups in many cases. But that doesn't mean they don't need to get abroad for very good valid business development reasons, and yet we could not get reimbursed from the STEP because they weren't classified as profitable.

The STEP program has to allow us to work with non-profitable companies. It is not that they are basket cases, because we don't want to work with companies that are not going to go anywhere either, but a carve-out that would allow us to work with small tech startups. Because these are the future. The product life cycle, the way it is treated these days is technology is turning the product life cycle on its head. It doesn't work the way it used to.

These companies need to be abroad. They need our assistance just like anybody else. We need to remove that profitability clause or at least amend it in the STEP program, and that would be a big help to us. It is not as if we are going to shift everything in that direction, but it is an important component of our overall economy, and I think it should be reflected in the STEP grant.

Mr. CRITZ. Mr. Cummings.

Mr. CUMMINGS. An agency like ourselves, we are a very small agency, we operate very similar to a small business. We have seen huge, astronomical growth over the last few years. I think the only thing we need is to make sure that Congress is aware that as we are growing, the need for resources will grow as well.

Mr. CRITZ. Mr. Chairman, I wanted to leave enough time in case you had any second round questions that you got a chance to ask them.

Chairman TIPTON. I appreciate that.

I appreciate all of you as we discussed beforehand obviously being able to export. I think Pennsylvania is to be applauded in terms of how aggressively you have moved into the international marketplace, be able to reach out. I think it has modeled certainly a number of our states because when you look at the multiplier bringing in fresh dollars back into our economy, that is obviously a very critical, critical component for us and a great field for us to be able to cultivate as Americans, and something we certainly ought to be able to grow.

I would like to thank all of you for taking the time to be able to participate today and assisting small businesses with those export opportunities. With limited time and personnel, small firms do rely heavily on the states and the federal government obviously for assistance, and we need to make sure that these programs do work in unison to most efficiently assist small business while they are trying to export.

I'm a small businessman, and I think you verbalized very well that you are in the business of doing your business. So it is a little bit of a daunting thing to try and figure out all the different machinations to go through to try and generate those overseas dollars. As you note, once that door is open, you see the profitability. As we saw in terms of some testimony as well, the actual income flowing in to the people who do the work increases as we increase those exports.

So this is something that truly is important and that we certainly need in these budgetary times, the country with \$15.5 trillion in debt, to make sure that we are not only maximizing our profit centers that government can help us with, and exports are certainly one, but we are making sure that we are using those dollars efficiently, not getting the overlaps and make it streamlined. It is just business and something we need to work on.

So we certainly look forward to working with you and my colleagues to identify the best ways to increase the number of small businesses who do export. I would like to thank you again for taking the time out of your workday to join us and giving me the privilege to come here to Pittsburgh and make it back home with the Terrible Towel.

Thank you.

[Recess.]

Chairman TIPTON. I see our second panel is already seated. Gentlemen, you probably heard as we began the first panel this morning, we have our witness lights. The Ranking Member is here. I get interested in taking notes, and he pays attention to the lights. You will have five minutes for your testimony. When it gets down to one minute, the yellow light will come on, and then when the red light comes on, if you could wrap up the testimony. I will try and help a little better this time.

Thank you again for being here. With the introduction here, I will yield to Ranking Member Critz for introductions.

Mr. CRITZ. Thank you, Mr. Chairman. Thank you, gentlemen, for being here. I will do the same as I did in the first panel. I will read each bio, then we'll go right to left with statements.

Walt Robertson runs the Johnstown wire mill, which is actually in my district up in Johnstown. I appreciate you being here. Johns-

town Wire Technologies was originally a division of Bethlehem Steel and is the largest producer of value-added carbon and alloy wire in North America. It focuses on high margin segments where metallurgical quality is the differentiating factor.

The company operates from a single 638,000 square foot facility in Johnstown and employs 260 people, 210 of which are represented by the United Steelworkers.

Thank you for being here.

Justin McElhatten is the president and CEO of Industrial Scientific Corporation located in Oakdale. The company started in 1976 as the research division of National Mine Service Company. The division was formed to develop methane detectors for underground mines. In 1985, NMS sold the division, and Industrial Scientific Corporation began independent operations that year.

ISC develops, manufactures and services fixed and portable gas detection equipment. Key markets include utilities, oil and gas, steel and coke and the military, and it is active worldwide, either direct or through distributors. It has more than 850 employees worldwide.

Thank you for being here.

David Groll is the founder and CEO of Circadiance. Circadiance develops, manufactures and markets respiratory products for people with sleep disordered breathing or who need noninvasive ventilation.

Mr. Groll holds a Bachelor of Science degree in biomedical engineering from the University of Texas at Austin and a Master's degree in manufacturing assistance engineering from the University of Pittsburgh.

Thank you very much for being here.

Walt, if you would start.

STATEMENTS OF WALTER ROBERTSON, JOHNSTOWN WIRE TECHNOLOGIES; JUSTIN McELHATTEN, PRESIDENT, INDUSTRIAL SCIENTIFIC CORPORATION; AND DAVID GROLL, CEO, CIRCADIANCE

STATEMENT OF WALTER ROBERTSON

Mr. ROBERTSON. The headline in the American Metal Market last Monday was China Downstreamed Steel Push is Called Worrisome. Unfortunately my industry, wire and wire products, has been living this reality for many years. By the way, wire and wire products are everywhere, nails, staples, paper clips, telephone pole hardware, nuts and bolts for cars and other uses, concrete reinforcement, book binding wire, chain link fence; and literally hundreds more items are made from wire.

Now, back to China, who has built the largest steel industry and wire rod, the raw material for wire, has been their main focus. China has 65 percent of the world's production capacity for wire rod, while they have roughly 45 to 50 percent for other steel products. The key issue, however, is China's border tax regime where they impose a 15 percent export duty on wire rod and interestingly don't impose any export tax on other steel products.

Now the bad news. The export duty has forced all of this wire product production into their domestic market at below world mar-

ket pricing giving their wire and wire products producers a significant cost advantage, and then on the export, they get a 5 to 15 percent back rebate. A powerful combination.

The results are they've flooded the world with cheap and dumped wire and wire products for the last 10 to 12 years. In the last 10 years in the U.S., China has gone from virtually a zero market share to supplying about 20 percent of our entire industry. This border tax manipulation violates several WTO rules, but they defend their actions using an environmental defense, and the U.S.T.R. has been reluctant to challenge them even though the U.S. and Europe recently won a similar case on basic steel inputs at the WTO.

The results have been devastating as far as job loss and shuttered businesses of all sizes, and the list of wire products that aren't made in the U.S. anymore is long. However, once you read a Chinese government five-year plan, it is clear that their strategy is all about creating jobs in China. The obvious problem in the U.S. is the commensurate loss of jobs and, in this case, mostly small privately-owned companies, many of whom are no longer in business.

The good news is that five years ago, our industry started using U.S. trade laws to defend our markets against dumped wire and wire products from China and other countries. Starting with the garment hanger case, our industry won a series of antidumping and countervailing duty cases. In fact, my company is currently involved with five other companies in an AD and CBD case against China and Mexico for galvanized wire.

I testified two weeks ago at the ITC in the final injury determination hearing, and we believe that the ITC will uphold the Commerce Department's duty determination that imposed anti-dumping duties on China from 194 percent to 235 percent and AD duties on Mexico from 21 to 38 percent.

These trade law remedies have provided much needed relief for our industry, but there are two problems that make addressing the numerous dumping issues we face quite difficult, particularly if you're a small business.

First, unless the Commerce Department tracks your product or products of interest in a separate category, it is difficult to gather the needed information on imports to build the facts for a case. This is particularly true for small companies and even groups of small companies that tend to find niche products or markets so they can compete successfully.

In our industry, there are literally, as I said, hundreds of wire and wire product items produced. The solution is to make industry-wide cases easier to develop and submit instead of the cumbersome 201 and 301 trade remedies.

Secondly, bringing an AD or CBD case today costs the petitioners in excess of \$1 million. That's a challenge for small businesses even when your confidence is high, because it takes about 10 to 12 months for a case to go through the system, and that means even for a successful case, the payback is not timely. The cost is based on the legal complexity and other demands inherent in the case, and it is very difficult to do without legal counsel. I don't really know the solution to that problem.

Another problem with successful trade suits is enforcement. I'll spare you the details, but be assured that the circumvention and fraud issues are numerous. In fact, in the case of China, there's a clear pattern of fraud and circumvention highlighted by websites that promote triangular trade through other Asian/U.S. trade partners.

Our industry regularly meets with customs personnel, and we have been at the forefront of promoting the enforcement act. Of course, recent legislation just signed by the President confirms Congressional support for applying AD and CBD cases to non-market economies, and that is very timely and very important.

China historically has given massive subsidies to their manufacturers. Their major subsidy, however, is their undervalued currency. The fact is that China has created the greatest mercantile system since the 18th century through their subsidies, border tax regime and many other distorted practices. Their undervalued currency is the thread that weaves the system together into a powerful economic machine.

Those of us outside the beltway are intrigued by the political maneuvering of the currency bill, but we do appreciate Senate Representative Critz' leadership on this issue in the House. Please understand that many of us in industry regard China as an important trading partner with great potential as an export customer, but we just don't understand why there is such a great reluctance to hold them accountable for their actions that in almost every case are counter to their WTO or GAT commitments. Thank you.

Mr. CRITZ. Mr. McElhatten.

STATEMENT OF JUSTIN MCELHATTEN

Mr. MCELHATTAN. Thanks for the opportunity to address you. Industrial Scientific is a global manufacturer and technology provider serving the needs of those people who work in those dangerous workplaces in the world.

We manufacture gas detection equipment that monitor atmospheres that can poison you. They can explode. They can asphyxiate you. We do this in order to preserve human life. We serve a variety of industries.

Our equipment is in use in some of the high profile operations in the world, for example, CERN, the large hadron collider, in Switzerland and France, and we're also on board the International Space Station. We have four manufacturing operations in four locations, Pittsburgh, Pennsylvania; Shanghai, China; Arras, France; and Dortmund, Germany. We employ 900 people across 22 countries, and we have had strong growth over our 27 years so far.

A key factor in growing from 30 employees in 1985 to almost 400 employees in the U.S. and we created over 60 manufacturing-based jobs here in the last year, has been expanding sales to international customers. Over half of our production is sold outside the U.S.

I want to speak about one very specific issue as it relates to U.S. trade policy, and that is export controls. Some of our products we manufacture, for example, the ones that monitor gases, such as sulfur dioxide or chlorine, are considered dual use, meaning these products can have commercial applications in addition to military

or proliferation applications. As such, our products are subject to certain export controls that are terribly costly, complex and burdensome in service to our customers.

Further, the potential penalties for noncompliance are incredibly harsh and potentially very costly to a growing company. In order to ensure full compliance, we focus on a variety of points in our business process. The first is monitoring and control at all points of order entry globally at an individual order level to ensure that we don't have denied parties, that we verify the end use and we have other proper verification. This many times creates potential opportunities for delays of getting life preserving equipment to our customers.

Secondly, we have to monitor and control our distribution channels. We are selling into over a hundred countries and in many cases intermediary distributors, and we have to monitor those channels. In product development, monitoring and controlling our own product classification as they relate to export control. We have to do an export review assessment required during the preliminary product development to determine whether the new product will require license for export. Then we have to do continuous follow-up assessments prior to the launch to see if there's been any changes made in the classification.

And then, finally, continuous training of employees related to export compliance concerns, and there's also expenses related to export compliance guidance and advice from legal counsel, et cetera, et cetera. Additionally, we are limited as a company in our ability to confer with non-U.S. based consultants regarding technologies and, in some cases, to hire non-U.S. citizens for certain positions due to concerns about the de-export of technology. These limitations hinder development efforts in a very competitive market.

My request is fairly simple. I would just ask first that you recognize the tremendous burden that this system, the export control system, places on a company's growth and nimbleness as it seeks to serve its mission in preserving human life in our case and, secondly, that you seek ways to simplify the export control process for growing companies or just in general.

In summary, the increasing emphasis being placed on export enforcement and increased penalties can be counterproductive. It is counterproductive to promoting exports. Consideration is needed to develop ways for the government to partner with industry to facilitate export compliance, to enhance legitimate trade while preventing harmful exports.

Thank you for the opportunity to talk to you.

Mr. CRITZ. Mr. Groll.

STATEMENT OF DAVID GROLL

Mr. GROLL. Chairman Tipton, Congressman Critz, good morning. Thank you for the invitation to speak before you today.

I would like to applaud this Committee's efforts regarding free trade agreements with Colombia, Korea and Panama. I urge continued efforts to reduce barriers to markets in Asia and Latin America, in particular Brazil. Circadiance designs, manufactures and sells face masks for the treatment of obstructive sleep apnea, a condition that affects an estimated 30 million Americans and 100

million people worldwide. Although we do sell in over 30 countries, less than ten percent of our revenue is from sales outside of the U.S. This Committee's efforts to remove trade barriers support our goal of growing our export business faster than our overall business.

There are two main issues facing the medical device industry, that while domestic policies, they affect our competitiveness. Those two main issues are medical device levy tax and competitive bidding. As an American medical device manufacturer, I am staunchly opposed to the medical device levy tax. This job killing provision was included in the Patient Protection & Affordable Care Act signed into law in 2010. According to the Act, a 2.3 percent excise tax will be imposed on the total revenue on all U.S. manufacturers, medical device manufacturers regardless of whether the company generates a profit.

The tax will impact countless small manufacturing businesses throughout the country. For instance, our company's budget calls for us to spend ten percent of our revenue on research and development. Should the medical device levy go into effect beginning in 2013, as called for in the Affordable Care Act, we will have no choice but to cut our research and development spending by an offsetting amount. This will result in a 23 percent reduction in our R & D spending.

Companies throughout our industry face the same challenge. The result can be devastating for innovation, impeding job creation and weakening the position of the United States as the global leader in medical technology innovation. Should the Affordable Care Act survive the Supreme Court challenge, I urge you to support the efforts of Representative Erik Paulson to have this provision of the Affordable Care Act repealed before it becomes law at the end of this year.

Circadianc sells primarily to home medical equipment providers who provide our products to their patients and bill their insurance providers, including Medicare. The Medicare Modernization Act of 2003 established requirements for a competitive bidding program for certain home medical equipment and supplies. Under the program the centers for Medicare and Medicaid services award contracts to suppliers for the bid items.

Competitive bidding was rolled out in nine metropolitan areas in 2010 and is currently being extended to an additional 97 areas this year. Competitive bidding is deeply flawed. First of all, it is anti-competitive as it reduces the number of suppliers in the market forcing many of the small businesses to close.

It reduces access to care, patient choice and quality of care. It forces patients, most of whom are senior citizens or disabled, to switch away from local providers they rely on and trust. We have already seen the results of competitive bidding in the initial nine competitive bidding areas. There has been a drop in submitted claims in these areas reflecting more restricted access to approved Medicare suppliers.

At the same time, there's been a rise in the same beneficiary group in emergency room admissions reflecting inevitable shifting of care from the low cost home-based model to the much higher cost hospital-based model which is still paid for by Medicare. Com-

petitive bidding is causing the cost of Medicare to go up in direct conflict with the goals of the program.

I urge members of this Committee to support H.R. 1041, the bipartisan bill, to repeal competitive bidding. In turn, I urge the Committee members to support the alternative known as the Market Pricing Program which, like competitive bidding, is based on an auction process but addresses the flaws of the competitive bidding program. The Market Pricing Program will meet the goal of lowering prices for medical equipment, not restricting access to the system for seniors and those with disabilities.

Currently the Market Pricing Program is pending a score from the Congressional Budget Office. I urge Committee members to pressure the CBO to present this score as quickly as possible so that the market pricing program has a chance to replace the flawed competitive bidding system before the end of the year.

The U.S. medical device industry is a net exporter. I urge you to continue to provide access to international markets, to seek a simple and fair tax code that treats all companies equally and to support efforts to replace the flawed Medicare competitive bidding program.

I have included additional comments which are in my written testimony for the public and Committee record. Thank you for the opportunity to speak today.

Chairman TIPTON. Thank you, gentlemen. I certainly appreciate you all taking the time again to be here. I will start out with questioning here.

First of all, Mr. Groll, you caught my attention in regard to the excise tax, medical device excise tax. When you're talking about increasing or reducing your R & D, did you say 23 percent?

Mr. GROLL. Yes.

Chairman TIPTON. That's obviously how you make a better product. Do you have any kind of forecast that should this actually come into place, how is that going to impact your sales? How is that going to impact jobs?

Mr. GROLL. Well, in the short term, the sales are going to be based on products in development right now. But beginning next year, we will hire fewer engineers and spend less money on research and development, and in the long term, that will affect our ability to develop new products and grow our business.

Chairman TIPTON. Thank you. A week ago today, the Pueblo Chieftain, the largest newspaper in southern Colorado, ran an article stating that manufacturing is leading Pueblo's recovery. This article actually pointed out that consumer spending in the five-county region anchored by Pueblo outpaced the rest of the state.

I'd like to submit this article for the record.

[The information follows on page 63.]

Chairman TIPTON. I believe that we could all agree that manufacturing is important for the future of our economic prosperity. As a result, I wanted to just ask the panel: What do you believe to be the single biggest obstacle facing the manufacturing industry today when it comes to exporting?

Mr. ROBERTSON. You're talking small business?

Chairman TIPTON. Right.

Mr. ROBERTSON. I think the fellows on the last panel said it. From my perspective, it is credit risk and it is actually currency risk. You make a transaction and six months later you might ship a product. To take that currency risk could be a big issue. I'm sure there are lots of other issues, but when you have a product that is pretty set like ours is, it really gets down to credit and currency risk.

Mr. CRITZ. Currency risk meaning?

Mr. ROBERTSON. The U.S. dollar strengthens or weakens relative to the other currency in the timeframe that you had actually taken the order versus the time you ship the order. You can be on the wrong side of that currency movement, and it can be painful.

Chairman TIPTON. Instability in the currency.

Mr. MCELHATTAN. From my perspective, a couple of things. Number one is just having the orientation around exporting, being of the mindset that we see that as a significant opportunity. From my very limited perspective within my company, this was one of the areas, the export control, that leans heavy against that.

If you're in that dual use category, you're taking a big step when you sell to the other side for exporting. So I think the attitude of the enforcement bodies, et cetera, around that is going to influence it one way or another. We took advantage of a lot of the programs early on as we began to export to find partners. But I would agree. I think that the credit risk is one of the significant ones as well.

Mr. GROLL. I think the issues that were brought up by the first panel, a lot of them are important, but for us, it was pointed out: The time to work on it is critical. We're a small company. We have 15 employees. Our major export markets are Germany, Canada and Japan. Canada is easy. We can get in the car and drive up there.

But it is expensive and very time consuming to figure out who in Germany is the right partner for us to be working with. It is going to take somebody getting on a plane and going over there and identifying them and building those relationships that will let us really start to penetrate that market.

Mr. TIPTON. Thank you. I would like to open this up to all of you.

Mr. Robertson, some of the comments that you made in regards to dealing with China and other areas, could you perhaps provide a cost estimate on how unfair trade practices are affecting your business? What's the cost estimate? How is that hurting your business?

Mr. ROBERTSON. In our case, we buy from the steel mills and convert the product into usable product for people that make end products. And the problem is that so many of these customers are no longer in business. I mean, that's really the issue. I mean, it really is the fact that the market has shrunk over the last 10 to 12 years due to what I believe is really unfair competition from China.

Chairman TIPTON. Do you have any idea in terms of—and it may be proprietary; I don't know—but we could have had \$100 million more in sales had we had a fair and level playing field to be able to work out of?

Mr. ROBERTSON. That would be a difficult number. It's a huge number.

Chairman TIPTON. It is a big number?

Mr. McElhatten.

Mr. MCELHATTAN. I don't have a figure. We have tried to fight against that by adding services. We invest in services that we surround our products. I wouldn't be able to quantify that.

Mr. GROLL. It would be tough to quantify, but I know that when we are out competing for business domestically, we are fighting against products that are knock-off Chinese products that are brought into the U.S., and they are inexpensive compared to the domestically made products. We can fight against that with having a better product, having superior features, and we are able to protect that position in the U.S. because our intellectual property position allows us to do that.

I personally have a lot of experience in China. I lived there for eight years. I ran factories there. We don't sell our product in China because I'm sure that as soon as we do, it will be knocked off, and we'll have international competitors where we will not be able to block them. They won't be able to sell those products in the U.S., competitive product in the U.S. or other countries where we have patent protection, but I'm pretty sure that we would be creating a competitor if we began selling in China.

Chairman TIPTON. If the medical device excise tax goes in, you have to any estimates in terms of how that will impact your business dollar-wise?

Mr. GROLL. Our plan at this point is to reduce our R & D spending. That's the only place we can. We are a small growing company. We are not making a profit right now. We are taking all of our profits and putting them back into the business to grow it primarily in the form of R & D.

Chairman TIPTON. That will hurt your ability to be competitive because it's all about innovation?

Mr. GROLL. Our business is about innovation, developing new better products and protecting them with patents. We are finding that tax will be devastating to that. I don't want to take the product into China because I think we would just be creating our next competitor.

Chairman TIPTON. According to the U.S. Treasury, China is the number one foreign owner of U.S. debt securities totaling over \$1.1 trillion. Do you believe this limits our ability to hold China accountable for their unfair trade practices?

Mr. ROBERTSON. No. In fact, I think that's a bigger problem for China than it is for us. They're the ones with the risk as far as the currency risk. To me it shouldn't have any impact.

Mr. MCELHATTAN. I agree. I think they are two different issues.

Mr. GROLL. I would agree as well. I think the two economies have become so intertwined, that both parties stand to gain and lose during a change in relationship. It just has to be managed.

Mr. ROBERTSON. As I said in my testimony, I believe China to be an important trading partner. We just need to hold them accountable like we most of our other trading partners.

Chairman TIPTON. In regards to market access and trade disputes, we always hear about issues of large profile companies, Wal-Mart, Microsoft. Do you believe that concerns of small businesses are being adequately addressed by federal agencies?

Mr. ROBERTSON. I think one of the big problems in the steel industry and other industries is that companies like Wal-Mart, people that have embraced a distribution model where they import products to distribute, whether it be manufacturers or retailers. Obviously retailers can produce anywhere they want. But, yes, to me that's a big issue.

We are trying to create jobs in America. We are trying to create a competitive landscape, a competitive playing field for America so we can grow our industry and grow our jobs. That to me is the centerpiece of what we ought to be considering.

Mr. MCELHATTAN. Let me understand the question. Could you repeat the question, please?

Chairman TIPTON. We seem to pay a lot of attention when we have Microsoft, when we have Wal-Mart in terms of international issues when it comes to trade. Is the federal government paying enough attention to the small businesses. The number one employer in this country happens to be small business. When we are talking about our ability to export and being able to grow those markets, is enough focus coming out of the feds to be able to address that, or is it being focused primarily on the big guys?

Mr. MCELHATTAN. I don't think it is. I think that is according to the earlier panel is a great indication of that. We have had great services from district export councils and small business. That's the perspective that I see that through, is there are a lot of supporting agencies encouraging us. We are in a funny time right now where in our growth, we have gone from being a smaller company and are kind of moving into being a larger company. But as we have grown, we have felt adequate support from that.

We have different issues now with export controls, but the encouragement to export, I think we have seen great services.

Mr. GROLL. I would agree. I think the services that are available are adequate. The issues that government is dealing with are the ones that are issues with other countries. An example for us is we just set up exports to Brazil. It took us almost a year to get approved to go in to get our product approved in Brazil. Then it faces a 70 percent import duty which makes it really expensive in the market there. They're trying to protect their domestic market.

I don't know that there's much that we can do as an individual company to deal with that, but in general, some type of free trade agreement or some type of agreement to have them reduce their import duties would be very helpful to us.

Chairman TIPTON. Did you want to speak to that?

Mr. ROBERTSON. Just one other point. If you look at the National Association of Manufacturers or even the chamber of commerce, when you talk about small business versus large business, they get into some of these issues that are very prominent on Capitol Hill, and there's a big divide. I wonder sometimes who gets the most support when some of these issues are really decided.

I think it's important that this has been kind of a revelation for this morning frankly about some of the things I'm hearing. I'm impressed.

Mr. MCELHATTAN. Can I add one thing to that?

Chairman TIPTON. Yes, sir.

Mr. MCELHATTAN. One of the things Dave brought up was approvals. We see that consistently. Brazil is a great example where the product approvals, what that product is stamped with, we see that being used in many ways as a barrier to entry to a U.S. manufacturer and something to increase our costs and makes us less competitive as we have to have 14 approvals when we do a new product launch.

Chairman TIPTON. I actually made a note of that in terms of product review, how that ultimately affects some of your costs which impacts your ability to be competitive as well simply. It all add up into dollars. I have a few more questions, but I would like to yield Ranking Member Critz.

Mr. CRITZ. Thank you, Mr. Chairman.

One quick note. We did pass in Small Business Committee, a provision that every free trade agreement now has to do a report on what its impact is going to be on small businesses, so that at least we have some sort of documentation that allows us to review what's going on. We are trying to push that.

Mr. McElhatten, I'm trying to get my arms around what you were talking about. Because of national security, when you provide a product or you have a product, you now have to navigate the complex and time-consuming processes to get approvals because of national security.

Do you believe there could be a more balance approach between security and commercial interests to implement these export controls?

Mr. MCELHATTAN. I do.

Mr. CRITZ. So you know, the three earlier panelists are still here. You have the Ex-Im Bank, the Department of Commerce and the Pennsylvania Exporting Assistance Program. These are people that help implement a lot of things that we are talking about. We are all looking for ideas.

Mr. MCELHATTAN. I guess from the perspective of a general philosophy around embargo, countries that are embargoed and where we can't sell products to, I think there is room for improvement in U.S. policy in that. I'm not going to speak to that so much. I think from a more tactical level, there could be less of a burden placed on manufacturers and specifically around dual use.

I think that reevaluating what products could be dual use, it appeared that when these were first put in place, there was a much broader scope around that. I think trimming that down, if that list is able to become smaller as a more practical determination of what is considered dual use, I would make the argument all day long that our products should not be in that category. With fewer products in that category, you're going to have less administration costs and overhead around maintaining those classifications. At that level I think there is room for improvement around that level.

Then the spirit of enforcement I think. We have seen from our perspective there be a harsher, and this is very subjective, but just a harsher attitude towards businesses with regard to making sure that export controls are maintained. Can I give an example just real quick?

Mr. CRITZ. Sure, absolutely.

Mr. MCELHATTAN. Where that can be at odds where it feels as a company grows, we have a strong commercial presence in China. China has just moved from being our number five largest country that we are doing business in to number four. It's a large market opportunity for us. We have about 220 employees in China on the sales side. Services in the field, we have a small manufacturing operation there.

China is leading the efforts in rebuilding the Sudan. That's an embargoed country for us with tremendous export controls. When we put enforcement into our team in China and say "You cannot ship there" and very harsh attitudes around that, our employees there, who are part of our family, are not able to participate in something that is very national, to them they are very proud that they are rebuilding this country, and the U.S. is more punitive towards it, just shut it off. So that's where the rough happens.

Does it make us less competitive? Yeah, on nips and tucks in creating an employer of choice to work for a U.S. company in Shanghai or Beijing or Xian or wherever we have offices in cities there. That's more of the high level. But I think at the tactical level, it can be more simply applied.

Mr. CRITZ. You have a facility in Shanghai?

Mr. MCELHATTAN. Shanghai is our Asia-Pacific, yes.

Mr. CRITZ. Did you have to put a facility in China to sell to China?

Mr. MCELHATTAN. No.

Mr. CRITZ. No?

Mr. MCELHATTAN. No. We began selling in China in 1986. We have been in the markets there for 25 years, 26 years now. In 2000 is when we made the large investment to put an emphasis on foreign enterprise. We had been JVs all the way up to 2000.

Mr. CRITZ. One question for the whole panel. You heard the testimony earlier. You have the Export Assistance Center, the Export-Import Bank, and you have the Pennsylvania Exporting Assistance Program, part of the DCED at the state level, but it's the international business.

Have you worked with any of these agencies? Have you worked with any other agency that has helped you generate business internationally? We will go right to left here.

Mr. ROBERTSON. No, but I think that might change.

Mr. CRITZ. From what you heard today?

Mr. ROBERTSON. Yes. I was very impressed. We export not a lot, but some through our current customer base into their plants, overseas plants where they need our product to be successful. That's the extent of what we do. But we might explore that opportunity, that contact information.

Mr. CRITZ. Good.

Mr. MCELHATTAN. Probably 12 or 13 years ago, we partnered with—and I'm going to get this wrong—I think it was the U.S. Commercial Service on getting—it's what the Pittsburgh Technology Council has downstairs, that kind of a forum where they can bring in trade representatives. We partnered with that. One specific example I remember is Venezuela. We wanted to get into Venezuela. We were able to identify number of potential partners with services like that and began to build a base of distribution as

we moved to get representatives there. We didn't take advantage of any of the financing opportunities, but we have on the commercial relationship side.

Mr. GROLL. We have not taken advantage of any of those services, but we are planning to. Based on what I heard this morning, I think there are additional opportunities we are going to investigate.

Mr. CRITZ. We have heard testimony about currency manipulation. We have heard about countries that are open and not. Is there a particular trading partner that you have or a nation that's out there that is creating heartburn in your industry, where you are trying to get into the country to do business there, but it's been nearly impossible or because of their protectionist laws, or a country that is doing things that is harming your business here domestically because of an unfair competitive advantage?

Mr. ROBERTSON. It's clearly China, and my major concern today, if you read any of the economic reports coming out of China, of course, their growth is still pretty impressive at seven to eight percent let's say, but when you were at 12 or 13 percent, they are certainly seeing a slowdown. They built in my case an unbelievable steel industry and downstream manufacturing around that. If anyone doesn't believe that their game plan is going to be to export more, we are kidding ourselves. I am really concerned about if you think it has been rough the last ten years what we might confront going forward.

Mr. MCELHATTAN. A little bit different spin. I am going to bring out Iran. In 2006 we made a large acquisition of a European company based in France, and they were doing a significant amount of business in Iran. The day we bought them, we had to go in and shut down, "You have to stop orders today. You cannot ship to Iran right now." And they said, "Okay. We will." We said, "No, no, no. You have to shut it down." So suddenly these folks in Iran who had been betting their lives on the products this company was providing can no longer have access to them. In our business, along with us and the newly acquired business was hurt to the tune of half a million dollars of revenue per year because of U.S. policy.

I understand it, but that's one, that economy. We look at energy economies and how many U.S. companies provide technology. I agree with the statements Mr. Groll made earlier about technology and manufacturing in a country like Iran that is energy rich. That's lost opportunity for U.S. manufacturers, significant lost opportunity.

Mr. CRITZ. I'm not going to comment.

Mr. MCELHATTAN. I understand.

Mr. CRITZ. But I'll let it go.

Mr. GROLL. I think the big issue for us is China. Their lack of regard for intellectual property protection is a big problem. Inability to enforce any kind of patent or trademark rights in China. It's very expensive and probably not something that a small manufacturer can do. Of course, with their ability to maintain their undervalued currency, they keep their products artificially cheap on top of the fact that they are able to manufacture them very inexpensively, they get an advantage on trading.

Mr. CRITZ. Mr. Chairman.

Chairman TIPTON. I have been listening as we are talking about some of the complexities being able to sell overseas, some of the challenges, China being able to deal with them. I am curious. Maybe you can tell me.

Given all of the changing foreign regulations that come out and the different technical barriers I know that you probably see in terms of trying to be able to deal with foreign countries and the change in tariffs, I would like to know just how you keep up with that. What's the doorway that you look through to say this is how we keep up with it?

Mr. ROBERTSON. We are part of an industry group, American Wire Producers Association. We have a caucus, wire and wire products caucus. They sort this out for us and help our members understand the playing field in that respect.

Mr. McELHATTAN. We tend to do it through consultants. We hire consultants so we have people on staff whose job it is to manage this.

Mr. GROLL. As well we hire outside consultants. We do as a medical device manufacturer, we have certain regulations that involve periodic review of a lot of aspects of our business, including domestic and international regulations. So every six months we ask a question is there anything new that we should be aware of.

Chairman TIPTON. We just heard from SBA, Commerce about the entire list of opportunities out there for information, and you've all sought private sector solutions it sounds like to be able to keep up with it, through your trade associations or consultants to be able to do that. Interesting.

Well, did you have any other questions that you would like to be able to put forward here?

Mr. CRITZ. No.

Chairman TIPTON. Again, I would like to thank you gentlemen for taking the time. I know you would rather probably be out earning a dollar rather than in here.

Mr. CRITZ. It is beautiful outside. They'd rather be playing golf.

Chairman TIPTON. Looking out seeing sparkle on the river, my fly rod is probably beckoning somewhere.

We do appreciate it. It is through testimony much like yours that we get a little bit of guidance. It's incredibly important from the small business committee, and that extrapolates out into the other committees we have as well the real impacts on real businesses. For you it is not a theoretical exercise. It is real impacts, real jobs, real lives that are being affected by policies that may hurt or hopefully at times help coming out of Washington.

Your impact in regard to these manufacturing issues is deeply appreciated. We all do share that same mission, I believe, increasing U.S. exports and ensuring that foreign competitors play by the same rules. We have got to make sure that we are indeed standing up for American industry and American jobs and American futures.

Our committee has been working to educate more small businesses on the benefits of exporting. Glad to hear that you're actively pursuing this, Mr. Groll. We will also be identifying ways to make the overall trade process simpler to understand and stronger as well.

I know in my small community, we just looked at getting dollars in from Texas and Arizona. That's our outside income coming in. But the rollover dollars and how that impacts our community probably cannot be overstated.

I would ask for unanimous consent that members would have five legislative days to be able to submit statements and supporting materials for the record.

Chairman TIPTON. Without hearing objection, it is so ordered. This hearing is now adjourned. Thank you again for attending.

[Whereupon, at 12:01 p.m., the Subcommittee was adjourned.]

**Testimony of Thomas P. Cummings
Regional Director Northeast and Mid-Atlantic Region
Export -Import Bank of the United States**

**House Small Business Committee
Subcommittee on Agriculture, Energy and Trade Field Hearing
"Impact of U.S. Trade Policies on Small Businesses and Manufacturing."
April 2, 2012**

Introduction

Thank you Mr. Chairman for the invitation to testify here in Pittsburgh today and to speak about the role of the Export-Import Bank of the United States ("Ex-Im Bank" or "the Bank") in supporting small business exporters and their important contribution to U.S. job creation. I am happy to say that the Bank has stepped up to the challenge by helping businesses large and small increase their exports, thereby supporting U.S. jobs. During fiscal year 2011 the Bank's overall financing exceeded over \$32 billion for the first time. This financing supported over \$40.6 billion in exports at more than 3,600 companies and helped to support nearly 290,000 U.S. export-related jobs. I'm also proud to say the Bank set a record in fiscal year 2011 by financing more than \$6 billion to small businesses. In fact, small businesses comprised 87 percent of the transactions we did at the Bank last year.

During the nearly four decades that I have been involved in export finance the need for Ex-Im Bank has never been greater and the challenges never more daunting.

The Role of the Export-Import Bank

The Export-Import Bank is the official export credit agency of the United States.

Ex-Im Bank's mandate is to enable U.S. companies both large and small to turn export opportunities into sales that help create and sustain U.S. jobs. The Bank achieves its mission by providing export financing support through loan,

guarantee and insurance programs when the private sector is unwilling or unable to do so.

Ex-Im Bank also tries to level the playing field by meeting financing competition that foreign export credit agencies provide to their businesses. Ex-Im Bank is careful not to compete with the private sector in helping to finance exports. Our activity typically increases during economic downturns, and provides an alternative source of financing when commercial bank financing is not available.

Since fiscal year 2008 the Bank has operated at no cost to the U.S. taxpayer because it is financially self-sustaining. Ex-Im Bank more than covers its administrative costs and loan loss reserve expenses through the fees it charges.

Over the past five years, Ex-Im Bank has generated \$1.9 billion in excess revenues for the U.S. Treasury. As a result of our diligent credit review and management, the Bank has a loss ratio of less than 2%, which is well below that of commercial banks in similar activities.

During the financial crisis, when the private sector trade credit and political risk insurers were withdrawing coverage and reducing credit lines, Ex-Im Bank maintained a consistent underwriting philosophy and did not withdraw coverage or reduce lines. Notably, the Bank even offered coverage to exporters on buyers that the private sector denied, all with excellent results.

Export Import Bank Products

Ex-Im Bank offers three basic financial products: loans, guarantees and credit insurance.

Direct loans provide financing for foreign buyers for their purchases of U.S. goods and services. These loans can cover up to the lesser of 85% of the contract value or 100% of the U.S. content.

Loan Guarantees Covers the repayment risks on the foreign buyer's debt obligations incurred to purchase U.S. goods and services. The coverage is 100% of the financed portion which can be up to 85% of the contract value or 100% of the U.S. content, whichever is less.

Working Capital Guarantees provide repayment guarantees to lenders on secured, short term working capital loans extended to qualified exporters. Under this program Ex-Im Bank is actually guaranteeing exporter performance risk. These guarantees cover 90% of the loan value and the lender is at risk for 10% of the loan value. In fiscal year 2011 Ex-Im Bank authorized approximately \$2.1 billion in small business working capital guarantees, compared to \$1.45 billion in fiscal year 2010.

Export Credit Insurance helps U.S. exporters sell their goods by protecting them against the risk of non-payment by the foreign debtor for political or commercial reasons. This allows the exporter to extend credit directly to their international customers and compete with the terms being offered by exporters from other nations. In fiscal year 2011, Ex-Im Bank authorized over \$3.27 billion in export credit insurance to small businesses.

Outreach to small business

Small business transactions are in excess of 85% of total bank transactions. During the year the Bank conducted 32 Global Access Forums to raise the awareness of Ex-Im Bank's products to small businesses. All of the Bank's field offices are dedicated solely to small business outreach and support. Within the next three months the Bank will also be opening four new field offices. They will be located in Atlanta, Minneapolis, Detroit and Seattle. This will be in addition to the eight existing field offices.

Ex-Im Bank's small business authorization numbers are showing rapid growth after reaching \$3.8 billion in 2008, \$4.3 billion in 2009, \$5.1 billion in 2010, and over \$6 billion in 2011.

The Bank knows it must do more, especially for small businesses, so last year we introduced a new insurance product called "Express Insurance". This product is geared towards the smallest of exporters. The market has reacted well to this new product, and we have issued over 200 Express Insurance policies. That is 200 small businesses that can now sell overseas without the fear of not getting repaid on their competitive, open account, foreign sales. We are currently in the midst of

launching a brand new product called “Global Credit Express”. This new product is a working capital loan directly from Ex-Im Bank for amounts up to a maximum of \$500,000 to small business exporters. This product is designed to fill a void. Banks were unwilling to finance small loans, so Ex-Im Bank decided to finance them directly. Anticipated demand appears to be huge.

OTHER NEW FINANCING PROGRAMS FOR SMALL BUSINESS

Supply Chain Finance Guarantee: This program provides competitively priced working capital financing to business that supply products or services to larger U.S. exporters. The program works through approved lenders with existing supply-chain finance programs, enabling the lender to purchase accounts receivable from small business suppliers whose goods will be part of an export. Suppliers are paid for their goods, improving their cash flow and liquidity in approximately five days. The Bank provides the lenders with a 90% guarantee. In turn, the Bank requires that at least 50% of the credit be to small business suppliers. This program was developed as a direct response to the needs of small businesses in the recent financial crisis.

Reinsurance: Reinsurance assists private-sector insurers that provide short-term export credit insurance covering foreign receivables to predominantly U.S. small business exporters. This new product increases the capacity of insurance companies to offer insurance to small business exporters that have had difficulty obtaining short-term export credit since the financial crisis.

OUTREACH INITIATIVES

Increased Lender and Broker Participation- Ex-Im Bank leverages its resources for small businesses by working with private sector lenders, insurance brokers and other financial and trade institutions. Most of the lenders here in Pittsburgh have what we call “Delegated Authority”. Delegated Authority provides a lender with a pre-approved credit line and allows it to receive Ex-Im Bank’s guarantee without first submitting individual applications for approval.

We also work with insurance brokers to assist with the delivery of our credit insurance products. In the last year we added 20 new insurance brokers and now have a total of 175 registered brokers.

Export Initiative with State and Local Constituencies - Another effective approach for leveraging our resources is to work with partners. We refer to this group as our "City-State Partners". We presently have 57 City-State Partners including locally the Commonwealth of Pennsylvania and Duquesne University SBDC.

We are also very fortunate that the U.S. Commercial Service here in Pittsburgh has been a wonderful partner. On every trip to this city they help with scheduling company visits, logistics and local support.

Conclusion The global marketplace is brutally competitive for businesses large and small. Commercial bank lenders typically limit the amount of exposure their customers can have in the various regions around the globe. Many banks are less willing to finance deals today than they would have just a year or two ago.

The need for Ex-Im Bank's products has never been greater. The Export Credit Agencies of other governments around the world are extremely aggressive in supporting their exporters. U.S. exporters have a right to the same level of support.

Thank you.

**Testimony of
U.S. and Foreign Commercial Service Network Director Joseph Hanley
before the House Small Business Committee on
"Impact of U.S. Trade Policies on Small Businesses and Manufacturing"
April 2, 2012**

Thank you Chairman Tipton and Representative Critz for the opportunity to testify today on the role the International Trade Administration's U.S. and Foreign Commercial Service (US&FCS) plays in supporting the National Export Initiative by helping grow U.S. exports, assisting in small business growth, and supporting American jobs.

Products and services carrying the "Made in the USA" designation are valued around the world for quality and reliability. Increasingly, U.S. exports are contributing to America's jobs growth. Jobs supported by exports increased to 9.7 million in 2011, up 1.2 million since 2009. In 2011, each billion dollars of U.S. exports supported just over 5,000 jobs. Through February 2012, U.S. manufacturers alone have added 429,000 U.S. jobs since 2010. Moreover, exporting has a significant impact on workers' earnings. The Department of Commerce estimates that manufacturers that produce and sell products for export on average pay 18 percent higher wages and salaries than plants that do not export, and that workers in export-intensive services industries earn 15 to 20 percent more than comparable workers in other industries.

In 2011, the US&FCS helped 5,600 U.S. companies export for the first time or increase their exports to additional markets, 75 percent of which were small and medium-sized enterprises. Ninety-eight percent of U.S. exporters are small- and medium-sized enterprises, but have historically represented approximately 30 percent of U.S. export value. As of the fourth quarter of 2011, the share of U.S. export value attributed to small- and medium-sized enterprises had climbed to 34 percent.

As the key U.S. Government export promotion agency, the US&FCS delivers export promotion and customized exporting solutions to U.S. small- and medium-sized businesses to help them compete and succeed in the global marketplace. We accomplish this mission through our global network of approximately 1,250 international trade professionals. We have 108 U.S.

Export Assistance Centers (USEAC) and 112 offices located in U.S. Embassies and Consulates in more than 70 countries around the world. Utilizing this seamless global network, our trade specialists provide export services including market intelligence, business matchmaking and trade counseling to U.S. businesses looking to expand through exporting.

The US&FCS global network includes three USEACs in Pennsylvania, located in Pittsburgh, Philadelphia and south-central Pennsylvania. These USEACs have delivered over 4,000 individualized trade counseling sessions and customized services to over 1,000 Pennsylvania businesses in FY11 and FY12 to date, resulting in 257 Pennsylvania companies reporting 688 export successes to 91 different countries valued at just over \$500 million. Seventy-five percent of Pennsylvania companies reporting these export successes were small or medium in size; sixty-two percent have less than 100 employees.

RPM Industries is a great example of both the way in which small companies can be successful exporters and the value of federal export assistance. Located in Washington, Pennsylvania, RPM Industries manufactures pre-lubrication and fluid evacuation systems for use with heavy-duty diesel and gasoline engines. While RPM might be a small company, its markets are truly global in scale. To expand business opportunities in Brazil, RPM turned to the US&FCS to augment its export development strategy. RPM participated in one of the US&FCS' signature overseas trade events, Trade Winds, which took place in the spring of 2010 in Brazil. According to RPM, "Trade Winds opened the door for our entry into the Brazilian market. The prospective customer appointments that were made by the U.S. and Foreign Commercial Service for RPM Industries in advance of our trip were very informative and educational in reference to the Brazilian market potential."

Through the efforts of RPM, and with assistance from the USEAC in Pittsburgh, RPM has seen the Brazilian market grow from an interest to a key component of its international growth strategy. By the close of the year RPM expects to have sales of nearly one million dollars of its systems to Brazil and is working to expand its sales into other South American markets.

Another local example of small business export success is Cardinal Resources, based right here in Pittsburgh. The US&FCS worked with Cardinal Resources to help it develop or expand sales, estimated at \$7 million, to countries such as India, China, Brazil, Turkey and Japan. With only 25 employees, there is no doubting that Cardinal Resources is an extraordinary company.

Our work with Cardinal Resources illustrates the value the US&FCS places on partnerships with other federal, state and local agencies to reduce duplication while meeting the needs of small business exporters. In this case, Cardinal Resources participated in ExporTech, an intensive, customized three month program designed to help participating companies identify target export markets, develop international business plans and then execute those plans to successfully grow their export business. In Pittsburgh, ExporTech is a joint effort of the Pittsburgh USEAC and Catalyst Connections, the local Industrial Resource Center and a National Institute of Standards and Technology Manufacturing Extension Partnership grantee.

Indeed, we regularly work with state and local partners in Pittsburgh and throughout Western Pennsylvania to maximize our outreach efforts and to ensure our trade expertise and worldwide network reach as many small businesses as possible. For example, in December our colleague from the U.S. Embassy to the European Union in Brussels traveled to Pennsylvania to conduct a three-city tour to update Pennsylvania exporters on product standards in the European Union. We partnered with the local Development District offices at each stop of the tour to maximize our client outreach. As a result, over 96 attendees representing 56 Pennsylvania companies attended these events. In the past 18 months, the Pittsburgh USEAC has regularly worked with a broad range of federal, state, and local government agencies as well as the private sector to deliver or support over 60 outreach and educational events across Western and Central Pennsylvania.

Efforts to enhance U.S. commercial competitiveness and to maximize the potential of U.S. exporters can be thwarted by market-distorting unfair trade practices of foreign governments and firms. The Department of Commerce has a special responsibility to help U.S. companies and workers meet and overcome the challenges of foreign unfair trade practices, which is essential to advancing our commercial competitiveness at home and abroad.

To ensure that all industries facing competition from unfairly traded imports are able to take advantage of the trade law remedies available to them, the International Trade Administration's Import Administration has established the Antidumping/Countervailing Duty Petition Counseling and Analysis Unit. The Petition Counseling and Analysis Unit's main responsibility is to help U.S. industries understand the U.S. unfair trade laws dealing with dumping and unfair foreign government subsidies, as well as the process of filing a petition requesting the initiation of an investigation. Particular attention is paid to small and medium-sized enterprises that may find the petition process difficult to comprehend, or may be unable to afford the assistance of outside trade counsel to develop and file a successful petition.

On February 28, 2012, the President signed Executive Order 13601, establishing the Interagency Trade Enforcement Center, or ITEC. The ITEC is intended to level the playing field for U.S. workers and businesses by bringing a more robust "whole-of-government" approach to addressing foreign trade barriers and unfair trade practices, and it will significantly enhance the government's capacity to monitor and enforce U.S. trade rights and domestic trade laws. The ITEC, led by the Office of the U.S. Trade Representative and the Department of Commerce, will increase efforts devoted to trade enforcement, as well as leverage existing resources more efficiently across the Administration. The ITEC will serve as the primary forum within the Federal Government for executive departments and agencies to coordinate enforcement of U.S. trade rights under our international trade agreements and enforcement of domestic trade rights.

Not only are we dedicated to helping companies export, we are looking for more opportunities to increase the competitiveness of U.S. businesses. Secretary of Commerce John Bryson has made SelectUSA, supporting business investment in the United States, one of his priorities. Attracting more foreign direct investment to the United States is key to promoting economic and job growth. SelectUSA is the first U.S. government-wide initiative to facilitate foreign business investment attraction, retention, and expansion in the United States. SelectUSA services support state, regional, and local economic development organizations. It also provides current and prospective business investors with a single point of contact to agencies across the

U.S. Government. In the last three decades, the worldwide stock of foreign direct investment has grown from \$700 million in 1980 to \$19 trillion in 2010.

To increase the economic competitiveness of our businesses, the US&FCS is working diligently each day to connect small- and medium-sized enterprises with the 95 percent of consumers living outside the United States. U.S. businesses, particularly small- and medium-sized enterprises, have the full support of the U.S. government in connecting potential exporters to global partners and assistance in entering and expanding their business in foreign markets.

Thank you again for the opportunity to appear before you today. I look forward to answering your questions.

Testimony
US House Committee on Small Business
Impact of U.S. Trade Policies on Small Business and Manufacturing
Pittsburgh Technology Council
April 2, 2012

Submitted by:

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Summary:

- The Obama Administration's National Export Initiative is a timely call for government at all levels and the business community to incorporate the issue of US business competitiveness and export capacity into the strategic national dialogue.
- Fundamental issues remain that block or discourage many US SME's from considering export development as a means to domestic job creation, sales growth, and wealth creation.
- Pennsylvania's Center for Trade Development has been assisting SME exporters for more than 25 years. We have developed the largest and most comprehensive state-sponsored export program in the country, with a proven track record using a result-based methodology and an unprecedented return-on-investment.
- The State Trade Export Promotion (STEP) program, initiated by this Committee and administered by the US Small Business Administration, has proven to be a vital program to bolster existing state trade promotion programs, revitalize dormant ones, and reinforce the need for federal-state collaboration in delivering export promotion help to our SME exporters.
- The number of federal agencies involved in trade policy, regulation and promotion is of concern.

Background

In March 2010, President Obama signed an Executive Order authorizing the National Export Initiative, calling on multiple agencies of the US Government to work more closely together and in conjunction with the business community to double exports within 5 years. Long before this call, Pennsylvania's export program sought to understand and address the root causes of export under performance by Pennsylvania small and mid-sized businesses (SMEs). Through the last half of the 20th Century, far too many Pennsylvania firms and their employees suffered from the effects of foreign competitors, relocation of manufacturing facilities out of the state and the country, and a lack of internal and external

resources to address the on-going shifts in the global marketplace. Over the last 30 years however, Pennsylvania stands as a unique example of what can be achieved on behalf of its business community and its citizens when the decision is made to invest in a sustained international business development program.

Pennsylvania's Department of Community & Economic Development (DCED) serves as the agency dedicated to the growth and well-being of the state economy. Since 1986, DCED's Center for Trade Development's (CTD) export promotion program has focused on what we believe are four primary impediments to exporting for SMEs: Lack of managerial time to focus on corporate export strategies; lack of corporate funds to explore new market opportunities; lack of reliable and trustworthy contacts at the international level to validate markets, insufficient knowledge of exporting mechanics and regulations, both foreign and domestic. In the menu of export services that CTD has designed, these deficits are addressed to ensure that any PA company with the will and capacity to export their products and services has the opportunity to do so. Since boosting exports is viewed as a strategic driver for domestic jobs creation and business expansion, the state invested in a domestic and international network of export counselors to meet our exporters' needs.

PA Center for Trade Development

Though CTD's program has scaled up and down over the last 25 years due to inevitable budgetary and policy shifts, it now stands as the nation's largest, most comprehensive state-sponsored export program with more than 80 individuals around the world serving our exporter clients. It receives bi-partisan support in the state legislature as it has successfully demonstrated outstanding return on the state investment and the impact at state, regional and local levels.

In 2012, CTD's program will counsel more than 1,200 current and potential exporting businesses each year. Clients are assisted through a 3-tiered structure: 10 regional field offices serving as counselors and single points of contact; 8 Harrisburg-based program managers who design, deploy and monitor trade promotion activities; and 21 overseas contractors who deliver market research, market entry guidance, vetted business to business introductions, and counseling to mitigate the risk, reduce the cost, and collapse the timeline that is often associated with foreign market assessment for exports.

Our program's unique approach to enhance the global reach and capacity of Pennsylvania's small and mid-sized businesses is having a credible, measurable impact on job creation and building a globally aware, competitive and durable exporting business community. This scalable, replicable program enjoys a proven and sustained return on the state government's investment. Some of the key components to our export promotion program include:

Novelty: The idea of state-level export promotion is not new: Most US states provide some support to export promotion initiatives though they vary widely in size, and capacity. What makes Pennsylvania's effort unique and effective is the program's breadth, depth, strong operational coordination, and what we refer to as "bullet proof" accountability when reporting the bottom-line impact that we have on individual businesses and the commonwealth's exporting sector as a whole. We are also unique in the targeted special projects that we launch to prompt cluster-focused export initiatives. For example, this year, we deployed TechExport, a 2-year partnership with the Pittsburgh Technology Council to understand how the region's extensive tech-based business community differs from traditional manufacturers when assessing trade barriers and foreign market potential. The Pennsylvania Mining Exports Initiative (PAMEX) is a newly-established consortium of mining

equipment manufacturers that require (but cannot afford) to set up a full-time marketing presence in South Africa to sell machinery into sub-Saharan markets. As we have readily shared information on best practices with other states, we are aware that our program stands out as one fortunate enough to have had stable political and business support to focus on needs-driven programs like these.

Effectiveness: Tabulating and reporting the links between our trade promotion activities and the impact at the state, local and business entity levels is key to our success. Careful tracking and reporting of the services we provide to firms, the actions those firms take as a result of our counsel, and the eventual impact of new markets entered and new export sales achieved are critical to demonstrating program value to government leadership, the legislature and ultimately the taxpayer. Our performance measurement methodology enables us to advise, for example that in 2011, CTD worked with 1,255 clients, relayed 2,456 assistance requests to our overseas Authorized Trade Representatives on behalf of our clients; and track 278 clients who reported export sales during the year totaling just over \$526 million in new, program-facilitated exports. Further, using economic modeling software, we can report 4,277 Pennsylvania jobs were supported and \$22.5 million in local and state taxes were collected. This from a program with a budget of \$4.7 million. There are few programs that can report the return on the state's investment (112:1) with the magnitude and reliability that CTD can. Projections for the state's current fiscal year are even higher.

Significance: Prior to the 2008 economic downturn, the growth of Pennsylvania's exports regularly outpaced the national average by 8-10%. The 12% drop in exports during the height of the recession was followed by a complete recovery in 2010, reaching a record high of \$41 billion in 2011---again beating the national average. More significantly, exports as a percentage of Pennsylvania's gross state product have increased from 4.8% in 2006 to 7.8% in 2010 signaling a growing importance on global markets for domestic jobs and wealth creation. Widespread support, careful project oversight, a constant eye on clients' needs, and the flexibility to adapt to new markets, new industries and shifting dynamics helps this program move the needle on the state's economic capacity to compete in a globalizing market place.

Transferability to Other States: This has already begun. Recent federal funding under the SBA's State Trade Export Program (STEP) to initiate or expand export promotion programs at the state level has aided in this effort. Export promotions staffs from Tennessee, Vermont, Ohio, Michigan and others have approached CTD to better understand how to adapt our methodology to their new or existing state programs. Through regional and national organizations such as the Eastern Trade Council and the State International Directors' Organization, we are able to share our operating procedures on performance metrics, grants management, trade show and trade mission logistics, etc as we see this as good policy. Stronger exporting business communities in other states can only provide additional opportunities to our own clients to sell to other exporters via national supply chains.

For CTD, the end goal is more ambitious than simply to increase the value of Pennsylvania exports to world markets; it is to draw hundreds of SMEs into global markets, where they learn to adapt to global customers' needs and trends, assess and monitor competition, and become globally aware and durable businesses and employers of the 21st century.

SBA's STEP Program

During the inaugural year of this grant program, Pennsylvania was awarded \$1.7 million in federal funds to support on-going and new initiatives in export promotion. These funds could not have come at a better time. In spite of the CTD program's success, the Commonwealth's on-going fiscal situation has required all state agencies to draw back spending since FY 2008-2009. Without STEP funding, CTD was likely to cut back on staffing, overseas offices and events by 20-25% this year. Among the uses of STEP funds, CTD is providing matching stipends to qualifying SMEs to offset international marketing expenses, cover USDOC Gold Key fees, obtain international product certifications, and participate in international trade shows and missions. By fiscal year's end, we will have scheduled, organized, recruited and led 25 trade delegations to international markets and trade shows (see *Addendum, International Trade Missions and Shows Calendar of Events*) and we are able to cut client participation costs by up to 50% to mitigate the financial barriers for many cash-strapped SMEs.

We cannot overestimate the importance of STEP funding for state export programs at a time when, as a nation, we must move tens of thousands of new companies into the international marketplace. We believe states have a unique role to fill in complementing the federal agencies' efforts to work toward the same goal. The scale of the challenge is daunting: In Pennsylvania alone, according to US Census, there are more than 15,000 exporters, and most sell only into 1-2 markets. CTD's program, as robust as it may be, works with less than 10% of the state's total in any given year. It is safe to assume that in the majority of states, the penetration rate is even lower. STEP has certainly helped the states to initiate or re-invigorate trade promotion efforts, but it is incumbent upon us and our federal partners to devise new ways to market, educate and actively assist both new and experienced exporters on a large and sustained scale if the program is to have a meaningful economic impact now and in the future. Pennsylvania strongly supports the continued funding for the STEP program and it is our intention to clearly demonstrate to the SBA, our other federal partners, Congress and the Administration the value and return on this investment.

Federal Trade Policies and Their Impact on Pennsylvania

Staff from CTD and our 10 regional offices regularly works with our partners located in the US Export Assistance Centers in Philadelphia and Pittsburgh. Yet there are issues that prevent a closer working relationship and our ability to deliver federal trade assistance to a larger audience of clients, namely:

US Export Controls: As CTD is putting a new emphasis on working with technology-based firms, the issue of ensuring our clients properly navigate the requirements under US export control regulations becomes of increasing concern. We understand that, through the NEI, the on-going Export Control Reform Initiative is charged with consolidating the control list, licensing and enforcement authorities, and data tracking, and should result in reducing the number of regulated product categories and cutting the time required to obtain judgments on exports of sensitive technologies. It is our intention to work with the appropriate federal agencies to ensure our staff across the state are up to date on these regulations and can refer clients to the appropriate federal contacts as needed.

USCS Post Overload: One of the unintended consequences of STEP funding has been periodic overload of some US Commercial Service Posts as more and more states are requesting export assistance from US Commercial Service posts overseas. The response from our federal partners is to provide 4-6 month's advance notice when requesting assistance from the posts most in demand. That is feasible for trade mission planning but it becomes impractical when addressing the day-to-day needs of firms that require immediate market research, partner search assistance, etc. In CTD's case, we rely on our own network of overseas contractors to perform these tasks in an expedited manner, but it is problematic when assistance is needed in markets where CTD has no coverage. Additionally, SBA's mandate under STEP asks CTD to work closely with the US Commercial Service whenever and wherever possible, but if overseas posts are unavailable, we lose the opportunity to collaborate.

Federal Data Sharing Restrictions: Sharing exporter client information between state and federal trade partners is not happening in any meaningful way due to the legal restrictions put upon our primary federal trade promotion partners. Without individual waivers as authorized by each client, the USDOC and the SBA's Small Business Development Centers are unable to share client data with the state. Though waivers can be obtained, the restrictions do serve as an impediment to the large-scale, free-flow of information between state and federal agencies----the kind of volumes we believe are necessary to make a meaningful impact on our respective programs.

CTD plans to implement a state-wide strategy to identify as many of the 15,000+ Pennsylvania exporters as possible during the next 3 years. This is a large but vital task if we are to elevate our program to the next level. The ability to identify new clients, concentrations and clusters of exporters, and examine buyer/supplier relationships will enhance our ability to increase program efficiency, target firms, and develop regional export strategies. A GIS-based mapping platform to plot and classify exporters is easy; obtaining exporter data is not as there is no one source for such information other than the US Census Bureau which is prohibited from releasing such data. Through the purchase of business information databases and our own field work, we will begin the process this year.

Lack of Flexibility in Federal Trade Strategies at the Regional Level: We urge the federal government to authorize the US Export Assistance Center to develop regional export strategies based on their client's unique needs. We understand the need for national coordination across all USEACS on operating procedures, policies, and a focus on national priorities as they arise. We are interested in seeing flexibility however that permits each USEAC to budget and design export promotion programs specific to the business clusters, local partner capacities, and specific strengths and weaknesses of the area's export sectors.

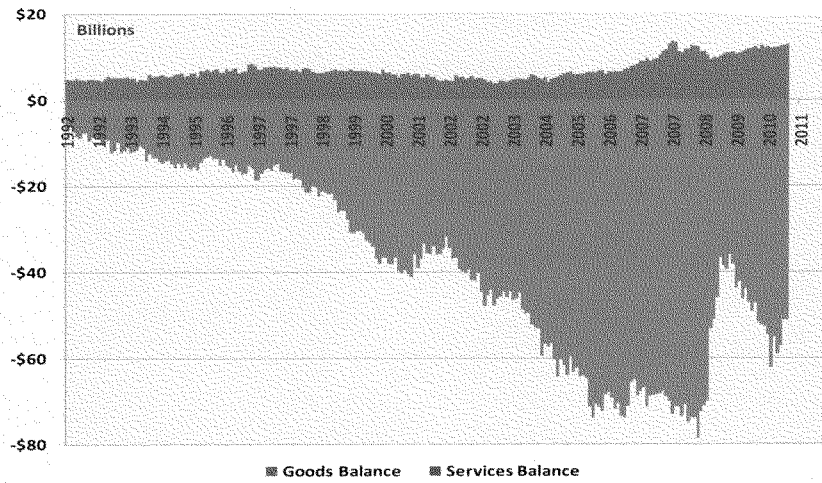
Encouraging Technology-Based Start-Ups to Look Abroad: CTD's long experience working with the state's infotech, life science, energy and other tech-based firms, and our recently launched TechExport program in Pittsburgh has made it clear there are very valid reasons to work with firms that span the technology-based product life cycle spectrum----from start-ups to mature players. We have found tech firms often seek access to international markets and contacts---often well before a product or service is fielded. Identifying foreign-based sources of capital, business and research partners, clinical trial operators, and

government regulators are just some of the reason these firms go global more rapidly than a traditional manufacturer. Like many, we also view those firms that eventually succeed as the 21st century jobs creation engines. Though failure rates are certainly higher for this cadre of firms, we believe providing assistance is worth the bet and in fact, their exposure to the international market early on actually increases their chances of success. The issue we raise here involves the "profitability clause" with regard to the SBA's STEP grant and the disqualification of any company that is not classified as profitable. CTD's recent trade delegation to the BioEurope tradeshow and conference held in Amsterdam was comprised of 6 firms, 5 of which did not qualify for STEP funding due the SBA's profitability requirement. We expect good results from our clients' participation but we would like to see this clause removed from SBA's requirements, or, a budget carve-out that permits grantees to use a portion of federal funds to support promising technology-based companies.

Conclusion:

Pennsylvania's export promotion efforts have focused on grass roots efforts to reach every Pennsylvania exporter that we are able to identify and deliver very practical assistance to bring about new export opportunities. We consider ourselves "transaction specialists" and do not directly involve ourselves with trade education, or trade policy. With limited resources of our own, our approach to grab the lowest hanging fruit in terms of developing a service suite that rapidly boosts the value of exports and number of US exporters with scarce resources is premised on: 1) Conduct trade operations in the most efficient manner as possible through good data management and close coordination with our federal and regional partners; 2) Eliminate the confusion that clients can often face when trying to discern between the multiple export assistance providers that periodically approach them; 3) Field additional staff to work with our clients given the ultimate basis of building new exporters and strengthening existing exporters is built on trust, credibility and efficacy.

US TRADE BALANCE FOR GOODS AND SERVICES (1992 - 2010)



An Unsustainable Trend

Affecting US:

- Competitiveness
- Employment
- Balance of Payments
- Interest Rates
- Savings Rates
- US Dollar Value
- Credit Rating

The headline in the American Metal Market last Monday was- China Downstream steel push is called worrisome. Unfortunately, my industry, wire and wire products has been living this reality for many years. By the way, wire and wire products are everywhere- nails, staples, paperclips, telephone pole hardware, nuts and bolts for cars and many other uses, concrete reinforcement, book bundling wire, chain link fence and literally hundreds more items are made from wire. Now back to China who has built the world's largest steel industry and wire rod, the raw material for wire, has been their main focus. China has 65% of the world's production capacity for wire rod while they have roughly 45%- 50% for other steel products. The key issue, however, is China's Border Tax Regime where they impose a 15% export tax on wire rod and interestingly, don't impose any export tax on other steel products. Now the bad news- the export duty has forced all of this wire rod production into their domestic market at below world market pricing, giving their wire and wire products producers a significant cost advantage and then when they export they get a 5% to 15% VAT rebate- a powerful combination. The results are that they've flooded the world with cheap and dumped wire and wire products for the last 10 to 12 years. In the last 10 years in the US, China has gone from virtually a zero market share to supplying about 20% of our entire market. This Border Tax manipulation violates several WTO rules, but they defend their actions using an environmental defense and the USTR has been reluctant to challenge them even though the US and Europe recently won a similar case on basic steel inputs at the WTO.

The results have been devastating as far as job loss and shuttered businesses of all sizes and the list of wire products that today aren't made in the US anymore is long. However, once you read a Chinese Government Five Year Plan, it's clear that their strategy is all about creating jobs in China. The obvious problem in the US is the commensurate loss of jobs and in this case from mostly small privately owned companies, many of whom are no longer in business.

The good news is that 5 years ago our industry started using US trade laws to defend our market against dumped wire and wire products from China and other countries. Starting with the Garmet Hanger Case, our industry has won a series of Anti-dumping (AD) and Countervailing Duty (CVD) cases. In fact, my company is currently involved with five other US wire companies in an AD and CVD case against China and Mexico for galvanized wire. I testified last week at the ITC at a final injury determination hearing and we believe that the ITC will uphold the Commerce Departments duty determination that imposed AD duties on China from 194% to 235% and AD duties on Mexico from 21% to 38%.

These trade law remedies have provided much needed relief for our industry, but there are two problems that make addressing the numerous 'dumping' issues we face quite difficult, particularly if you are a small business. First, unless the Commerce Department tracks your product or products of interest in a separate category, it is difficult to gather the needed information on imports to build the facts for a case. This is particularly true for smaller companies or even groups of smaller companies that tend to find niche products or markets so they can compete successfully. And in our industry there are literally hundreds of wire and wire product items produced. The solution here is to make industry wide cases easier to develop and submit instead of the cumbersome 201 and 301 Trade remedies. Secondly, bringing an AD/CVD type case today costs the petitioners in excess of \$1 million. That's a challenge for small businesses even when your confidence is high because it takes about ten to twelve months for cases to go through the system and that means even for successful cases the pay back is not timely. The cost is based on the legal complexity and other demands inherent in an AD/CVD case and certainly no small business could maneuver through the process without legal counsel. There is no obvious solution to this problem.

Another problem with even successful trade suits is enforcement. I'll spare you the details, but be assured that these circumvention and fraud issues are numerous. In fact, in the case of China there is a

clear pattern of both fraud and circumvention highlighted by websites that promote “triangular trade” through other Asian US trading partners. Our industry has regular meetings with key Custom’s personnel and we are at the forefront of promoting the Enforce Act which we believe will strengthen our enforcement regime. We also recognize that austerity is the order of the day, but the return on investment in increased trade enforcement is real and substantial.

Of course, the recent legislation that the President just signed that confirms Congressional support for applying CVD orders to non market economics is timely and very important. China historically has and continues to give massive subsidies to virtually all of its manufactures and not holding them accountable after ten years of membership at the WTO would be ridiculous. Their major subsidy, however, is their undervalued currency. The fact is that China has created the greatest “mercantilist system” since the 18th Century through their subsidies, border tax regime and many other market distorting practices. Their undervalued currency is the thread that weaves the system together into a powerful economic machine. Those of us outside the beltway are intrigued by the political maneuvering on the “currency bill”, but we do appreciate Rep. Critz leadership on this issue in the House. Please understand that many of us in industry, regard China as an important trading partner with great potential as an export customer, but we just don’t understand why there is such a great reluctance to hold them accountable for their actions that in almost every case are counter to their WTO and GATT commitments.

Finally, we cautiously support the Presidents’ proposal for an Interagency Trade Enforcement Center because there would be real value in organizing our trade related assets so they could be more transparent and user friendly.

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2 April 2012

Testimony to the Committee on Small Business: Impact of U.S. Trade Policies on Small Businesses and Manufacturing

Justin McElhattan is President and CEO of Industrial Scientific Corporation, the global leader in gas detection and safety analytic solutions with 900 employees in 22 countries. In his 14 years at Industrial Scientific, Justin has held various positions including Vice-President of Operations, and Chief Operating Officer. Prior to his work at Industrial Scientific, Justin worked in the safety distribution industry where he worked with a broad range of customers to build and improve safety through training and protective systems. Justin has an M.B.A. from Carnegie Mellon's Tepper School of Business and a B.S. in Environmental Resource Management from Penn State University.

Industrial Scientific is a global manufacturer and technology provider serving the needs of those people working in the most dangerous workplaces in the world. We manufacture gas detection equipment that monitors potentially deadly atmospheres (toxic, explosive, low oxygen content) in order to preserve human life. We serve customers in the oil and gas sector, utilities, mining, municipal services (fire, emergency response, water/wastewater), and manufacturing. Our equipment is in use at most of the world's largest companies and is in service at such high level locations as the CERN LRC (Large Hadron Collider) in Switzerland & France, and on board the International Space Station.

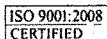
We manufacture products at four different locations: Pittsburgh, Pennsylvania; Shanghai, China; Arras, France; and Dortmund, Germany. We employ 900 people across 22 countries and have exhibited strong growth over our company's 27 years so far.

I want to speak about one very specific issue as it relates to United States Trade Policy: export control. A key factor in growing from 30 employees in 1985 to almost 400 employees in the U.S. (with 60 U.S.-based jobs created over the last year) has been expanding sales to international customers. Over half of our production is sold outside of the U.S.

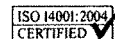
Some of our products that we manufacture, for example, ones that monitor gases such as chlorine and sulfur dioxide, are considered *dual-use*, meaning that these items may have both commercial and military or proliferation applications. As such, our products are subject to certain export controls that are terribly costly, complex, and burdensome in service to our customers. Further, the potential penalties for non-compliance are incredibly harsh and costly to a growing company.

In order to ensure full compliance, Industrial Scientific must focus on numerous points in our business processes:

OUR MISSION



Preserving human life on, above and below the earth
Delivering highest quality, best customer service ...
every transaction, every time



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- Monitoring and control at all global order entry points (at an individual order level) for denied party screening, end-use verification, and other necessary documentation. This also creates potential delays for our customers in receiving life-preserving equipment.
- Monitoring and controlling distributor channels (we sell most of our products through an intermediary distributor instead of to the end-user directly)
- Monitoring and controlling our own product classifications as they relate to export control classification numbers; in particular, export review assessment is required during the preliminary product development process to assess whether a proposed new product will require a license for export and then an additional follow-up assessment is needed prior to launch of a new product to again review the initial export assessment and determine if changes in design during product development of the final product ultimately require a license for export. Additional export assessment review of upgrades and/or updates to existing products is needed.
- Continuous training of employees regarding export compliance concerns and expenses relating to export compliance guidance and advice from legal counsel as well as export consultants

Additionally, Industrial Scientific is limited in our ability to confer with non-US based consultants regarding technology issues, and in some cases, to hire non-US citizens for certain positions, due to concerns about the "deemed export" of technology. These limitations hinder development efforts.

My requests to the committee are as follows:

- 1) Recognize the tremendous burden this system places on a company's growth and nimbleness
- 2) Seek ways to simplify the export control process for growing companies

In summary, the increasing emphasis being placed on export enforcement and increased penalties can be counterproductive to promoting exports. Consideration is needed to develop a way for the government to partner with industry to facilitate export compliance to enhance legitimate trade while preventing harmful exports. Thank you for the opportunity to address the committee.



Justin K. McElhattan
President & CEO
Industrial Scientific Corporation

OUR MISSION

Preserving human life on, above and below the earth
Delivering highest quality, best customer service ...
every transaction, every time





**Statement of
David Groll, CEO
Circadiance**

**Before the
Committee on Small Business
Subcommittee on Agriculture, Energy and Trade
United States House of Representatives**

April 2, 2012

For more information
Chris Martin
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Mr. Chairman, and members of the subcommittee, good morning and thank you for your invitation to speak before you today.

I would like to applaud this committee's efforts regarding free trade agreements with Columbia, Korea and Panama. I urge continued efforts to reduce barriers to market access in Asia and Latin America, in particular, Brazil.

My name is David Groll and I am CEO of Circadiance. Circadiance designs, manufactures and sells facemasks for the treatment of Obstructive Sleep Apnea, a condition that affects an estimated 30 million Americans and 100 million people worldwide. Although we do sell in over 30 countries, currently less than 10% of our revenue is from sales outside the US. This committee's effort to remove trade barriers supports our goal of growing our export business faster than our overall business.

There are two main issues facing the medical device industry – the medical device levy tax and competitive bidding.

As an American medical device manufacturer, I am staunchly opposed to the medical device levy tax. This job killing provision was included in the Patient Protection & Affordable Care Act, signed into law in 2010. According to the act, a 2.3% excise tax will be imposed on the total revenues of all US medical device companies, regardless of whether the company generates a profit. This tax will impact countless small manufacturing businesses throughout the country. For instance, our company 2012 budget calls for us to spend 10% of our revenue on research and development. Should the medical device levy go into effect at the beginning of 2013, as called for in the Affordable Care Act, we will have no choice but to cut our research and development spending by an offsetting amount. This will result in a 23% reduction in our rate of research and development investment. Companies throughout our industry face the same challenge. The result will be devastating to innovation, impede job creation and weaken the position of the United States as the global leader in medical technology innovation. Should the Affordable Care Act survive the current Supreme Court challenge, I urge you to support the efforts of Representative Erik Paulsen (R – MN) to have this provision of the Affordable Care Act repealed before it becomes law at the end of this year.

Circadiance sells primarily to Home Medical Equipment providers who provide our products to their patients and then bill their insurance providers, including Medicare. The Home Medical Equipment industry represents a cost-effective alternative to hospital-based care, for example:

- Home Medical Equipment represents only 1.6 percent of the total Medicare budget.
- Home Medical Equipment and services represent the slowest-growing portion of Medicare spending, increasing only 0.75 percent per year, compared to more than 6 percent annual growth for Medicare spending overall.

The Medicare Modernization Act of 2003 established requirements for a Competitive Bidding program for certain Home Medical equipment and supplies. Under the program, the Centers for Medicare & Medicaid Services (CMS) awards contracts to suppliers to meet beneficiary demand for the bid items. Competitive bidding was rolled out to 9 metropolitan areas in 2010 and is currently being extended to an additional 97 areas this year.

Medicare Competitive Bidding is deeply flawed.

- It is anti-competitive, as it reduces the number of suppliers in a market, forcing many of these small businesses to close.
- It reduces access to care, patient choice and quality of care.
- It forces patients, most of whom are senior citizens or disabled, to switch away from local providers they rely on and trust.

We have already seen the results of competitive bidding in the initial 9 competitive bidding areas.

- There has been a drop in submitted claims in these areas reflecting the more restricted access to approved Medicare suppliers for seniors.
- At the same time, there has been a rise in the same beneficiary group in emergency room admissions, reflecting the inevitable shifting of care from the low-cost home based model to the much higher cost hospital based model, which is still paid for by Medicare.

Competitive bidding is causing the cost of Medicare to go up, in direct conflict with the goals of the program. I urge members of this committee to support H.R. 1041, the bipartisan bill to repeal the competitive bidding program. In turn, I urge committee members to support the alternative known as the Market Pricing Program which, like competitive bidding, is based on an auction process, but addresses the flaws of the competitive bid program. The Market Pricing Program will meet the goal of lowering prices for medical equipment, without restricting access to the system for seniors and those with disabilities. Currently the Market Pricing Program is pending a score from the Congressional Budget Office (CBO). I urge committee members to pressure the CBO to present this score as quickly as possible so that the Market Pricing Program has a chance to replace the flawed competitive bidding system before the end of the year.

My goal today is to seek fair treatment for my company and the industry that I have worked in for over 25 years. I urge you to continue providing access to international markets, to seek a simple and fair tax code that treats all companies equally, and to support efforts to replace the flawed Medicare competitive bidding program.

I have included additional comments, which are in my written testimony for the public and committee record. Thank you for the opportunity to speak today.

Global Harmonization of Device Regulation: I support H.R. 3230: Keeping America Competitive Through Harmonization Act of 2011, which is currently in the House Energy and Commerce Committee. This bill amends the Federal Food, Drug, and Cosmetic Act to require the Secretary of Health and Human Services (HHS) to enter into agreements with many countries regarding methods and approaches to harmonizing regulatory requirements for premarket review, inspections, and common international labeling symbols for medical devices. I recommend that this harmonization be extended to require the Federal Drug Administration to recognize valid clinical data generated in other countries and used as part of FDA pre-market submissions.

Vendor credentialing: Vendor credentialing is a process to certify the sales representatives that enter hospitals are properly registered and have all of their inoculations and other health records in order. The process of vendor credentialing is run by a number of independent vendor credentialing services that compete to act as the gatekeepers between the sales representatives and the doctors. The justification for this system is that it promotes patient safety even though there is no clinical evidence showing that sales representatives pose a health risk to patients. This fragmented system causes an individual sales representative to register with perhaps half a dozen vendor-credentialing services or individual hospital systems, each with their own fees and documentary requirements. The burden of this system falls disproportionately on smaller manufacturers and their sales representatives who tend to have a smaller product lines and who service more hospitals than representatives of larger organizations. We support a single vendor-credentialing standard for all hospitals, in which the credentials established through one service receive mutual recognition by all other services. This would allow private companies to continue serving this market, promoting competition among the various credentialing services, but requiring a sales representative to register with only one such service to be recognized by all hospitals.

Manufacturing leads Pueblo's recovery

Posted: Monday, March 26, 2012 12:00 am | Updated: 11:15 am, Tue Mar 27, 2012.

Manufacturing leads Pueblo's recovery By PATRICK MALONE | pmalone@chieftain.com | 0 comments

DENVER — Employment gains and consumer spending in the five-county Southern Colorado region anchored by Pueblo outpaced the state in 2011, according to state economists.

In the Pueblo region, employment increased 1.6 percent, Natalie Mullis, chief economist for Colorado Legislative Council, said. The report pointed to the Vestas factory in Pueblo, where the towers for wind turbines are built, as a reason that manufacturing is up locally. In June 2011, Vestas landed new orders for 156 wind turbines, signing contracts to produce 83 wind turbines for a wind power farm in Canada and 73 wind turbines for another facility in Southern California. In November, the company received orders for 79 additional wind turbines from First Wind for two wind-energy projects in the U.S.

In the quarterly economic forecast released by Legislative Council last week, Pueblo, Huerfano, Fremont, Custer and Las Animas counties were assessed collectively.

Although the Pueblo area's unemployment rate fell last year, it still had the highest rate among regions of the state in December.

The residential real estate and residential construction markets continue to struggle, according to the forecast.

Nonresidential construction also is expected to remain weak.