AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

National Small Business Week: Small Business Success Stories

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS
HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

WASHINGTON, DC, SEPTEMBER 17, 2003

Serial No. 108–37

Printed for the use of the Committee on Small Business

Available via the World Wide Web: http://www.access.gpo.gov/congress/house

U.S. GOVERNMENT PRINTING OFFICE

92–801 PDF WASHINGTON : 2003

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2250 Mail: Stop SSOP, Washington, DC 20402–0001

COMMITTEE ON SMALL BUSINESS

DONALD A. MANZULLO, Illinois, *Chairman*

ROSCOE BARTLETT, Maryland, *Vice Chairman*
SUE KELLY, New York
STEVE CHABOT, Ohio
PATRICK J. TOOMEY, Pennsylvania
JIM DEMINT, South Carolina
SAM GRAVES, Missouri
EDWARD SCHROCK, Virginia
TODD AKIN, Missouri
SHELLEY MOORE CAPITO, West Virginia
BILL SHUSTER, Pennsylvania
MARILYN MUSGRAVE, Colorado
TRENT FRANKS, Arizona
JIM GERLACH, Pennsylvania
JEB BRADLEY, New Hampshire
BOB BEAUPREZ, Colorado
CHRIS CHOCOLA, Indiana
STEVE KING, Iowa
THADDEUS MCCOTTER, Michigan

NYDIA VELÁZQUEZ, New York
JUANITA MILLENDER-MCDONALD, California
TOM UDALL, New Mexico
FRANK BALLANCE, North Carolina
DONNA CHRISTENSEN, Virgin Islands
DANNY DAVIS, Illinois
CHARLES GONZALEZ, Texas
GRACE NAPOLITANO, California
ANÍBAL ACEVEDO-VILÁ, Puerto Rico
ED CASE, Hawaii
MADELEINE BORDALLO, Guam
DENISE MAJETTE, Georgia
JIM MARSHALL, Georgia
MICHAEL MICHAUD, Maine
LINDA SANCHEZ, California
ENI FALEOMAVAEGA, American Samoa
BRAD MILLER, North Carolina

J. MATTHEW SZYMANSKI, *Chief of Staff and Chief Counsel*
PHIL ESKELAND, *Policy Director*
MICHAEL DAY, *Minority Staff Director*

CONTENTS

WITNESSES

	Page
Thompson, Maria, T/J Technologies, Inc.	3
Kalick, Erica, Erica's Rugelach and Baking Company	5
Doan, Lurita, New Technology Management, Inc	8
Nenna, David, Tule River Tribe	10
Evans, Randall D., AccounTeks Business Services	13
Glazier, Jordan, eBay, Inc	15
Collins, John, Fortel, Inc	16
Walsh, Brendan, FedBid.com	17

APPENDIX

Opening statements:	
Manzullo, Hon. Donald A.	28
Acevedo-Vila, Hon. Anibal	32
Prepared statements:	
Thompson, Maria	34
Kalick, Erica	40
Doan, Lurita	45
Nenna, David	53
Evans, Randall D.	56
Glazier, Jordan	62
Collins, John	66
Walsh, Brendan	69

HEARING ON NATIONAL SMALL BUSINESS WEEK: SMALL BUSINESS SUCCESS STORIES

WEDNESDAY, SEPTEMBER 17, 2003

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, D.C.

The Committee met, pursuant to call, at 1:05 p.m. in Room 2360, Rayburn House Office Building, Hon. Donald A. Manzullo [Chairman of the Committee] presiding.

Present: Representatives Velazquez, Schrock, Franks, King, McCotter, Ballance, Christensen, Majette

Chairman MANZULLO. Good afternoon. We gather today to celebrate National Small Business Week and the 50th anniversary of the SBA. We are also here to recognize several businesses that embody the spirit of entrepreneurship. Some are successful small businesses, and some are businesses that help create opportunities for other small businesses.

Each year for the past 40 years, the president has issued a proclamation calling for the celebration of Small Business Week. This year, the National Small Business Week is being held from September 14 through the 20th, and in this year's proclamation the president said, "The success of small business in America reflects the innovation, determination, and hard work of the American people. During Small Business Week, we celebrate the entrepreneurs and business people who create goods, services, and jobs that bring opportunity and economic prosperity to communities throughout our country."

Here on the House Committee on Small Business, we know that small businesses have been the catalyst for economic growth. From 1990 to 1995, one of our nation's most impressive economic growth cycles, small businesses created three-fourths of the new jobs. Unfortunately, burdensome regulations, complex tax code, and the high cost of health care are stifling small businesses. Small businesses face a compliance burden for regulations that is 60 percent per employee than large businesses.

I look forward to listening to your testimony. In about 25 minutes, Hector Barreto, the SBA administrator, will be joining us and sitting right here, which is very unusual, but I am chairman, and those are the rules we set down, because he loves to hear the small business success stories, and he will be part of this hearing shortly. And I look forward to the opening remarks of our distinguished Ranking Minority Member and herself involved in small business, Ms. Velazquez.

[Mr. Manzullo's statement may be found in the appendix.]

Ms. VELAZQUEZ. Thank you, Mr. Chairman. Thank you.

As we celebrate National Small Business Week, we are reminded how this nation's small firms and entrepreneurs are truly the drivers of the American economy. Today, our country's approximately 23 million small businesses create three out of every four new jobs, represent 99 percent of all employers, and provide almost 70 percent of workers with their first jobs and initial on-the-job training.

There is no question of the important role small businesses play in keeping the U.S. economy strong. Owning a business is an integral part of the American Dream. This ideal brings hundreds of thousands of immigrants to our shores each year. Today, minorities, along with women, are opening small businesses in record numbers. In fact, Latinas are the new small business trailblazers. Between 1997 and 2002, the number of Latina-owned firms increased by almost 40 percent, and their sales grew by almost 10 percent.

Our country was built on small businesses, and this legacy continues today. In order for small business owners to continue this legacy, they need to have the capability to expand and create new jobs, but it is important to understand the reality they currently face. We cannot dismiss the fact that it is difficult to be an entrepreneur with our nation in the midst of an economic slump. Today's environment does not make things easy for small businesses.

This morning, the Small Business Committee Democrats released a first-ever, small business index. This report tracks the economic conditions facing small businesses. Unfortunately, after reaching a five-year high in 2000, the 2003 second quarter report represents a five-year low, meaning that conditions for small business creation and growth are more challenging than ever.

Since small businesses have the power to turn our economy around, we need to start addressing their issues. It would be unfair to say that the White House has done nothing to help small business. They released a Small Business Agenda in March of 2002, but that is about the extent of it. There has been no progress to date on getting any of the agenda items accomplished.

Small business owners need action, not empty promises. They need access to quality, affordable, health care, since they make up the majority of the uninsured. They need targeted, permanent tax relief and assistance in navigating the federal regulatory process. They need an easier way into the $235 billion federal marketplace and avenues to access capital other than credit cards.

But this administration has done nothing to help small businesses on these critical issues. It has failed to give them the tax relief they need. In the 2003 tax cut, just 3 percent of the $350 billion went to targeted, small business relief, and these provisions are set to expire in 2004 and 2005.

On the health care regulatory and federal contracting fronts, small businesses have been pushed to the sidelines. After all they have done for this nation, don't we owe them some fairness and some action on their agenda?

As we observe National Small Business Week and recognize some of our country's most successful entrepreneurs, we will be reminded of what they mean to the strength and vitality of the American economy. But the message this week should be if we are

going to get this economy back on track, that small businesses should be the number-one priority. Without our small firms and entrepreneurs, the U.S. wouldn't be the superpower that it is today. Thank you, Mr. Chairman.

Chairman MANZULLO. Thank you very much.

The rules are we push the button, and when you see the green light you are fine; yellow light, you have got one minute; a red light. Okay? We anticipate a series of votes at 2 o'clock, so I want to end this up by then.

Our first witness will be Maria Thompson, who will be introduced by her member of Congress, Representative Thaddeus McCotter; and then the next witness will be Erica Kalick, who will be presented by her member of Congress, Ms. Velazquez. Mr. McCotter?

Mr. MCCOTTER. Thank you, Mr. Chairman. It is my honor to introduce Maria Thompson, president and CEO of T/J Technologies. We talked in my office prior to this. I won't bore you with the details, but I asked her to do two things for small business, survive and thrive, and she is doing both, and it will be a pleasure to hear her say it.

Now, Maria's business is located in Ann Arbor, and she is a resident of the 11th Congressional District. So the way you can look at that is that her business is represented by the illustrious dean of the United States House of Representatives, John Dingell, and the other part is me.

So, on my part, I would like to thank you for being here, and I look forward to your testimony.

Chairman MANZULLO. Okay.

STATEMENT OF MARIA THOMPSON, PRESIDENT AND CEO, T/J TECHNOLOGIES, INC., ANN ARBOR, MICHIGAN

Ms. THOMPSON. Mr. Chairman, members of the Committee, honored guests, ladies and gentlemen, I want to first thank you on behalf of my colleagues at T/J Technologies for this opportunity.

When my husband, Professor Levi Thompson, Dr. Mike Wixom, and I started T/J Technologies 12 years ago, we never dreamed that our success would lead to speaking before such an esteemed audience.

We have all heard that U.S. small businesses are the growth engine of the U.S. economy. Small technology businesses contribute to our economic security by ensuring that manufacturers have access to unique technologies that create new products and markets. The SBA reports that small firms produce two and a half times as many innovations per employee as large firms but at half the cost.

Unfortunately, small companies have the greatest difficulty gaining access to capital to create these innovations. Contrary to popular belief, debt and venture capital do not fund research. Furthermore, in recent years, large firms have had difficulty funding their own R&D, let alone someone else's. We have witnessed these cuts firsthand, and some of the research groups with whom we used to interact no longer exist. Simply stated, without federal support, much of this research would move offshore where the investment climate is more patient, and technical labor is available at a fraction of the cost.

Within this context, federal R&D programs offer a critical means for innovative small businesses to overcome the capital-access barrier. We have benefited from the Advanced Technology Program, for example, which sponsors high-risk, high-payoff research with multimillion-dollar grants that cannot be obtained elsewhere. It is because we have effectively coupled our entrepreneurial spirit with third-party investment, funding from the SBIR, STTR, and ATP programs that we are here today.

Since 1991, T/J has developed and demonstrated proprietary nanomaterials for lithium-ion battery, fuel cell, ultracapacitor, and environmental applications. To put it simply, we make the materials that make these devices better and less expensive.

Some of our government customers include NIST, NSF, DOE, NASA, DoD, and EPA.

Many of you regularly use portable electronics and may not be aware that the energy source is the bottleneck preventing the introduction of more features and applications. New materials are needed to keep pace with aggressive user demands and to make alternative technologies like fuel cells practical for commercialization.

Let me share with you some specific examples of why I think T/J Technologies was chosen as a success story for the SBA. We are developing battery electrodes that will enable lithium-ion batteries to become more than 20 percent smaller or last 20 percent longer for portable electronics. For high-rate applications, such as hybrid electric vehicles, we are developing a safe battery cathode with twice as much power at 50 to 60 percent of the cost.

The recent success of our SBIR from the Air Force and the Missile Defense Agency has generated interest in a development program with the Air Force to develop a lightweight, low-temperature, affordable, lithium-ion battery for Global Hawk. Our materials could enable the switch to batteries that weigh 50 percent less than currently used technology.

The ATP is also funding our development of a direct-methanol, micro-fuel cell combined with an ultracapacitor that are expected to achieve energy densities over five times that of batteries. To put this in perspective, future fuel cell-powered laptop computers could run for more than 20 hours instead of the four to five hours provided by current battery technology.

Other programs from NSF, DOE, and the Army have helped us to develop low-cost, fuel cell electrocatalysts and high-temperature fuel cell membranes. This research is important because fuel cell costs must be reduced by more than an order of magnitude before they become commercially successful.

We have leveraged our ATP and SBIR resources by subcontracting with other small companies from across the nation. SBA programs have also enabled us to partner with some of the country's finest universities, including the University of Michigan, to accelerate technology transfer.

Our technical and management expertise has been locally, regionally, and nationally recognized, with over 10 major awards. We were recently declared the "Future of Energy" by the Great Lakes IT Report, and we are also proud to be designated a Green Gazelle by the Washington, D.C.-based Center for Small Business and the

Environment. More importantly, large global companies have recognized our technical expertise, and we are negotiating joint development, materials testing, and other technology-transfer agreements.

Before I close, I would like to invite you all to visit our facilities in Ann Arbor. First, I would like to take a moment to request your assistance. I request your continued strong support of the ATP program and the SBIR Policy Directive. Second, the Small Business Association of Michigan requested that the SBA host a national SBIR conference in Michigan in the near future. This would give SBIR program stakeholders an opportunity to see the great things that Michigan small companies and organizations, such as the Small Business Association of Michigan, the Michigan Economic Development Corporation, and Michigan's Next Energy, are doing to help our nation maintain technology leadership.

[Ms. Thompson's statement may be found in the appendix.]

Chairman MANZULLO. I hate to tell you, but you are out of energy there.

Ms. THOMPSON. Thank you.

Chairman MANZULLO. Thank you very much. How many employees do you have?

Ms. THOMPSON. We have 22——

Chairman MANZULLO. Goodness.

Ms. THOMPSON [continuing]. With Ph.D.s in material science and technical engineering.

Chairman MANZULLO. Wow. That is impressive.

Ms. Velazquez, would you like to introduce your constituent?

Ms. VELAZQUEZ. Thank you, Mr. Chairman. Today, I would like to introduce Erica Kalick, president of Erica's Rugelach and Baking Company. Erica's small bake shop is in my district in New York City. Her baking business has become an extraordinary success. She was just chosen as one of the small business award winners by Crain's New York Business. Erica's business has significantly grown since its humble beginnings in 1989.

Today, her baked goods are sold through gourmet outlets, such as Zabar's, Dean & DeLuca's, and the Pepperidge Farm holiday catalog. Her firm now employs 10 bakers in a 2,500-square-foot factory in Park Slope, Brooklyn, and its sales are nearing the $1 million mark. Erica has an amazing tale to tell and an extremely successful baking business to show for it.

I would like to thank her for being here today to share her testimony. Thank you and welcome.

STATEMENT OF ERICA KALICK, PRESIDENT, ERICA'S RUGELACH AND BAKING COMPANY, BROOKLYN, NEW YORK

Ms. KALICK. Thank you. I am honored to have this rare opportunity this afternoon to be heard by the House Small Business Committee. I would like to thank the chairman and members of the Committee and especially to extend my deepest gratitude to Congresswoman Nydia Velazquez for the unceasing care and integrity she has showered upon small businesses, regardless of size. She came to my wholesale bakery, met my workers, and really listened with undivided attention and compassion to the myriad of concerns

that Erica's Rugelach is dealing with. Actually, my issues are every small business owner's issues.

The approximately 23 million small businesses in the U.S. represent and estimated 99 percent of all employers, make up half of our GDP, and create three out of four new jobs. We are tenderly interconnected, interdependent, and have the untapped potential to reach out and help each other. Government must be a part of this partnership, yet, in March, the House Small Business Committee released a report that showed cuts to or the elimination of 25 small business programs in Bush's fiscal year 2004 budget. We must work together, and federal government must walk their talk. At this late hour, with unemployment at new highs and a limping economy, we have no alternative but to listen to one another and then act with skill and wisdom. This is the spirit in which I would like to couch my testimony.

As you are well aware, there are a daunting number of very complex, serious issues that small business owners are confronting and struggling with on a daily basis: difficult access to capital——.

Chairman MANZULLO. Erica, if I could interrupt you, could you tell us your story? I don't want time to run out.

Ms. KALICK. Cut to the chase?

Chairman MANZULLO. Yes.

Ms. KALICK. Okay.

Chairman MANZULLO. The other stuff is great stuff, but tell us——

Ms. KALICK. Okay.

Chairman MANZULLO [continuing]. Who you are and how you got started. That is why we are here.

Ms. KALICK. Erica's Rugelach and Baking Company——

Chairman MANZULLO. There you are.

Ms. KALICK [continuing]. Is a small, Brooklyn-based, wholesale manufacturer of gourmet rugelach and specialty cookies. I began recipe testing in 1989, and today I employ 10 people, mostly hard-working women from Puerto Rico, Central and South America who speak English as a second language, and we have received a business award.

Obviously, I cannot produce my product without the loyalty and hard work of my staff. My product is of premium quality and can be found in the top specialty stores in New York City and around the country. I cannot cut corners with my product and still maintain my market niche. These cookies are expensive to produce, partly because of the nature of the complexity of this type of cookie, but also for the laundry list or reasons that I was just about to outline.

I must be able to produce with the greatest profit margin so I can create better jobs and continue to do the community-outreach work I have done since the inception of Erica's Rugelach. We support Safe Horizons' Brooklyn Child Advocacy Center, City Harvest, the Race for the Cure, literacy projects, the American Red Cross and have participated in fundraising events concerned with women's health issues.

Again, along that list: difficult access to capital; untenable, seemingly unfixable, industrial real estate-rezoning problems; rental-versus-ownership problems; uncappable insurance and disability

costs; unaffordable health care for workers; unjust and capricious fines and penalties levied by federal, state, and city regulatory agencies; sky-high energy costs with no end in sight—FERC is simply not doing its job; labor and immigration problems; unaffordable housing for workers in the inner cities; difficulties in producing products and services with a healthy profit margin.

I built my business and pioneered in an area in Brooklyn that was once affordable. Today, this is not the case. I need to move to an industrial, food-manufacturing area that will support my enterprise over the long haul. The federal government must support organizations, such as NYIRN, ITAC, local business-development centers, the chamber of commerce, so that small business owners can make use of the programs and incentives they are plugged into.

You know, the irony of these programs is that, in a New York Times article, most small manufacturers will not use these services. They are too busy running their businesses and may fear that if they contact the government, officials will interfere with their business or workers. The federal government must provide funding that would help small business owners to access and navigate these problems without the red tape. I urge you to read this editorial because, in many salient points, it sums up the conundrum that the small business owners are facing.

There is a report from NYIRN and the Brooklyn Chamber of Commerce that I urge you to read, and I would just say that the Internal Revenue Code should be revised to permit IDBs to be used for the development of rental, industrial buildings, since most small business owners rent, and the program for that was cut.

Just to sum up, we cannot become a virtual city where we eat holographic food, nor can America become a ghost town of tumbleweed, littered factories with armies of depressed but capable citizens with no jobs and nowhere to go each morning.

Thank you for your careful consideration of these most serious issues. We, as business owners, rely and depend upon just and fair public policy that supports us all.

[Ms. Kalick's statement may be found in the appendix.]

Chairman MANZULLO. You sound also like an author there. Did you happen to bring any cookies with you?

Ms. KALICK. Well, virtual cookies.

Chairman MANZULLO. Virtual cookies. All right.

Ms. KALICK. A picture is worth a thousand words.

Chairman MANZULLO. Okay, okay. Well, thank you for your testimony, and for the rest of the witnesses, tell us your story first, and then if you have any time left, then you can fill in the other things, but we really want to hear how you got started, your backgrounds. That is extremely important. Thank you, Erica, for switching gears so quickly and getting into your story. I appreciate that.

The next witness is Lurita Doan, who is president and CEO of New Technology Management. She is the 2003 Office Depot Entrepreneurial Visionary Award winner from the SBA awards program, and we look forward to your testimony.

Ms. DOAN. Thank you.

Chairman MANZULLO. Remember, the complete written testimony will be made part of the record. Okay? So everything you gave us will be a permanent part of the record. Please.

STATEMENT OF LURITA DOAN, PRESIDENT AND CEO, NEW TECHNOLOGY MANAGEMENT, RESTON, VIRGINIA

Ms. DOAN. NTMI provides turnkey solutions, including design, installation, and maintenance of all the secure surveillance technology that is currently being deployed at approximately 85 percent of all of the land border points of entry at the U.S.-Canadian and U.S.-Mexican borders, and we work for the Department of Homeland Security.

I wasn't going to go into a lot of detail, but I think my story is the story of every person who has ever begun a business. I have had long hours, endless uncertainty, worry about budgeting and funding, inflexible banking arrangements, struggling to meet my payroll, fear of failure, and yet alongside of all of this is this knowledge, this thrill, of knowing I am my own boss, and I am in charge of my destiny, and I am able to change my life and life of all of my employees.

We began work on border security about six years ago, well before 9/11 and well before the budgets on homeland security became the new gusher of government spending. Just before 9/11, there was a realization within Customs that the "smart border" which we had developed in Arizona should be deployed across the United States, and after the terrorists struck on 9/11, NTMI began an accelerated deployment of the surveillance technology that we had prototyped on the northern and southern borders of the United States.

Some of the projects that we have worked on over the past few years are secure wireless systems; enforcement operations; command and control systems, otherwise known as CAOS; video surveillance technologies; and the FIPS 140 encrypted wireless solutions. It was our technology that was used at a critical juncture last September 9, 2002, when President Bush met Prime Minister Chrétien of Canada while he was in Detroit, and during the tour portion of his trip, the president saw the technology that we use and that we deploy at work on the Ambassador Bridge, and he praised the progress that had been made on the U.S.-Canada Smart Border Declaration and Action Plan. And I can tell you, there was no one prouder to be an American that day than those NTMI employees who had given up their Labor Day weekend to ensure that the technology functioned flawlessly.

Ports of entry are located on the land borders with Mexico and Canada, and they require an automated operation system that maximizes security and reduces predictability, and our product, the Customs Automated Operating System, CAOS, was first tested in Arizona in 1999, and based on that success, CBP requested that NTMI deploy the systems to all of the land border ports in the U.S. We were a small, minority HUBZone business when I started. I started with $25 and a trip down to Kinko's, and we have become a leader in advanced border technology, and we have done this and achieved this position because we have had strong leadership, I like to think, within the company and with my managers but also with our government customers.

I am mainly concerned because I see some dangerous ground ahead. Our contracts started very small, but as they grow larger through our innovation and our efforts, these contracts become

very attractive to big businesses. And as our contracts grow bigger, the big businesses are willing to go to very unusual lengths to try to play the influence game, and a weak government customer who doesn't withstand this onslaught might begin to doubt the small businesses who have been working for him well and excellently over the past years. I am concerned that if the government starts playing favorites among the big business, and as they have all of these trends toward bundling and the omnibus contracts, that the pivotal role that small businesses play is going to be eroded.

One thing that I see is that the president does have——.

Chairman MANZULLO. Excuse me a second. Hector, why don't you come on up here?

We will give you more time. Don't worry about that.

Ms. DOAN. Thanks.

Chairman MANZULLO. Go ahead. This is where we merge two branches of government. You see it right here.

Administrator Barreto, how are you?

Mr. BARRETTO. Thank you, sir. Thank you very much.

Chairman MANZULLO. Good to see you. We are just thrilled that you are joining us today.

Mr. BARRETTO. It is an honor to be here. Thank you very much for the invitation.

Chairman MANZULLO. Go ahead. We will tack more time onto your clock.

Ms. DOAN. You will? I will try to talk quicker, though.

Chairman MANZULLO. That is okay. Just ignore the red light, and I will tap when we get there. Okay?

Ms. DOAN. Okay. Thanks.

So I was talking about these omnibus contracts, and I am concerned that with the large businesses that our country is going to run the risk that the solutions will then be dictated to the small businesses who are subcontractors by these less-flexible, less-innovative, big businesses.

I think that one of these bright spots is that the president has shown a commitment to small business, and, in fact, our main customer, the Department of Homeland Security, appreciates our flexibility and innovation, and they actually let us know as recently as last Wednesday, Don't worry. Keep on going. We intend to renew your contracts for this upcoming year. No problem.

But what I look at as the key determinants in the success of small businesses is that leadership, governmental and within the business but mainly within the government, is a crucial ingredient. Although we are getting clear guidance from the government that they want small businesses to continue, and you can find very innovative niches within the government—for example, we have John O'Reilly out of DHS in Tucson; we have got Bill Holcombe at Fort Wachuga; Stacey Wright at TMAC. These are government persons willing to work with small businesses that build a better mousetrap. We need more government people like that.

Speed is essential. Contracts are being bundled so quickly, the efforts are growing to put more and more contracts together, and I am concerned that at the same time that contracts are being bundled, we see the large contractors consolidating at this feverish

pace, that what is going to happen is the small businesses are just going to get swallowed up and lost.

I manage over 100 small business subcontractors in the work that I do, and I have picked them because they are more results driven, they are more innovative, and they are more focused than any of the large businesses that are currently out there, and they are more willing to respond to any kind of issue that I throw at them. And I think that is because, like my company, their companies are run the same way. Each of their employees can pick up the phone at any minute and call them with a critical issue, and I can tell you right now, I turned off my cell phone out of deference to you guys, but if it weren't off, it would be buzzing right now, saying, we need to do this or that, and I would be responding.

We talk about breaking down the government stovepipes, and I know it is difficult, but it is not impossible because what it requires—we have had enormous success working with federal, state, and local agencies because we go directly to the source. This is where small businesses can really excel because there is no small town in the entire United States that doesn't have a small business, and they are best able to address reducing these stovepipes. And I think if we could get more of a focus placed on the sharing now of data within the national, state, and local governments, that would, you know, enhance everyone's well being.

Chairman MANZULLO. Thirty seconds.

Ms. DOAN. I just want to tell you, I have the privilege of living the American Dream every day. I work on the borders of our country, and I see the desperate attempts made by the citizens to get in here, and I have to tell you, we may be a country with problems, but we also have enormous privileges, and with those privileges come the responsibilities. I think that small businesses are the ones that most clearly address these responsibilities, and I want to thank you all for the tax cuts you have already started. I hope they continue because it ensures the likelihood that our businesses will survive.

[Ms. Doan's statement may be found in the appendix.]

Chairman MANZULLO. Well, thank you very much for your testimony.

Our next witness, I met several months ago. I had about five minutes on my calendar and sat down with David and the Tule Tribe until he mentioned something called a Cessna Skymaster, and that five minutes grew to an hour, didn't it, David?

Mr. NENNA. Yes, sir, it did.

Chairman MANZULLO. You started talking about airplanes, and we started talking about all types of equipment and everything and the vision you have for your little tribe from California, and we invited you to come out here to testify as to what you are doing with that tribe, and we look forward to your testimony.

Mr. NENNA. Thank you, sir.

STATEMENT OF DAVID NENNA, ADMINISTRATOR, TULE RIVER TRIBE, PORTERVILLE, CALIFORNIA

Mr. NENNA. Mr. Chairman, Mr. Administrator, honorable members, it is a great honor to be here and to be able to offer my tribe's story on some of the successes that we have been able to achieve.

I left the reservation at an early age in 1972 and joined the military, and one of the things that we didn't have on the reservation at the time was jobs. There was about an 80 percent unemployment rate. I spent a career in the military, retired in 1993, and returned to the reservation. And once again, some of the same people that I left were doing the same thing they were doing when I had departed; they just had gotten older. And once again, there was no economic development.

So my tribe hired me as the tribal administrator, and together with their leadership, we sat down and tried to be creative on what we needed to do to provide jobs to the community and get people employed. We knew there was a federal statute out there called the 1988 Indian Gaming Regulatory Act, so we looked into what the possibilities were on creating a casino. When we look at a casino, we don't think of it as this gambling institution. We look at what it takes to make the thing operate, and that is the jobs, the technology that goes into it. We need accountants. We need clerical skills. We need people that have computer backgrounds. All of the different things that are created to make this thing operate; that is what we see, the jobs and the opportunities for people. But along with that, we were able to realize some revenue.

As it came over to the tribal side and to the tribal government, we knew one of the things that we had to do, and that was to diversify and diversify as quickly as possible because we saw this gaming thing as a window of opportunity. So what we did initially, we poured about 50 percent of the revenue into economic development, trying to create little businesses. We had some land in the City of Porterville, and we couldn't develop it because we didn't have the financial means to get there. Well, with the revenue that we realized from the gaming industry that we had created, which was a small way to employ some of our people, we put the money into the infrastructure, and, in rapid succession, we were able to put up our first buildings.

The first building we put up housed our economic- development office, a water-testing laboratory, a food-distribution center. We service 11 other reservations with food commodities. The next building houses a distribution center for office supplies, a small bakery. The third building we put up, we worked jointly with the U.S. Forest Service. We put up the central communication command center. They have the command and control for all of the initial air attack and bombers that fight fires from Tehachapi all the way to Folsom up by Sacramento, so it is a pretty broad area. We receive a lot of benefit from the Forest Service because we have free dispatching for our fire trucks.

We have approximately 81 programs and subcomponents that we operate on the reservation, but one of the gems that I would like to talk about because we even diversified that within the company, and we started a little company called Tule River Aero Industries. What we do is remanufacture light aircraft. We have taken the 337 Skymaster, which is a very unique airplane in itself, an in-line, twin-engine airplane, and we were able to remanufacture it and essentially give the customer a brand-new airplane when we completed it, very state of the art, upgraded avionics, electronics, and essentially they get a brand-new airplane.

Well, opportunities came in front of us, and we didn't turn anything away. We looked for the opportunity to joint venture with other companies and other people. We were approached by a foreign company that found out what we were doing and asked if we wanted to be the first North American engine retrofit facility to utilize diesel engine technology to put it into general aviation aircraft.

So we jumped on the opportunity, and hopefully next month we will be able to roll our first aircraft out of the shop with a diesel engine in it. We are hoping to open up the aviation industry and aviation world to third-world countries where aviation fuel is too expensive, and hopefully we will move on from there and be able to create other things and also diversify that small company.

Another thing that we have; we joined partners with a company out of Vero Beach, Florida, called Gyrocam. It is a multifunctional camera, and we really hope to participate in homeland defense because of the uses of the camera integrated with the airplanes that we manufacture.

One of the things when I was talking with one of our state legislators in California, I asked him, how many people does it take when we go into a higher threat level to guard the Bay Bridge and the Golden Gate Bridge, some of our treasures? It is a pretty massive amount of people and a lot of money required for this protection. With that camera, we are able to do it with two people. We are able to see the entire expanse of the Bay Bridge and also look through the fog because of the ability that the camera has and the multifunctional uses.

So we are very pleased, and, once again, I am very honored to give you some of our stories of success, and I wish there was much more time.

[Mr. Nenna's statement may be found in the appendix.]

Chairman MANZULLO. We need that camera to look through the fog in Washington.

[Laughter.]

Chairman MANZULLO. And all of that, and the total tribe numbers are what, 1,150?

Mr. NENNA. There are 1,600 members, Chairman. I might say, there were only 35 people employed in 1993, and now we have 951.

Chairman MANZULLO. Good for you. What a story.

Did Mr. Evans come in late? Okay. Let us skip over to, then, Mr. Glazier. Oh, come on up. I feel like a game show here, come on down, you know.

Our next witness—let me introduce you while you are sitting down—our next witness is Randall Evans, the small business owner from Silver Spring, Maryland. Mr. Evans is president of AccounTeks Business Services. When you see the yellow light, you have one minute. When you see the red light, it is time to stop. The total time is five minutes.

Mr. EVANS. Okay.

Chairman MANZULLO. We look forward to your testimony, and could you move that mike a little closer to you?

Mr. EVANS. Okay.

Chairman MANZULLO. Thank you. A little bit closer than that.

Mr. EVANS. How is that?

Chairman MANZULLO. That is fine. Thank you.

Mr. EVANS. Okay.

STATEMENT OF RANDALL D. EVANS, PRESIDENT, ACCOUNTEKS BUSINESS SERVICES, SILVER SPRING, MARYLAND

Mr. EVANS. Well, thank you for inviting me to provide testimony today.

My name is Randall Evans, and I am the president and CEO of AyanAliyah Corporation. We do business as AccounTeks Business Services, and we provide managerial accounting and bookkeeping services to small businesses and nonprofit organizations. Our services include design, installation, setup, and maintenance of all facets of the accounting requirements for small organizations. We also provide training and software.

We were incorporated in the State of Maryland on April 13, 1998, and the name, AyanAliyah comes from a combination of both my daughters' names. At the time, I had two daughters, and now I have three, so that is going to create a little bit of a problem in the future, but I will deal with that when she gets of age.

We emerged from a bookkeeping business that was started by a close friend of mine in my undergraduate career, and I grew discontented with the relationship with them and decided to break off on my own in '98 and formed AccounTeks. I wasn't quite sure what this testimony was all about, so I just kind of went through how I got involved with this.

Chairman MANZULLO. Tell us how you got started. Tell us your story.

Mr. EVANS. Okay. All right.

Chairman MANZULLO. It is testimony time.

Mr. EVANS. Okay. Well, my desire to become an entrepreneur began at the age of 12, when my parents started contemplating a career in entrepreneurship as a result of my father's retirement from the U.S. Army. He retired in '78, so in '76 they purchased a franchise, a janitorial service, from Servicemaster, I am sure you are all familiar with, and as a result of that, like most business owners, when you get involved, there is a lot of enthusiasm about, hey, how do you succeed in business, and a lot of this wore off on me. So as a result, I was like, hey, how can I start my own business?

So we were military brats, had access to a military commissary where prices are a little cheaper relative to the outside, and I would go out and purchase candy and gum and go to my junior high school and sell it, come home with 20 bucks, and say, hey, this is a lot of money. I had always been strong in math, so I was kind of compelled to say, well, I have got to keep an accounting of this. So my father gave me a ledger book. I started to keep track of all of the proceeds from my small business, and said, hey, this is kind of neat. So quickly I learned the concept of buying for a dollar and selling for two.

There were a multitude of small business lessons in that experience, and, as I said, I was always strong in math and compelled to keep strict accounting and record all of my proceeds, but, in addition, the concept of inventory management—how much candy do I buy today?—market research—what do the kids want to spend

their parents' hard-earned money on? I also had my first experience with partnerships when my best friend wanted to go into business with me. I kind of recalled Rockefeller saying that the best partner is no partner and politely declined, but fortunately our friendship survived to today.

After I earned enough money to buy a new stereo and set up a savings account and loan my parents about 700 bucks to pay their taxes, I closed the door on my hallway locker candy store.

My next venture was an auto-detailing business, which I began at age 14, and the seeds for this venture came in response to my neighbor, Carl, who was a 19-year-old at the time. He had gone out drinking with his buddies, ended up with stained carpets as a result of his buddies spilling beer on them. He asked me to use my father's carpet-cleaning equipment to shampoo and clean his upholstery, and he paid me 12 bucks.

About a week later, I was approached by another neighbor, who was a little older, in his forties, whom Carl had mentioned that I had done the work for, and he asked me about cleaning his car, and then he asked if I waxed cars as well. Now, this was a great question because, you know, I am listening to these motivational tapes and everything. I had never waxed a car in my life, but I told him. I said, Yeah, I know how to wax a car.

So I got my father to drive me to the—I forgot the name—Rally Auto Supply or something like that. I bought a can of wax, read the instructions about 20 times, and proceeded to completely clean my neighbor's car inside and out. Now, this was a valuable experience for me, as I developed a solutions-oriented mindset, which has serviced me up until to day, even today, as the inevitable challenges of life, and particularly a small business ownership, persist.

My focus is on what to do as a result of something occurring, adversity; not that the adversity occurred, but what do you do as a result of it, and how do you solve the problem? Being a bit of a car guy, I was extremely motivated to develop my knowledge, skills, and ability in this trade. I was fortunate to have a mother who adamantly discouraged her teenaged son from getting a job.

Chairman MANZULLO. Randy, we are out of time. I want to give you one more minute to tell us about your present business.

Mr. EVANS. I attended the University of Virginia and took a class called entrepreneurship, and I was compelled by my professor, who dared me to go out and start the business, so I floated a check, bought some supplies, cleaned the car real quick and covered the check, and ended up being in that business for eight years.

As result of hurting my back, I segued into the business I am in now, which is managerial accounting, and we have been in business, like I said, all told, for almost 10 years, nine years, but formally under my own umbrella for the last five years. We have employed about 30 certified public accountants and 30 staff accountants and bookkeepers.

[Mr. Evans' statement may be found in the appendix.]

Chairman MANZULLO. I need to cut you off there, and then on Q&A, we can come back and pick up some more on it.

Mr. EVANS. Okay. Great.

Chairman MANZULLO. Thank you so much.

Our next witness is Jordan Glazier, general manager of eBay Business, not exactly a small company, but he has got a story to tell. We look forward to your testimony.

Mr. GLAZIER. Thank you.

STATEMENT OF JORDAN GLAZIER, GENERAL MANAGER FOR eBAY BUSINESS, eBAY, INC., SAN JOSE, CALIFORNIA

Mr. GLAZIER. Good afternoon, ladies and gentlemen. My name is Jordan Glazier, and I am the general manager of eBay Business. I thank you for the chance to speak with you today about eBay and its community of small business users. It is an honor to be here.

With more than 75 million users in over 200 countries, eBay is truly a global trading platform where practically anyone can trade practically anything. In essence, eBay is a large community of users on a local, national, and international scale. For example, within my home state of Illinois, we have more than 1.9 million users; in California, where eBay is headquartered, we have close to 6 million users; and in New York State, we have over 3.2 million users.

People use eBay to buy and sell items across more than 35,000 categories, from automobiles, clothing, and computers to antiques and industrial equipment. In short, eBay, which itself was a small business less than seven years ago, is now an incubator for other small businesses. We estimate that more than 150,000 small businesses and entrepreneurs make a living selling on eBay. Also, we estimate that over 20 million eBay users in the U.S. are employed by small businesses. That represents nearly one in three small business employees in the United States.

Small businesses benefit from using eBay in three main ways. First, they use eBay as a sales channel; second, they equip themselves on eBay; and, third, they benefit from programs we have developed to support their success.

I would like to share some small business success stories with you today. The first is the Reliable Tool Company, a dealer of metalworking machinery. Based in Pasadena, California, Reliable is owned by Mariano Ruiz, a first-generation Mexican-American. Five years ago, they were struggling to survive. They turned to eBay to sell off some of their slow-moving inventory. The sales went so well that Mariano built a business selling on eBay. They went from having four employees to having 28 employees today.

On the buying side, small businesses from saving money buying on eBay to equip their operations. Danny Rale owns DDTI, an engineering firm based in Gainesville, Georgia. When Danny wanted to expand his operation from engineering into manufacturing, he turned to eBay to buy the equipment he needed. With $100,000, he was able to equip his entire operation. Danny estimates that he saved more than $600,000 using eBay. DDTI now employs five people.

Randy Will is another example of a small business who equipped his business on eBay. For pennies on the dollar, Randy purchased the equipment he needed to start Novoli's Pizzeria in Salt Lake City, Utah. Novoli's opened its doors and hired five people. Randy told us, and I quote, "Without eBay, I would still be dreaming about this place, and instead, I am running it."

There are thousands of additional stories just like these of hard-working small businesses who make up the eBay community. It is not easy running a small business, so eBay has developed a broad range of programs to support our community of entrepreneurs. Let me give you three examples.

eBay University provides in-person training on how to be successful selling on eBay. This year, we will educate over 20,000 people in 30 cities across the nation.

We have also developed a program that allows our Power Seller community to have greater access to health insurance programs. Power Sellers are a group of over 74,000 users who number among our largest and most dedicated sellers.

Also, we have recently formed an exciting relationship with the Small Business Administration. Together, we will provide eBay small business users more direct access to the SBA's educational, content, and financing programs while introducing the SBA's community of users to eBay as a tool for their business. Administrator Barreto and his team have been outstanding partners in this endeavor. We look forward to working with the SBA to meet our shared goal of empowering the small businesses of America.

In summary, eBay enables small businesses to open their doors, to expand, to hire more people, to bring more home to their families, and to achieve their dreams as entrepreneurs.

Thank you again for the chance to speak today, and I am happy to answer any questions.

[Mr. Glazier's statement may be found in the appendix.]

Chairman MANZULLO. Thank you for your testimony.

Our next witness is John Collins. John is the CEO of Fortel, Inc., and we look forward to your testimony.

STATEMENT OF JOHN COLLINS, CEO, FORTEL, INC., WASHINGTON, D.C.

Mr. COLLINS. Thank you, Mr. Chairman. I thank you and the members of the Committee for the opportunity to deliver this testimony.

Fortel was set up in the year 2000 at Front Royal, and it was mainly set up for the telecom industry, and near the end of 2000 and into 2001, there was an almighty crash in that industry. Since then, we have turned all of our forces onto the aerospace and defense industry, whereby our process and technology can develop and produce the aerospace and the defense antennas, such as this SATCOM antenna, at a greatly reduced price and a weight reduction of some 10-to-1.

Over the last year, we have been looking also into the telecom industry, whereby there seems to be good opportunities in the in motion for the car, and we have developed processes whereby we can take the aerospace designs, if the volume is there correctly, and make them amenable to the in-car, either the entertainment or the cellular phone industry.

The infrastructure is already available within the U.S. and around the world to deliver high-content broadband to moving vehicles, whether it is the defense or the consumer. For instance, a DBS satellite can send down a two-hour film in some 80 seconds, while a higher frequency KA-band satellite can send the same con-

tent, whether it be data or film based, in some 40 seconds. This requires for the consumer a low-cost antenna system which can track the satellite and fit flush with the family car.

We have ongoing development whereby we have spray-on electronics which we can spray onto our lightweight antennas and, therefore, have the enabling technology not only for the consumer but for the military, for the homeland security, and there are ongoing additional technologies that can allow the high content that is stored in the vehicle to be delivered to the cellular phone. The technology exists, provided you have the air interface at a low cost to do amazing downloads and uplinks with broadband.

What we have done is turned full circle now and are going back into the telecoms. We are meeting initially with some of the larger telecom groups, and we believe that we are opening business opportunities within the telecoms, the multimedia, the cellular phone, and all of the associated businesses, the spinoffs. For instance, the main problems we foresee in getting a two-hour film to the cellular phone isn't the cellular phone technology because the microdrives exist; it is the battery life, and somewhere along the table we heard about battery life.

So things move around and go around, and our main problem at the moment is getting exposure to our technology within the consumer and telecoms business. We are well into the defense business, although mostly large defense contractors do not like spending their own money, so we are talking with government agencies to help spend the government's money with the defense.

So basically, that is the end of our testimony. We need exposure in the telecoms and multimedia markets. Thank you, sir.

[Mr. Collins' statement may be found in the appendix.]

Chairman MANZULLO. Thank you very much for that testimony.

Our last witness is Brendan Walsh. Brendan is the co-founder and vice president of FedBid.com. I look forward to your testimony.

STATEMENT OF BRENDAN WALSH, CO-FOUNDER AND VICE-PRESIDENT, FEDBID.COM, FAIRFAX, VIRGINIA

Mr. WALSH. Thank you, Mr. Chairman, and our Ranking Member Velazquez, Administrator Barreto, and the other members of the Committee. It is an honor today to testify on behalf of the contribution that the Small Business Administration and their programs have made to our success, the success of Daston Corporation's FedBid.com business unit. Today I hope to share some of the successes and how the federal agencies that are using FedBid today and the small business community are benefitting from the efforts that we have undertaken.

I would also like to express our gratitude to the Committee and its members for their efforts in ensuring that the nation's small business community has a resource like the Small Business Administration to rely on for guidance, financing, and inspiration.

Each year, the federal government awards over $200 billion in contracts. That $200 billion includes over $50 billion in commercial item buys or simplified acquisitions. This combination of high volume, attrition in the federal acquisition workforce and often conflicting procurement directives has created a very unique situation for the federal procurement buyer. This situation requires the

buyer to simultaneously increase the awareness of procurement opportunities among the nation's vendor and supplier communities; increase the levels of competition among the qualified vendors; ensure a fair, competitive landscape for all interested bidders; and guarantee there is price reasonableness without sacrificing quality of service or product.

This dynamic, this situation or challenge, we saw in 2001 as an opportunity to bring to market a service that would help both the buyer and supplier communities, especially the small business communities, and that is what I will speak to as we get further into it.

As a privately held, woman-owned, minority-owned small business, a Section 8(a)-certified company that was already offering IT services to the federal government and some industry customers, we knew the true nature of competing in the federal market, what it really meant, how the system worked, and how you win contracts. Using this knowledge, combined with our understanding of the situation the two buyer and seller communities are faced with, is why we created this Web service called FedBid.com.

FedBid.com is a communication and competition tool. Since Mr. Glazier is sitting next to me, I want to make sure that the attorneys understand my next comment. Federal buyers often say when they use FedBid that, "Oh, this is eBay for the government; it is reverse eBay for us." The dynamic, the nature, is very similar, but there are some differences.

Anyone in the world can have access to FedBid if they have access to the Internet—very important for both the buyer and supplier community. We have over 60 U.S. embassies around the world using FedBid today. We have naval air stations and naval bases—one in Otsugi, Japan—using FedBid today. One of the embassy staffers even said, "FedBid.com is our lifeline to capitalism." When you are sitting overseas, and you are directed to buy from U.S. suppliers, how do you do it? And that is one of the niches we fill.

But that is now. That is not how it always has been at FedBid. When we started FedBid, the biggest challenge was getting agencies to give us a chance. A common comment was, "How do we contract your service—where is the vehicle?" And our answer, thanks to the SBA, was, our 8(a) status issued by the Small Business Administration in 1995. The SBA's Section 8(a) program gave us the opportunity and the contractual mechanism to initiate a pilot with the Department of State. The Department of State was our first large customer.

During the pilot, the case studies, the business logic was there to develop and to adopt online procurement tools and techniques across both the State Department's domestic and international buying community. I believe that the State Department is a model for procurement innovation within the federal market, and they have, in the last year and a half to two years, completed over 1,300 reverse auctions through FedBid.com. But the important part about that statistic is not the 1,300 reverse auctions; it is that over 90 percent of the dollars that they competed through FedBid went to small businesses.

So I think I can say, without the Small Business Administration and the 8(a) program, we would not be able to share statistics such

as: In 2002, over 80 percent of the dollars competed on FedBid went to small businesses. The government agencies are tracking today to purchase over $100 million through the site, with over 75 percent to small businesses. And in 2004, with, hopefully, the help and continued support of the Small Business Administration, we anticipate government agencies to purchase over $200 million through FedBid.com. Balancing the benefits to the buyer and supplier community are very, very important——.

Chairman MANZULLO. And I have got to balance the clock.

Mr. WALSH. Well, I want to say thank you very much.

Chairman MANZULLO. You are welcome.

Mr. WALSH. I appreciate the time.

[Mr. Walsh's statement may be found in the appendix.]

Chairman MANZULLO. Thank you for your testimony. Thank you for the testimony of all of you.

Administrator Barreto, do you have a few words of greetings for us as we merge to the administrative and the legislative branch at this hearing?

Mr. BARRETTO. Thank you very much, Mr. Chairman. I am not used to sitting up here, so I don't even know how to work the microphone. I want to thank the chairman and the ranking member and all of the members on the Committee: Congressmen McCotter, King, and Franks; Congresswoman Christensen and Congressman Ballance. Thank you for allowing me to be here, and I want to thank each and every one of you for that very enlightening testimony.

I think it is very appropriate that you are here during Small Business Week, and it definitely reminds me about the mission of the SBA. You know, we are 50 years' old this year, and I was looking at that Small Business Act, and, you know, the mission really hasn't changed. We are supposed to be aiding and counseling and assisting and protecting small businesses, and this Committee does a wonderful job of doing that. We do our part at the SBA and take your lead because you are the ones that are really getting it done every single day in this country.

One of the things that I was so amazed when I was hearing the testimony was the diversity of the businesses, the diversity of the people, the regions of the country that are represented. When I travel around the country, people always ask me, What are the businesses that are successful? Who are the people that are getting ahead? Where are the opportunities, and what kind of businesses can I get started in? And as I look at all of you, I am reminded that it is all across the board, in manufacturing, in technology, in consulting, in services, in e-commerce. It is very, very exciting.

So I want to thank the chairman for allowing me to be here. I want to thank this Committee for their leadership, and we look forward, not only in acknowledging the 50th anniversary, but truly positioning the SBA for at least another 50 years of service to the small business community. Thank you very much, Mr. Chairman.

Chairman MANZULLO. Thank you. I am going to keep all of the members to five minutes, including myself, because of the imminent votes coming up.

Mr. Walsh, you mentioned that you have the contract with the State Department——

Mr. WALSH. Yes, sir.

Chairman MANZULLO [continuing]. So that in their overseas offices, they will use your——.

Mr. WALSH. Web service.

Chairman MANZULLO. [continuing]. Web service to buy products made in America. Is that correct?

Mr. WALSH. Primarily. The different countries have different rules, depending on the relationship of the governments, but primarily they are directed, when they can, to buy from U.S. suppliers. And what they have lacked in the past is a tool that is there, readily available, depending on their country infrastructure, that will reach out and work with the U.S. supplier community.

Chairman MANZULLO. And then, with the Department of State, is there a dollar amount that they buy each year through your facilities? Do you have any idea?

Mr. WALSH. Sure. This year, they are going to probably track to 45 to 50 million dollars through FedBid, primarily in commodity commercial items.

Chairman MANZULLO. What percentage of that would be items from America? Do you have any idea?

Mr. WALSH. Almost 100 percent from U.S. suppliers.

Chairman MANZULLO. From U.S. suppliers?

Mr. WALSH. Yes, sir.

Chairman MANZULLO. Give me an example, can you?

Mr. WALSH. Everything from bullet-proof vests, tactical body gear, generators, computer parts, supplies, MREs. Remember, they are staffing facilities abroad, but also they are domestic buyers—a lot of IT products. We have done automobiles, boats, motorcycles, snowmobiles for other agencies besides, obviously, just State Department: the Navy; IRS; Transportation headquarters; EPA; we have got contracts with prisons; the Department of Justice; DOE. So we have over 30 agencies already using FedBid today.

The challenge is working within the 1102 community, or the contracting officer community, giving them the umbrella to try new things, and the 8[a] program gave us our chance, and now we are expanding upon that every day.

Chairman MANZULLO. If somebody wants to list a product—there are not too many chairman out there, fortunately, but say I manufacture this hammer, and I want to sell it to a government agency. Would I contact you?

Mr. WALSH. Not at all. That is why we are "reverse eBay."

Chairman MANZULLO. Tell us how it works.

Mr. WALSH. A federal buyer will come onto our Web site, and they will post a specification saying, "I need 20 mallets or gavels. They have to be wood, they have to be under two pounds, and they have to have a lacquer finish." Vendors are notified of the opportunity, and they can then bid, with the price going down, on what they want to deliver the price for.

Chairman MANZULLO. Do those vendors sign up with you in advance?

Mr. WALSH. Yes, sir.

Chairman MANZULLO. Okay.

Mr. WALSH. We have thousands of vendors today registered.

Chairman MANZULLO. If I made these, I would just call you, and then you would list me on your——.

Mr. WALSH. We haven't done too many gavels.

Chairman MANZULLO. That is because, fortunately, there aren't too many chairmen.

[Laughter.]

Chairman MANZULLO. I guess there are too many, huh, Congressman Schrock?

You know, there are four major hammer manufacturers in the country. Two are in the district that I represent. But, say, if one of those wanted to——.

Mr. WALSH. At no charge, they could register in 10 minutes. We would check their qualifications and statuses against SBA's PRO-Net, which has been a wonderful data resource, and also the Central Contractors Registry. So if they claim to be a small business, we are going to double-check and make sure they are.

Chairman MANZULLO. Okay. I appreciate that very much.

Mr. Evans, the Mr. Entrepreneur there that waxes the cars and everything, your business now, you said you have how many CPAs working for you?

Mr. EVANS. During the course of time that we have been in business. Right now, we have five active CPAs and two active staff accountants/bookkeepers.

Chairman MANZULLO. You do the financial work for small businesses.

Mr. EVANS. That is correct. We go in and set up the accounting systems. Actually, in effect,——.

Chairman MANZULLO. Right from the beginning.

Mr. EVANS. Right. Oftentimes, we work with startups. A lot of times, we come in and clean up messes that were created because people were undercapitalized and couldn't afford to——.

Chairman MANZULLO. Used the wrong wax.

Mr. EVANS. But people were undercapitalized and couldn't afford to get the appropriate staff in place from the onset, so we come in and clean up the books, get them audit ready, if you will, and also position them to attain financing. So we work with capital-formation people, and they get involved with SBA loans, so we do a lot of that.

One of the particular challenges that we have faced recently is trying to get a very fast-growing small business bonding. He has got a very good opportunity to provide surveillance and security equipment for a housing authority, and he needs a bid bond and a performance bond. We did a compilation, got a CPA to come in and do a formal review, and put together a very thorough package, and he has not been able to secure the bond.

Chairman MANZULLO. The boss is here, so maybe there is something that he can think of before you leave.

Mr. BARRETTO. I would love to follow up on that. You know, we have an Office of Surety Bonds in the SBA, and if there is anything that we can do in our area, we would love to talk to you, and if not, we would like to help you find somebody that would be able to.

That is a big area for a lot of small businesses. They have business, but they can't get the business done because they don't have

enough bonding capability or some other kind of guarantee or insurance that they need to be able to perform the business, so definitely I would like to follow up with you on that.

Chairman MANZULLO. And the reauthorization of the SBA increases the amount of that bonding limit. Well, maybe we will get your problem solved. Ms. Velazquez?

Ms. VELAZQUEZ. That is why we need to bring that reauthorization bill to the floor.

Yes, Lurita Doan.

Ms. DOAN. Yes.

Ms. VELAZQUEZ. You talked about contract bundling, and that is an issue—the federal contracting practices of our federal government has been an issue that I have been working on for so long——

Ms. DOAN. Yes, I know.

Ms. VELAZQUEZ [continuing]. And I have issued four scorecards on which we showed how the federal government is closing the door on small businesses. And you mentioned the fact in your statement, as NTMI's contracts grow larger through innovation and effort, these contracts become attractive to big business. Do you have a plan in place as to what you are going to do if that happens?

Ms. DOAN. If the contract bundling happens? We have two different ways that we are approaching it—well, three. One of them is to just scream as loud as we can and pick up the phone and call you, the first one.[Laughter.]

Ms. DOAN. The second one that we are trying to do is, of course, we are trying to negotiate very strong legal agreements with the larger companies that have most of the bundled contracts. This is a very dicey area and actually another area where the SBA can help. I am fortunate that although I started my business with 25 bucks, we are now quite large, and I can afford excellent legal advice to put in place very stringent and rigorous legal contracts. Very small businesses can't afford to do that, and what I have found is that while the government does say that the large businesses have to adhere to certain percentage set-asides in obtaining those large omnibus contracts, actually the legislation is already in place, but it is never enforced.

Ms. VELAZQUEZ. Tell me.

Ms. DOAN. And so what I find is that good legal agreements are very important, and if you don't have access to that, you are in big trouble.

The third thing that we try to do is actually get a little bit out in front. We have always survived by word of mouth. We do great work. We do very innovative and niche work that no one else—very high-risk, high-visibility work, and all of our business for the last 13 years has been by word of mouth with our government customer. Now, for the very first time, we are having to step out and try to get a little bit more visibility in the public through participating, sponsoring, advertising, things of that nature.

In addition, if I could just say, what we do is we believe that our subcontractors, all of whom are small, minority- or woman-owned businesses, are also our biggest bet because—I call it my "dream team"—because I get the best people and the best businesses in each of these niche areas. We are bundling ourselves together so

that we can go and compete against the larger contracts like Spirit and things of that nature.

Ms. VELAZQUEZ. The reality is that the trend has been that while the federal government is spending more, and it is $235 billion in contracting money, the number of contracts going to small businesses is going down.

Ms. DOAN. Exactly.

Ms. VELAZQUEZ. Mr. Glazier, during the tech boom of the late–1990's, venture capital played an important role in the creation and growth of small businesses. How has the substantial decline in venture capital affected the current environment facing tech entrepreneurs?

Mr. GLAZIER. It is not my area of expertise, but, in general, we see less venture capital flowing in the Silicon Valley these days. I know several entrepreneurs personally who have great ideas who are not able to find funding. It still exists for some, but, in general, I think it is less available now than before.

Ms. VELAZQUEZ. I guess that that is an area where the federal government can play a role.

Ms. Erica Kalick, if I asked you what is one issue, from the access to capital to health care, that would mean to your business, if you have access, for example, to affordable health care, what it will do for your business?

Ms. KALICK. Well, primarily, it will create more confidence and loyalty among workers. Workers are frightened, terribly frightened. I didn't get to read this in my testimony, but, you know, in a New York Times article there was a very poignant quote, if I can read it?

Ms. VELAZQUEZ. Sure. It is on my time.

Ms. KALICK. What?

Ms. VELAZQUEZ. This is my time.

Ms. KALICK. Mr. Greathouse; he was an unemployed, 55-year-old, tool-and-die man laid off from the Hoover Vacuum Cleaner Factory in Canton, Ohio, and he says, "Manufacturing has been the strength of this country. If we can't make anything here anymore, what does that do? The fabric of this society is falling apart. When you have CEOs who think of moving jobs offshore, what are you doing but terrorizing the people who lose their jobs?" And this is from a New York Times article, "As Factory Jobs Disappear, Workers Have Few Options, and as Jobs Disappear, Health Care Disappears."

Workers are frightened. It makes it harder for us to be productive. I had that laundry list of all of the sky-high costs that just seem to be uncappable.

Ms. VELAZQUEZ. Thank you. Thank you, Mr. Chairman.

Chairman MANZULLO. Is that editorial attached to your testimony?

Ms. KALICK. Yes.

Chairman MANZULLO. Okay. Mr. McCotter.

Mr. MCCOTTER. I am sorry, Mr. Chairman, no questions.

Chairman MANZULLO. No questions? Congresswoman Majette? Oh, she has gone. Okay. Frank. Congressman Ballance?

Mr. BALLANCE. Mr. Chairman, what I am going to do is just congratulate. I apologize for coming in late. I would like to know, and

maybe I will just start with Maria, the issue of financing your business. I don't know if you want to talk about your own situation or someone you know of. How difficult is financing and continued financing for a small business?

Ms. THOMPSON. For a small business such as ours, it can be difficult because, as I mentioned in my testimony, venture capitalists do not fund research. We have gone to venture capitalists before. They don't want to fund research. They don't want to make anything. We have gone through things where they say, Great idea. I would love to have my cell phone or computer last longer, but you have to make something. We don't want to fund anything you have to make; we would rather fund software. And I said, Sorry, guys. I think that party is over with. We need to start making things and producing real things that you can touch and feel in this country. We have gotten more interest from overseas than we have from this country.

But there is a new danger that we have started to see on the horizon, and it is the fact that the intellectual property that is being developed in this country by scientists and engineers is quickly being replaced in places like China where they can hire 20 Ph.D.s for what I have to pay one. That is very scary. I have heard inklings of it. I am starting to see it. I was talking to another high-tech entrepreneur, and he said his lab is empty because his company that had originally hired him to fund his lab is now doing everything in China just because the cost of labor is so much less expensive. So I have to compete against that.

What has been the saving grace for our company has been the SBIR program and the ATP program that has provided us capital that we can leverage to then go to some of these big companies who have cut their research budgets to almost zero and say, You have research that needs to be done. "You need your batteries and your fuel cells to be cheaper and last longer. Let us leverage the money that we are able to bring in with what you want to do and see if we can come up with a new product and new technology."

Mr. BALLANCE. All right. One more short question. Is there one barrier in our SBA programs that you would like to see us change?

Ms. THOMPSON. Well, I know for companies when we first start out—I understand you have FARs, and I am not trying to complain, because if you get free money, it is very nice; you fill out your timecards and stuff. But I have an MBA. I don't consider myself a dumb person, and I have a lawyer who is a friend. When you are starting out, you don't have the energy or the resources to hire a $350-an-hour lawyer. Luckily, I had some friends who had been to law school and were able to help me.

We went through our first contract, and I read every FAR. They have the FAR, and then they have a sub-FAR, and then they have a sub-FAR, so it is like opening those boxes that you keep opening smaller and smaller boxes to get to the meat of it. So I spent about three days going through that, and I said, Oh, my goodness. If there is some way that we could have "The FAR For Dummmies" or something that would make it easier to understand, or some crib notes, it would make things a lot easier for small companies. I had a company that helped me understand some of the issues in the FARs and DFARs, and I have actually hired some consultants to

help us with that. We counsel each other back and forth. But that sure is a tough way for a lot of these companies to try to figure it out and get involved in taking advantage of these contracts.

Mr. BALLANCE. Thank you.

Chairman MANZULLO. Thank you. Mr. Franks, do you have a question? We are going to have votes in about five minutes.

However you want to do it among the three of you.

Mr. FRANKS. Well, I guess I just want to add my appreciation to all of you. You know, I ran a small agency in Arizona, the Department for Children, and one of the things that we found is that when government funded something, if they also did the work themselves, it didn't work out very well; but if they, in turn, allowed the money to follow the recipient or they jobbed it out to someone in the private sector, it always worked better.

And I look forward to a day when nearly all of our government contracts will go out to bid, FedBid or these kind of efforts, and take advantage of the genius that all of you offer here because I believe, whether it is Medicare or whatever issue we are facing, that you have the answers. And unless the kinds of innovations that I have seen here today are applied to certain things that we face in the future, we have got some financial impossible challenges to overcome, apart from what you do, and I just hope you stay with it. You are on the front line of America, and we are proud of you.

Chairman MANZULLO. Mr. King?

Mr. KING. Thank you, Mr. Chairman. I want to thank you all for your testimony. Before I ask my questions, I want to tell you, first off, that I have been in small business for about 28 years and met payroll about 1,480 consecutive weeks, so I am on your side.

The questions I would pose, then, are maybe a little bit devil's advocacy questions, and the first one would be to Ms. Doan. You remarked that all of your subcontractors are small, minority-, or women-owned businesses. Why is that?

Ms. DOAN. Well, first, I truly believe you need to keep the money in the family, so if I am a small business, and I am receiving money because I am a small business, I think I almost have an obligation to try to help the other small businesses get their foot up. The hardest thing in the government now is that past performance judges everything, and if you don't have a past performance, you don't have much of a chance of getting another contract. So if you see an innovative technology, and I am on the leading edge of it, if you see that perfect product, just because it is a small company, you don't give up on them.

Mr. KING. So I would add to that that I have found over the years that it is not really possible, or it is very difficult—I should put it that way—very difficult to hire the loyalty that you can raise. That is why we have so many successful family businesses. We have had difficulty hiring minority people to work for us. That is the other side of that equation. So I would assume, then, if my son met your daughter, they could bid in some work together with you. I hope that we could do that, and I trust we could. I am looking for a bride for my son, and that is in the record. Now I understand.

Ms. DOAN. I am probably a little young at 14.

Mr. KING. I am not a patient man, I guess. I do admire everybody's spirit here, too, by the way, and I appreciate this. Ms. Kalick, Adam Smith wrote in 1776——.

Chairman MANZULLO. Let me do this. Adam Smith is a nice guy, but I want to let Ed Schrock ask a question. Did you have a quick question?

Mr. SCHROCK. All I wanted to say, Mr. Chairman, I am sorry, very sorry I was late. I represent Virginia Beach, Virginia, so you can imagine some of the issues we are dealing with today.

Chairman MANZULLO. You should get out of here.

Mr. SCHROCK. Well, my state police have told me already I can't get in. They have closed the road.

I wanted to come here to hear success stories because we don't usually hear that sort of thing. Ms. Kalick, the bundling thing; I think Ms. Velazquez and the chairman and I agree with that, that there has just got to be a stop to some of this stuff because it is going to kill part of you guys.

My last comment is, Mr. Collins, are those little things you have on there miniature gold ingots, and if they are, are you giving away samples?

[Laughter.]

Mr. SCHROCK. What are those?

Mr. COLLINS. They are gold, and we are keeping them for ourselves, sir.

Mr. SCHROCK. They really are, then.

Chairman MANZULLO. We would settle for some cookies.

Mr. SCHROCK. Oh, they are empty. Oh, okay. Thank you.

Chairman MANZULLO. Back to Adam Smith.

Mr. KING. Okay. My train of thought was this. With your remarks with regard to competition going overseas, Smith wrote that if we can buy it cheaper than we could make it, we ought to buy it. The cost of all goods are the sum total of the cost of the labor it takes to produce it and the cost of the capital. So if we can buy it cheaper overseas, outside of national security, why should we do that?

Ms. KALICK. Well, in relation to the quote that I just read, as Mr. Greathouse said, manufacturing really is the backbone of this country, and as I summed it up, you can't eat virtual cookies. You just can't. I think it erodes the confidence of all Americans when they can't get up in the morning and be connected to their community, feel a loyalty to company. We have all seen Roger [sic] Moore's films, you know, the devastation in Michigan in Flint, factories closing, and the incredible ripple effect this has: serious despair and depression. How can this nation thrive if everything is exiting?

Mr. KING. I see Maria has an answer. It is in her eyes.

Ms. THOMPSON. We would hate to mortgage the future of our country. The nineties were powered by a lot of technological innovations that were created in this country, and if the innovation moves overseas, I think we will be mortgaging our future.

Mr. KING. My very quick comment is if we can reduce taxes and regulation, we can compete more effectively, and that will protect us better than protectionism. Thank you very much. Thank you, Mr. Chair.

Chairman MANZULLO. You know, this is America at its best, great stories. Randy, my dad had a grocery store, and when I was five years' old, my brother and I took the fruit that he had put out back because it was overripe or spoiled and put them in our wagon. We were selling fruit in the neighborhood. And then some of the people called and said, Frank, your sons are selling rotten fruit. We thought it was mature fruit.

[Laughter.]

Chairman MANZULLO. So that was our introduction to entrepreneurship.

Thank you for your testimony. Thank you for your tremendous witness to what makes America great.

Administrator Barreto, thank you so much for sharing your valuable time with us. What a joy it is. This is the best hearing that we have once a year when guys come in and talk about what they did to become part of the American spirit. Thank you again.

[Whereupon, at 2:25 p.m., the Committee was adjourned.]

Statement of Don Manzullo
Chairman
Committee on Small Business
United States House of Representatives
Washington, DC
September 17, 2003

We gather today to celebrate National Small Business Week and the 50th Anniversary of the Small Business Administration. We are also here to recognize several businesses that embody the spirit of entrepreneurship. Some of them are successful small businesses and some are businesses that help create opportunities for other small businesses.

Each year for the past 40 years, the President of the United States has issued a proclamation calling for the celebration of Small Business Week. This year, National Small Business Week, is being held from September 14-20, 2003. In this year's proclamation the President stated,

> The success of small businesses in America reflects the innovation, determination, and hard work of the American people. During Small Business Week, we celebrate the

entrepreneurs and business people who create goods, services, and jobs, and bring opportunity and economic prosperity to communities throughout our country. We also reaffirm our commitment to helping more small business owners and their employees realize the American Dream.

Here in the House Committee on Small Business we know that small businesses have been the catalyst for economic growth. From 1990-1995, one of our nation's most impressive economic growth cycles, small businesses created three-fourths of the new jobs. Overall, small business accounts for 99.7 percent of the nation's employers, employing 53 percent of the private work force, contributing 47 percent of all sales in the country, and is responsible for 50 percent of the private gross domestic product.

Unfortunately, burdensome regulations, a complex tax code, and the high cost of health care are stifling small businesses. Small businesses face a compliance burden for regulations that is 60 percent higher per employee than large businesses. And small

businesses face a disproportionate share of the 8.2 billion hours of paperwork that the federal government requires of its citizens.

While Washington has contributed to these problems in the past, I am proud to say that, along with President Bush, Congress has passed important job-creating tax cuts and quadrupled expensing limits for small business investment. We have passed legislation to allow small businesses to pool themselves together in Association Health Plans. We have passed legislation to make SBA's Office of Advocacy more independent in their work to make federal regulations more sensitive to small businesses. And we have passed a reauthorization of the Small Business Act to make the operations of the SBA more efficient. Additionally we have made its programs more accessible to small manufacturers who have been hit hardest by the downturn in our economy.

I look forward to the testimony of the witnesses today, and want to thank the witnesses who are testifying. Additionally, I want to recognize and thank SBA Administrator Hector Barreto for his leadership. Administrator Barreto will join us later in our

hearing to discuss the role his agency has played in helping to create and sustain successful small businesses.

ANÍBAL ACEVEDO-VILÁ
COMMONWEALTH OF PUERTO RICO

COMMITTEES:
AGRICULTURE
SMALL BUSINESS
RESOURCES

Congress of the United States
House of Representatives
Washington, DC 20515–5401

WASHINGTON OFFICE:
126 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-2615
FAX: (202) 225-2154

DISTRICT OFFICE:
CALLE FORTALEZA #250, 4TO PISO
APARTADO 9023958
VIEJO SAN JUAN, PR 00902-3958
[illegible]
FAX: [illegible]

September 17, 2003

Opening Remarks for Aníbal Acevedo-Vilá, Member of Congress, before the Full Committee on Small Business commemorating Small Business Week.

I would like to take this opportunity to thank the Chairman and Ranking Member for calling this important hearing to commemorate small business. This week each one of us has highlighted what we see as the state of affairs within the small business community. The truth of the matter is – the situation is not the ideal. With rising unemployment and increased costs of raw materials, small businesses are facing tough decisions. Considering these facts, the work of this committee has taken on new urgency. We must be innovative in the creation of new programs to help the small business community help itself.

While the current economic situation seems to offer barriers to the success of small businesses, there are several success stories that serve as both an example to other small businesses, but, also, as proof of the resolve of small business owners not to allow adversity to hold them back. While we listen to these stories, we must be proud of the accomplishments of these successful business people, yet we cannot forget the amount of work that remains and the number of businesses who have not reached the point of success

I want to commend the Ranking Member for her innovation and creative thinking to better understand the situation of the small business person, with the New Small Business Index. This new tool will undoubtedly provide this committee and industry leaders with information needed to further the efforts of the small business community to provide a strong base for economic recovery. As we all know, small businesses provide a strong employment base in the United States and Puerto Rico. These businesses must be allowed to succeed. We, as Members of Congress and more specifically, as Members of this Committee, must continue to work to create programs that will help Small Businesses help themselves.

I would like to briefly highlight one small business owner from Puerto Rico who has faced adversity and turned it into opportunity. Sr. Edwin Colón-Cosme, who will receive the Small Business Administration's Small Business Person of the Year Award for Puerto Rico, is a prime example of how a creative small business owner can face challenges utilizing available resources to build their business and give back to their community. Sr. Colón-Cosme is the President of the Caguas Institute of Mechanical Technology.

PRINTED ON RECYCLED PAPER

In 1995, realizing the potential of the institute he sought out a $1 million loan under the U.S. Small Business Administration's 504 Certified Development Company Program and became the sole proprietor of MECH-TECH. At the time, the school had fewer than 500 students enrolled and less than $2 million in revenue. He struggled to expand course offerings, increase enrollment and add new campuses. Struggling to not only educate the students, he also took on the task of finding employment for the school's graduates. Eventually, the placement of graduates reached 70% earning the institute accreditation by the Accrediting Council for Continued Education.

Since Edwin became the owner of MECH-TECH, he has expanded the institution to the West Coast with a campus in Mayaguez. Student enrollment has increased to 2,200 strong and revenues have surpassed $ 7 million. Under his direction, the institute has secured contracts with industry leaders such as Pep Boys, Daimler-Chrysler, Honda, Acura and General Motors.

Sr. Edwin Colón-Cosme is one great example of how the tools provided by this committee and the Small Business Administration clearly do help deserving small businesses help themselves. Mr. Colón-Cosme took a small business, utilized available resource and more than quadrupled the enrollment and more then tripled the annual revenue. This is a great example of how a small business not only empowered itself, but assisted thousands of students to empower themselves. He is truly a creative small business owner and deserves the attention paid to him today by the Small Business Administration.

Thank you Mr. Chairman and Madam Ranking Member for the opportunity to share with you this example of a success story from the Commonwealth of Puerto Rico.

Testimony to the U.S. House of Representatives
The House Committee on Small Business
T/J Technologies, Inc.
Maria Thompson, President and CEO

Mr. Chairman, Members of the Committee, honored guests, Ladies and Gentleman, I want to first thank you on behalf of my colleagues at T/J Technologies for this opportunity. When my husband Professor Levi Thompson, Dr. Mike Wixom, and I started T/J Technologies twelve years ago, we never dreamed our success would lead to speaking before such an esteemed audience. This is truly an honor, and a humbling experience.

We've all heard that U.S. small businesses are the growth engine of the U.S. economy. As such, U.S. Small technology businesses contribute significantly to our nation's economic security. The technological innovation and entrepreneurial spirit of small businesses such as T/J Technologies ensure that U.S. manufacturers have access to a constant flow of unique technologies to create world class products and innovative new consumer and government markets. The Small Business Administration (SBA) reports that small firms produce more new products per million dollars of research and development (R&D) funding than do large firms; produce 2 1/2 times as many innovations per employee as do large firms; and accomplish all of this at a cost of about half of that for large firms.

One disturbing statistic, however, is that those best suited to the research, development and commercialization of breakthrough innovations are also those that have the *greatest difficulty* gaining access to capital for these purposes. Indeed, there is a critical market failure when it comes to R&D funding for small business in the U.S. Contrary to popular belief, traditional funding mechanisms including debt and venture capital do not fund small business research. Furthermore, large firms have been cutting their research budgets for years and have difficulty funding their own R&D, let alone supporting another company's programs.

Within this context, federal R&D grants offer a critical means for innovative small businesses to overcome the capital access barrier for some aspects of new technology development. These grants provide capital to convert scientific and technical knowledge into practical commercial applications, accelerate company growth, and generate economic development and security for our communities, states and nation. The National Institute of Standards and Technology (NIST) Advanced Technology Program (ATP), for example, sponsors high-risk, high pay-off research with multi-million dollar grants that cannot be obtained through other sources. This cutting edge research has great potential to create new industries and fundamentally disrupt existing markets.

Federal grants also provide funding that enables small businesses to hire the scientific and technical talent necessary to fuel the innovation engine. Some of this talent is being cut from large firms as they reduce their research efforts in these lean economic times. T/J Technologies has witnessed these cuts first hand, as some of the research groups with whom we used to interact no longer exist. We regularly receive resumes from experienced scientists that used to be a part of some of these programs. Simply stated, without Federal support, much of this cutting edge work would not be done in the United States, and would instead move off-shore where the investment climate is more patient and less risk averse, and technical labor is available at a fraction of our cost.

The Small Business Administration has contributed significantly to T/J Technologies' success as a leader in alternative energy technologies research and development. It is because we effectively coupled our entrepreneurial spirit with third-party investment, support from our Michigan SBIR and small business support programs, and funding from the Small Business Innovative Research (SBIR), Small Business Technology Transfer (STTR) and Advanced Technology Program (ATP) programs that we are here today. Since 1991 T/J has developed and demonstrated advanced nanomaterials for lithium-ion battery, fuel cell, ultracapacitor and environmental applications. T/J's proprietary materials and technologies make batteries and fuel cells perform much better. We develop the technologies that can help U.S. energy companies be competitive as lead suppliers for the next generation of portable electronic devices, home and business uninterrupted power supplies, and commercial and military hybrid electric vehicles.

We've been awarded a number of peer reviewed SBIR, STTR contracts and two prestigious ATP contracts. Some of our government customers include the National Science Foundation (NSF), NIST, Department of Energy (DOE), National Aeronautics and Space Agency (NASA), Environmental Protection Agency (EPA), and Department of Defense (DoD), specifically, the Air Force, Missile Defense Agency (MDA) and Army. These competitively awarded contracts have enabled T/J Technologies to develop and demonstrate unique energy materials technologies for important customer applications.

Many of you regularly use portable electronics and may not be aware that the energy source is the bottleneck preventing the introduction of more features and applications. Lithium ion battery technology has engineered existing materials to squeeze out as much energy as possible. New materials need to be discovered and developed to keep pace with aggressive user demands and to make alternative technologies like fuel cells practical for commercialization. In fact, affordable, higher energy density storage systems such as batteries and fuel cells are an enabling component for continued economic growth not only in the portable electronics industry, but for stationary power and vehicular applications as well. Many of these innovative systems are being developed by hard-working employees at small businesses like T/J Technologies.

Let me share with you specific examples of why I think T/J Technologies was chosen as a success story for the SBA. With funding from the ATP and NSF, we are developing battery anode (positive) electrodes that will enable lithium ion batteries to become more than 20% smaller or last 20% longer. Battery electrodes developed by T/J Technologies under these programs were highlighted in *Science* Magazine in May 2001.

T/J Technologies received SBIR funding from the Department of Energy for the development of a new cathode (negative) electrode for use in ultra-high power Li-ion rechargeable batteries. With 50-60% expected lower cost than current state of the art materials, our materials deliver up to twice as much power. This technology will enable significant reductions in size and weight for many high power applications, such as electric hybrid vehicles (HEV) that currently require large, bulky batteries. T/J Technologies' cathode materials address the power

and safety issues that have stalled the introduction of lithium ion batteries into the HEV market.

The success of our recent SBIR from the Air Force and the Missile Defense Agency has generated interest in a development program with the Air Force to develop a lightweight, low temperature, affordable lithium-ion battery for Global Hawk. Our materials technologies could enable the battery to operate at much lower temperatures than presently available batteries, therefore the Global Hawk battery heaters may be removed, resulting in significant system weight savings. And because lithium-ion batteries using our materials are expected to perform better and last longer, the Global Hawk system could become much more capable and less expensive to operate.

The very competitive NIST ATP is funding T/J Technologies' development of hybrid electrical power supplies that combine silicon-wafer based direct methanol micro-fuel cells (DMFC) with ultracapacitors. Hybrid DMFC systems are expected to achieve energy densities over five times that of batteries. Future fuel cell powered laptop computers could run for more than 20 hours instead of the 4-5 hours provided by current battery technology. Other programs from NSF, DOE and the Army have helped us develop low cost fuel cell electrocatalysts and high temperature fuel cell membranes. Fuel cell costs must be reduced by more than an order of magnitude before they will be commercially successful. New materials from T/J Technologies provide low cost alternatives to platinum ($720/oz) in electrocatalysts and could replace nafion ($800/sq) membranes in the fuel cell. Fuel cells are one of the key technologies that may enable the U.S. to reduce its dependence on foreign sources of energy.

Research in one area often leads to breakthroughs in another. T/J Technologies has adapted ceramic materials from our fuel cell program to destroy perchlorates in drinking water in an EPA SBIR project. Twenty million Americans drink water contaminated with perchlorates, a by-product of rocket fuel production. This pollution problem dates back to the 1950s and now affects drinking water in 39 states.

NASA, DoD and DOE SBIRs funded the development of ultracapacitors, small electrical devices that deliver large amounts of power. This work led to a multi-

year contract and a long term relationship with the Lockheed Martin Corporation. In March 2000, T/J Technologies and Lockheed Martin received the prestigious Nunn/Perry Award from the Department of Defense for its ultracapacitor development with Lockheed Martin. The award was established in 1995 in honor of former Senator Sam Nunn, who sponsored the legislation that created the DoD Mentor Protégé Program, and former Secretary of Defense William Perry.

We've leveraged our ATP and SBIR resources by developing our own small business technology network. Some of the small companies with whom we are working include Ultramet (California), SiWave (California), Materials Methods (California), Lithium Technology Corporation (Pennsylvania) and TPL (New Mexico). We are working together to not only advance the stored energy system state of the art, but also address the growing ground water perchlorate remediation issue. SBA programs have also enabled T/J Technologies to partner with some of the countries' finest universities, including the University of Michigan, to accelerate technology transfer and commercialization.

Our technical and management expertise has been recognized locally, regionally, and nationally. We received more than ten major regional and national awards for technical and business excellence and have been awarded six patents. We were recently declared the "Future of Energy" in the Great Lakes IT Report and were one of seven small businesses asked to brief the Jet Propulsion Laboratory on ways we can work together. T/J Technologies is also proud to be designated a Green Gazelle by the Washington D.C. based Center for Small Business and the Environment. Green Gazelles are entrepreneurial small businesses that are profiting and growing in ways that significantly benefit the environment. Recognition has been received from the NASA Glenn Garrett Morgan Commercialization Program for T/J Technologies' ultracapacitor development. This technology was also highlighted with The Small Business Association of Michigan 1999 "Product of the Year Award". T/J Technologies was recipient of the 1998 *Black Enterprise* Magazine "Innovator of the Year" Award. This award honors a minority-owned company that has successfully set trends and broken new ground in its industry.

More importantly, large global companies have recognized our proprietary technical expertise and excellence. We have been in discussions with leading

manufacturers on stored energy systems for future alternative energy vehicles and other markets. We have negotiated joint-development, materials testing and technology transfer agreements with other companies and universities in multiple application areas.

Before I close, I would like to invite all of you to visit our facilities in Ann Arbor, Michigan. After visiting, I think you will agree that T/J Technologies and Michigan will be key contributors to the Future of Energy. I would also like to take a moment to request your assistance. First, I request your support of the ATP and SBIR programs. These programs are critical to small businesses focused on creating the technologies of the future. Second, the Small Business Association of Michigan, SBIR Support Program requested that the SBA host a national SBIR Conference in Michigan in the near future. As a beneficiary of this program, I strongly support and endorse this request. Our Michigan SBIR Support Program held the first SBIR Commercialization conference in 1989 for which they received the Tibbetts Award. A national SBIR conference in Michigan would give the members of this committee, as well as SBIR Program managers and stakeholders, an opportunity to see the great things that Michigan, and organizations such as the Small Business Association of Michigan, the Michigan Economic Development Corporation and Michigan's NextEnergy, are doing to help our nation maintain technology leadership.

In closing, I'd like to thank you again for your past and continued support. Most of all, I'd like to thank Senator Levin, Senator Stabenow, Congressman Dingell, Congressman McCotter, Secretary Abraham and their respective staffs for their continued support of T/J Technologies. And don't be surprised when, because of your past and continued support, your future cell phone, laptop, or hybrid electric vehicle is powered with innovation from T/J Technologies.

Thank you very much.

Maria Thompson,
President and CEO

Prepared Testimony of Erica Kalick

I am honored to have the rare opportunity this afternoon to be heard by the House Small Business Committee. To begin, I'd like to extend my deepest gratitude and thanks to Congresswoman Nydia Velazquez for the unceasing care and integrity she has showered upon small businesses regardless of size. She came to my wholesale bakery, met my workers, and really listened with undivided attention and compassion to the myriad of concerns that Erica's Rugelach & Baking Co, Inc is dealing with. Actually, my issues are every small business owner's issues. The approximately 23 million small businesses in the U.S. represent an estimated 99.7 percent of all employers, make up half of our GDP, and create 3 out 4 new jobs. We are all tenderly interconnected, interdependent, and have the untapped potential to reach out and help each other. Government must be a part of this partnership, yet in March, the House Small Business Committee released a report that showed cuts to or the elimination of more than 25 small business programs in Bush's FY 2004 budget. We must work together, and the federal government must walk their talk.

At this late hour, with unemployment at new highs, and a limping economy, we have no other alternative, but to listen to one another and then act with skill and wisdom. This is the spirit in which I would like to couch my testimony.

As you are well aware, there are a daunting number of very complex, and serious issues that small business owners are confronting and struggling with on a daily basis — difficult access to capital; untenable and seemingly un-fixable industrial real estate re-zoning problems; rental versus ownership problems; un capable insurance and disability costs; unaffordable health care for workers; unjust and capricious fines and penalties levied by federal, state and city regulatory agencies; sky high energy costs with no end in sight (FERC is not doing its job); labor and immigration problems; unaffordable housing for workers in the inner cities; difficulties in producing products and services with a healthy profit margin.

Perhaps Ms. Velazquez sums up one of the most important issues when she said, "When small businesses can't find capital, they can't survive. With the current economic downturn, finding capital is becoming harder and harder for small firms. Many are forced to use credit cards, or depend on family and friends to fill this financing vacuum." Although the SBA has done much to buoy small business, there is tremendous red tape and paper work associated with accessing what programs still remain. The Bush budget reduced the SBA's flagship small business loan program by almost $3 billion, well below the 4 percent increase in government-wide spending.

The problems are surmounting and sadly, they are not being ameliorated quickly enough. Only 3 percent of the President's $350 billion tax cut went to small business, even less to the workers they employ. Business owners are frustrated, alienated, overwhelmed by Sophie's choices, and are bewildered at how to provide better jobs for workers. In short, after a recent poll of my fellow entrepreneurs throughout New York, the mantra has been, "You cannot bridge the federal, state, and city budget deficits on the back of small business owners and their workers, and expect us to keep our doors open."

Before I tell you about myself, let me quote Mr. Greathouse, an unemployed, 55 year-old, tool-and-die man laid off from the Hoover vacuum cleaner factory in Canton, Ohio, "Manufacturing has been the strength of this country. If we can't make anything here anymore, what does that do? The fabric of this society is falling apart... When you have C.E.O.'s who think of moving jobs offshore, what are you doing but terrorizing the people who lose their jobs? " (From New York Times article, "As Factory Jobs Disappear, Workers Have Few Options) Programs such as the Manufacturing Extension Program (MEP), Advanced Technology Program (ATP), Economic Development Initiative (EDI) and One Stop Career Centers all experienced cutbacks at a time when we need them most. I think Mr. Greathouse would agree that these cutback are not boding well for the future of manufacturing in the United States.

Erica's Rugelach & Baking Co, Inc, is a small, Brooklyn-based, wholesale manufacturer of gourmet rugelach and specialty cookies. I began recipe testing in 1989 and today I employ 10 people, mostly hard working, women from Puerto Rico, Central and South America, who speak English as a second language. (I'd like to interject that we, along with five other entrepreneurs, have recently received a Crains New York Business award, and that I am excited about addressing the New York business community in a breakfast on September 23rd in our honor where I will again address these pressing issues.) Obviously, I cannot produce my product without the loyalty and hard work of my staff. My product is of premium quality and can be found in the top specialty stores in New York City and around the country. I cannot cut corners with my product and still maintain my market niche. These cookies are expensive to produce, partly because of the nature of the complexity of this type of cookie, but also for the laundry list of reasons that I have outlined above.

I must be able to produce with the greatest profit margin so that I can create better jobs, and continue to do the community outreach work I have done since the inception of Erica's Rugelach & Baking Co, Inc. We support Safe Horizon's Brooklyn Child Advocacy Center; City Harvest, the Race for the Cure; literacy projects, the American Red Cross and have participated in fundraising events concerned with women's health issues.

I built my business, and pioneered in an area in Brooklyn that was once affordable. Today, this is not the case. I need to move to an industrial food manufacturing area that will support my enterprise over the long haul. The federal government must support organizations such as NYIRN (New York Industrial Retention Network); ITAC (Industrial Technical Assistance Corporation); local business development centers; the Chamber of Commerce, so that small business owners can make use of the programs and incentives that they are plugged into. The irony of these terrific programs can be summed up in a quote in the September 4th op-ed piece by Alexander Von Hoffman entitled, Small Businesses, Big Growth,

"Most small manufacturers, however, will not use these services. They are too busy running their businesses and may fear that if they contact the government, officials will interfere with their businesses or workers." The federal government must provide funding that would help small business owners to access these programs without the red tape. I urge you to read this editorial, because, in many salient points, it sums up the conundrum that small business owners are facing.

I have augmented my testimony by in-depth studies submitted by the Brooklyn Chamber of Commerce, and an excellent study prepared by NYIRN entitled, Baked in New York — a Special Report to The Consortium for Worker Education and the Artisan Baking Center. (See attached) Please study them and consider the hostile climate in which manufacturers in New York are trying to turn out excellent products. A 126 year-old coffee roaster was recently fined by the DEP (Department of Environmental Protection) for the heinous crime of "the aroma of coffee in the air."

But let me address one of the most pressing issues. Finding decent quality, affordable space is a tremendous challenge for small businesses. The most significant federal program in this area is probably the use of industrial development bonds to lower the cost of buying and/or building a building. IDBs are tax exempt and consequently reduce borrowing costs for the business.

The problem is that IDBs are of little use to small business. That is because IDBs are generally limited to owner-occupied buildings and cannot be used for development of rental buildings, though small businesses typically rent their space. Federal policy should not be biased against rental properties because small businesses need to use their capital and their energy for making and selling their product. Small businesses should be investing in equipment and marketing, not necessarily real estate.

The Internal Revenue Code should be revised to permit IDBs to be used for the development of rental industrial buildings.

It would also be particularly helpful if there were federal support to help not-for-profit organizations develop industrial rental properties. For example, last year NYIRN launched Food From New York, a program to provide marketing, technology and other services to help small food companies to expand. I participated in the marketing program, and they are now helping me to attend trade shows.

Food From New York includes development of a food building that would reduce costs by allowing companies to share freezer and refrigeration space, and other shared services. Food From New York was turned down by the Economic Development Administration even though the food manufacturing sector added 1,400 jobs over the past year and is one the few bright spots in the City's economy.

We cannot become a virtual city where we eat holographic food, nor can America become a ghost town of tumbleweed, littered factories with armies of depressed but capable citizens with no jobs and no where to go each morning. Thank you for your careful consideration of these most serious issues. We, as business owners, rely and depend upon just and fair public policy that supports us all.

Lurita Doan, CEO
New Technology Management, Inc.
11130 Sunrise Valley Drive
Reston, VA 20191
ldoan@ntmi.com 703-390-5560 ext. 115
Web site: www.ntmi.com

My name is Lurita Doan and I am the President, CEO and sole owner of New Technology Management Inc. New Technology Management, Inc. (NTMI) provides turnkey solutions including design, installation and maintenance of all secure surveillance technology currently being deployed at approximately 85% of all Land Border Ports of Entry (POEs) on the US-Canadian and US-Mexican borders for the Department of Homeland Security.

I am the recipient of the 2003 Office Depot Entrepreneurial Visionary Award, the 2003 Committee of 200 Technology Innovation Award and the 2003 National Foundation for Teaching Entrepreneurship Visionary Award and my company has received several awards also. NTMI has experienced phenomenal growth NTMI in recent years has placed it on regional and national Fast 50 lists such as Deloitte and Touche Fast 50, Washington Technology Fast 50-- (6th), and Forbes ASAP Fast 500--(67th), and Working Woman 500. Headquartered in Reston, Virginia, NTMI has additional facilities and employees based in two other locations in Virginia as well as Arizona, Washington State, Texas, North Carolina, New York and Maine.

BACKGROUND

In 1990, I founded New Technology Management, Inc. (NTMI) with $25 and a trip to Kinkos. My second stop was the SBA. I was fortunate to work with a member of SCORE, Joe Cassimento, who assisted me with forms and introduced me to the government as potential customer. At the onset, I had little experience running a business and no start-up money. I am descended from three generations of minority entrepreneurs, originating with her great grandmother as a free Black selling Pralines in New Orleans in 1860, For the first three years that I was in business, I was my only employee, all of my business was commercial and I worked, on average approximately 100 hours per week. But during that time I submitted proposal after proposal to the government. And, although none of them were successful, with each proposal submitted and with each debriefing after failure, I was able to hone my proposal writing skills, find out what the government customer really wanted and improve my process.

I need not go into long detail, but during the early days of my business, my story is the story of every person who ever began a business: long hours, endless uncertainty, worry about budgets and funding, inflexible banking arrangements, struggling to meet payroll, fear of failure. But alongside these terrors was something else: and that something still sends a thrill down my spine: I was my own boss. My destiny was in my hands, and my business had the potential to change my life for the better, and as an employer I had the opportunity to change the lives of the people who came to work for me and put their trust in me.

And, as in most lives, my business had a bit of serendipity and a bit of luck. In 1993, I'd been having a rough time in the business because I was pregnant with my second daughter – and because of liability and insurance issues—many of my potential customers would get nervous when I'd show up and they'd make an excuse and show

me the door. My big break — a $250,000-plus contract — came from Carleton Jones, who was President of a mid-size, high-tech firm that needed assistance with a contract they had won from the US Navy. He took a chance and hired me as a consultant when I was nine months pregnant. I was so desperate to do well that I worked 48 hours straight the first day on that assignment and successfully completed the Live-test demonstration. Then, they requested I accompany the team to Norfolk to do a First Article Test and although the baby was now a week overdue, I knew that success on this effort could change my business for the better. Carleton Jones went on to become a mentor, inviting me to sit in on senior management meetings and, in the process, see how larger organizations are run.

Some might say that these kinds of hardships are unnecessary and should be avoided, or that it's the SBA's role remove each and every one of those obstacles, but I think differently. I think that in the crucible of those struggles is shaped the foundation of one's business acumen and values. I learned how to stretch a dollar and what was essential for the business' survival and what was not.

The Navy subcontract allowed me to hire my first 4 employees and that freed me to spend a few hours each week marketing and making presentation to customers.

Then, approximately 6 years ago, the business changed its focus. NTMI answered a call to come to a briefing in Douglas, AZ for the installation of surveillance technology. We were the only company that showed up. The realization, that NTMI was the only company to show up for a briefing in surveillance, made it clear that here was a niche market in which we could excel and become a major player.

The importance of an early start: NTMI began work on border security 6 years ago, long before it became popular and well before 9/11 when huge federal budgets made homeland security the new gusher of government spending. Indeed, NTMI's first efforts began at a small POE in Arizona when US Customs requested a contractors to come to this small, out of the way border town to improve the port surveillance and security system. Back in 1997, port security was not a popular topic and federal budgets were small. As a result, NTMI was the only contractor that attended this request for bidders.

NTMI spent the next four years working with a visionary government field officer from Arizona, John O'Reilly, developing what is now described by President Bush as the "smart Border". This "smart Border" was not achieved overnight, but through painstaking efforts to layer technologies and testing their effectiveness first in the lab and then in live prototypes on the borders between Arizona and Mexico. These contracts were small, and often under funded, so it was important that we work with our government customer to stretch each and every federal dollar.

Just before September 11th, there was a realization within US Customs that the "smart Border" which NTMI had developed for Customs in Arizona was a model that should be replicated along the Northern and Southern borders of our country. After terrorists struck on September 11th, the government instructed NTMI to begin deploying technology to the Northern as well as the Southern borders of the US. NTMI answered the call.

We expanded our workforce, adding additional jobs in various cities in the US where before there were none, providing training in a unique area with equipment that the average technology worker rarely encounters.

Strange as it may seem, NTMI is one of the only companies to actually focus on the federal officers that are manning the border. Indeed, at any given day, there are 40 to 50 NTMI technicians are deployed at somewhere along the border. Only at the border is it possible to understand the operational problems and constraints, to listen to the specific concerns of law enforcement, and better understand their requirements. Very few companies spend any time along the US borders. Instead, too many focus all attention on the senior political appointees in Washington. Though many of these companies are anxious to play a role in the Homeland Secuirty Department, few have ever worked at a border point and gained first hand experience with the problems and operational issues.

During the last 12 months we have designed and deployed critical technologies, enforcement command and control systems, and secure wireless devices at over 75 different POE, airports and seaports. Although each of these projects is separately funded and managed, all have been designed and deployed to work together in an integrated manner.

Early efforts to build a strong relationship with GSA facilities representatives are now being rewarded and we are able to speed up installations. During the coming year, we see a "virtuous cycle' of unexpected efficiencies that Customs and Border Protection can expect to achieve, resulting is unexpected new capabilities, as well as decreasing costs of deployment and ownership of technology at POEs.

Overview of Existing Projects

Secure Wireless Systems: The U.S. Customs Service had long sought a secure wireless ability to connect to TECS and other USCS mainframe applications with a wireless device. USCS awarded NTMI two different GSA contracts to support this effort: (1) PocketTECS (2) WASP. NTMI spent a great deal of time working through the architecture and networking issues with OIT staff and were able to produce a single architecture that supports many different devices, wireless enabled laptops, ruggedized PCs, or Samsung PDAs. One of the critical technical challenges was to encrypt all traffic to the FIPS 140 standard. The system is now deployed to 28 different POEs, including airports and seaports.

Wireless technology has arrived. Over the past several months these devices have been placed at areas where there is currently no TECS capability and were used to support the "Buck Stop" anti terrorism efforts at outbound terminals at selected airports as well as different locations and crossings at land border POEs were TECS data was unavailable.

In addition, we deployed wireless devices to support the urgent requirement to provide TECs capability in Canada across the Ambassador Bridge near Detroit during the visit of the President.

Enforcement Operations Command and Control System:
The United States Customs and Border Protection has Ports of Entry (POEs) located on the land borders with Mexico and Canada that require an

automated operations system to help maximize the security posture and probability of seizures at these land entry locations.

NTMI developed, tested and deployed a prototype version of the Customs Automated Operations System (CAOS) in 1999. CAOS was initially developed, tested and fielded in Arizona with a resulting positive and measurable impact on improved USCS Port operations, accountability, and personnel security.

Based upon the success of this system, CBP requested NTMI to pursue two efforts: upgrading CAOS technology to provide operations data in an Oracle database, and wide deployment of CAOS applications to selected Customs Management Centers (CMCs) and POEs along the Southern Border.

A new web based CAOS was developed in 2002. It is a fully integrated hardware and software automated system for running and managing enforcement operations and tracking inspection efforts at POEs. The software works in a multi-user environment over the USCS network to effectively help Port Directors and other DHS officials manage, schedule and run operations at the Port. The CAOS operation information management function can be used to both present data on Port activity as well as maintain detailed historical Port operations records. This data can be used in operations and personnel effectiveness analysis as well as for contraband traffic pattern recognition.

As of December 31, 2002 CAOS has been upgraded to an Oracle database and has been deployed at 3 CMCs and 22 POEs. By July 2003, CAOS will be deployed to the 1 remaining CMC and 14 POEs along the Southern Border. In 2003 CAOS deployments will also begin to POEs along the Northern Border.

CAOS successfully provides CBP personnel with expanded data and coverage, allowing CBP management and field personnel to conduct data-driven operations in a more efficient and effective manner. The use of CAOS along the Southern and Northern Borders will result in improved operational control, situation awareness, significant increases in contraband seizures, improved CBP personnel safety, security, and reinforced CSBP integrity.

Working with another visionary US Customs manager, Bill Holcombe, originally based out of US Customs in Washington DC, NTMI has had some watersheds in the area of secure wireless technology.

FIPS 140 Encryption. NTMI has deployed the only fully FIPS compliant wireless system currently in operation in the Department of Homeland Security (DHS). The FIPS standard for data encryption has been established by the National Institute of Standards and Technology (NIST). It is an extraordinarily high standard that is difficult to achieve, yet is required by civilian government agencies for data transmissions of critical law enforcement sensitive information.

NTMI understood this requirement early on. We focused our research and design efforts toward integrating these complex FIPs approved algorithms into our

wireless systems. NTMI conducted negotiations and licensing rights with several different companies in order to gain access to the critical components and restricted algorithms needed to make our wireless system full compliant with the government standards that were set by NIST. NTMI made significant investments towards the goal of producing a full compliant secure wireless system.

NTMI was successful, our investments and hard work resulted in our ability to produce the first and only fully FIPS compliant secure wireless system in US Customs and now the Department of Homeland Security. It is a significant achievement and has been singled out for recognition and awards by industry groups for outstanding technical achievement.

It was this technology that was used at a critical juncture last September 9, 2002 when President Bush was meeting Prime Minister Chretien of Canada in Detroit. During the tour portion of the President's trip, saw a demonstration of this technology at work on the Ambassador bridge and praised the progress that had been made on the U.S.-Canada Smart Border Declaration and Action Plan. And there was no one prouder to be an American that day than those employees of mine who had given up their Labor Day weekend to ensure that the technology demonstrated functioned flawlessly.

NTMI continues to expand and build upon their specialization of testing, installation and maintenance of non-intrusive, gamma ray and x-ray remote inspection and surveillance devices, remote data transfer technologies and complex NT integrations. NTMI's technology provides a well spring of operations, management, acquisition, maintenance and integration services for a host of military agencies including the Army, Air Force and Navy as well as civilian agencies including the Department of the Treasury, US Department of Homeland Security, the Army National Guard, the Department of Housing and Urban Development (HUD) and the United States Department of Agriculture.

NTMI offers today, but is not limited to, the following areas of expertise: Security; Mobile Computing Testing, Installation & Maintenance of Non-Intrusive, Gamma Ray and x-ray Remote Inspection and Surveillance Devices, Remote Data Transfer Technologies and Complex NT Integration; Satellite and Microwave Installation; Facilities Management; Total Network Solutions; Network Analysis and Design; Software Development, Programming and Sales; Systems Integration and Hardware Configuration; Internet Programming and Development; 24-Hour Help Desk and Hotline Support; Cabling CATV, BNC, FDDI, ISDN, AVI, 10-B-T; Configuration Management.

We are proud that at NTMI each NTMI employee is allowed to take advantage of an annual education and training package equivalent to at least 10% of the employee's salary.

We are proud that NTMI provides fully paid medical, dental, vision care, to each employee and his family as well as life, long term and short term disability insurance to each NTMI employee.

NTMI is a strong believer in corporate citizenship and community service. NTMI is actively involved in the business community through its participation in many trade associations, membership in business organizations and involvement in charitable community activities.

SUMMARY

NTMI has been successful because it shares many of the traits evidenced by small businesses:

Small businesses can react faster. When 9/11 occurred, NTMI was able to respond to the government's request to reprioritize and to accelerate our deployment plan for technology installations at the Northern Border. We hired new employees and trained them and then put them to work. The management team, the corporate philosophy and all procedures have been tailored to enable the company to move far quicker than the larger companies. For example: US Customs found itself in a jam early last year in Detroit. A high profile meeting of the President and Canadian PM was scheduled to take place along the border. Both leaders had pledged their administrations to think more creatively about how to deal with the large number of cargo trucks transiting across the Ambassador Bridge. Despite lots of work and effort, the system Customs had designed was not yet ready and with time running out, panic was in the air. NTMI got called on a Friday at 3:00 in the afternoon and was told to quickly get a secure wireless system working across the 2mile Ambassador bridge. NTMI launched a fully equipped team a few hours later worked through the weekend, pleaded with the bridge authority to allow for the installation of antennas atop the bridge and had the system up and running in advance of President Bush's arrival. With the creation of Homeland Security Department and the urgent need to respond quickly and creatively to quickly changing terrorist threats, it is essential to be built for speed.

Small businesses are often more flexible. When NTMI received the call at 3;30pm on the Labor Day weekend to get to Detroit to prepare for the President's visit. Employees and equipment were in the air within a few hours.

Small businesses are a primary source of innovation. NTMI has over 100 small businesses as subcontractors because they are more results driven and focused on innovation. NTMI is proudest of its corporate awards for innovation.

Small businesses are more willing to accept risk. NTMI is currently working on developing the Upfront Income Verification (UIV) system for the Department of Housing and Urban Development to meet the President's Management Agenda Item #7 submitted to OMB in 2002. And because UIV is a firm, fixed price contract that requires bilateral agreement on the development decisions of the project, UIV is a high risk contract. But for the successful contractor, it is also an opportunity for growth and visibility.

Small businesses have passion for excellence. As a small business, errors mean eradication. Small businesses have a passion for excellence and for getting it done because that's how they get paid. A small business must live and die by the delivering of results. It has been my experience the huge integration efforts mounted by big business rarely have delivered the promised benefits.

Despite these remarkable traits, small businesses, despite the good news don't have much political clout, which is why it's great that you are letting us come before you today.

FUTURE

NTMI, a small minority, HUBZone business has grown from a $25 start to become a leader in advanced border technology now in use at ports of entry (POEs) through-out the nation. How NTMI achieved this leadership position is a story of the importance of determined leadership (within the company and the government), vision, and technological resourcefulness. Moreover, as the nation struggles with improving the defense of the homeland, I believe it is the smaller companies like NTMI, and not the

large defense contractors that offer the nation the greatest opportunity to break down the existing stovepipes of bureaucracy among the various federal, state and local law enforcement agencies across the country.

But sadly, I see some dangerous ground ahead. As NTMI's contracts (or any other small business' contracts) grow larger through innovation and effort, these contracts become attractive to big business. As contracts grow bigger, big business is willing to go to unusual lengths to play the influence game and often belittle and condescend to the small business in order to encourage the government to direct the business their way. And, a weak government customer who cannot withstand this onslaught might begin to doubt the small business, despite the years of excellent service provided by that small business.

I am concerned that, as the government plays favorites among the big businesses, and as the growing trend toward bundling of contracts continues, the pivotal role of the small business is eroded and many small companies may have difficulty maintaining autonomy, as our country runs the risk that the solutions are dictated to the small business by the less flexible, less innovative big business prime contractors.

One bright spot is that the President's commitment to small business is clearly forcing larger companies to re-evaluate their past practices and agencies such as the Department of Homeland Security are starting to appreciate the flexibility and innovation that only small businesses can give them. In fact, I am happy to report that as recently as last Wednesday, CBP told us they had decided that NTMI's work on the Northern Border does represent the best value to the nation, and they intended to exercise the final option year on that contract. Happily, Congress has seen fit to appropriate sufficient funding to make our vision of a secure, smart border a reality.

CONCLUSION

Leadership is THE crucial ingredient: President Bush laid out a comprehensive strategy for Homeland Security in much the same way that he has outlined his commitment to small business. President Bush clearly articulates the Administration's goals and objectives, but it seems to me that the actual implementation of that strategy is exceedingly difficult to achieve. Many of the different federal agencies are far more concerned with bureaucratic pecking orders than in implementing the President's strategy.

Speed is essential: The number of contracts which are appearing as bundled efforts is growing and at this critical time, a concerted effort must be made to halt the increase in omnibus or bundled contracts.

Breaking down government stovepipes is difficult work, but it can be done. NTMI has had considerable success in working directly with federal, state, and local law enforcement, but success comes from doggedly working directly with the different agencies in the field, far from the Washington bureaucracy. This is an area where the small business excels because there is no place in America that is without a small business and perhaps more focus can be placed on the sharing of data for our national, state and local well-being.

I have the privilege to live the American dream every day. I work on the borders of our country and I see the desperate attempts made daily by citizens of other countries to enter and share a piece of that dream, so I do not take the quality our life here for granted. We may be a country with problems, but we must not forget that we are also a country of privilege.

It is a privilege and a responsibility to be an American, and it is an even greater privilege to be a business owner. Our country was founded on the capitalist ideal that would not accept taxation without representation. Over the past few years, the tax burdens on the small business person have grown and I'd like to take this last opportunity to thank the committee and President Bush for the tax reforms that allow us to put more money back into our businesses and thereby increase the likelihood that our businesses will survive.

Thank you for you time and for your patience and for allowing me to speak here today.

Chairman, honorable members;

My name is Henry David Nenna, I am a member of the Tule River Indian Reservation located in central California. I am a retired member of the Armed Forces. It is an honor to be here to provide our testimony about, "Small Business Success In The Face Of Adversity." I left the reservation at an early age to join the military, there wasn't any economic development happening on the reservation at that time in 1972. I returned to the reservation in 1993. The unemployment in the local area of Porterville was between 20-24%; on the reservation the unemployment hovered around 80%. There were only 35 full-time positions with the Tribe. The Tribal Government was non-compensated, they met once a month to handle the Tribe's business and to pass resolutions or create ordinances. It was not financially feasible to meet more often. The only source of revenue came from limited grazing permits and 18,000 acres of commercial timber. The Tribe made a concerted effort not to harvest the timber annually, but to wait several years in between cuttings to maximize the yield. The Tribe has a nine member governing Council and 1600 members. The revenue from the timber harvest was not close to being enough to operate a functioning government. Tule River was very reliant on Indian Health Services to provide water and sanitation needs, as well as get running water to the 241 homes. Government grants and contracts were another source of revenue for the Tribe to administer social service programs. In 1994 the leadership of the Tribal Council established the Tule River Tribe Gamming Commission. Their job was to seek out the information, regulations and ordinances required to start gamming on the reservation. The Tribal government looked at gamming as a window of opportunity to kick-start economic development and reduce the unemployment on the reservation. On the 1st of

June 1996 the Tribe opened a small operation. Since the opening of the Tribe's casino, we were able to reduce the unemployment from 80%, to approximately 18%. The net revenue enabled the Tribe to pour 50% into economic development, start a very aggressive education program, meet some of the housing need, and to rehabilitate a sorely needed community infrastructure. The leadership realized that we had to diversify as quickly as possible; there were many uncertainties for Indian gamming in California. In 1989 the Tribe purchased a 40-acre parcel of land near Porterville airport as an industrial park. It took many years of saving, grants, and local sources of revenue to try to develop the land for future building. With the gamming revenue, the Tribe was able to construct several buildings in rapid succession. These buildings house the economic development office, USDA food distribution center, a water testing laboratory, an office distribution center, and a central communication command center for the U. S. Forest Service, the command center is responsible for all the coordination of command and control of initial attack and air attack bombers for fires in a wide area, extending from Tehachapi to Folsom outside of Sacramento. In October of 1999, the Tribe became heavily involved in aerospace, remanufacturing the Cessna 337 Skymaster. The Tribe did not stop with only the remanufacturing, but also diversified this business many times over. A Vero Beach Florida company named LoPrestti Speed Merchants approached the Tribe. The company did not have a west coast distributor or installer, so Tule River became that entity for a four state area. The Tribe was approached by a foreign company, for the Tribe's facility to become the North American engine retrofit facility, installing diesel engines into general aviation aircraft. With the price of aviation fuel, the Tribe and its partners hope to revolutionize general aviation. In the past year the Tribe has partnered

with an upstart company out of Sarasota Florida, called Gyrocam. This is a high-tech multi-functional camera system. The camera has broadcast quality resolution; it can be stationary or mount to aircraft. It has digital mapping capability, infrared, and surveillance

functions. This tool is well received by the law enforcement community. The Tribe believes that with the capabilities of this camera we can ply a very vital roll in Homeland Security. We all know with the economy recovering that there are always budgetary concerns, but at what cost safety, protection of our open borders and the security of our national landmarks and treasures. The Tule River Tribe believes that we can be instrumental in assisting state and Federal agencies fulfill that obligation. The Tribe has been very aggressive in trying to create local domestic jobs, not only for the Tribe, but our local area as well. The Tribe not only has a true one-stop shop for pilots, but also licensed by forty-two vendors for avionics. The Tule River Tribe is constantly seeking opportunities for diversification and continues to strive towards self-determination. Thank you for letting me share some of the successes of the Tule River Tribe.

Randall D Evans, CEO
AccounTeks Business Services
8401 Colesville Road Suite 640
Silver Spring, Maryland 20910
301-585-4544 (301) 585-4711
Revans8764@aol.com & revans@accounteks.com
Web site: www.accounteks.com

My name is Randall D. Evans and I am the President & CEO of the AyanAliyah Corporation d/b/a AccounTeks Business Services. We provide managerial accounting and bookkeeping services to small businesses and non-profit organizations. Our services include design, installation, setup and maintenance of all facets of the accounting requirement for small organizations, from basic bookkeeping to financial statement preparation and tax planning and preparation. We were incorporated in the state of Maryland on April 13, 1998. The name AyanAliyah is a combination of the names of my oldest daughters Ayana and Aliyah. I now have a third daughter.

AccounTeks Business Services emerged from my participation with a bookkeeping firm dating back to September of 1994. I was a small percentage owner of the bookkeeping firm and in charge of business development. I worked at the small firm which had its headquarters in Cambridge MA for four (4) years and left the firm after growing discontent with the majority owners and my level of participation in determining the direction of the firm.

BACKGROUND

My desire to become an entreprenuer began at age 12. My father retired from the United States Army after serving his country for 23 years. He served in the Viet Nam conflict. Upon completion of his service in Viet Nam he was stationed at FT. Belvoir Virginia military base until his retirement in 1978. He and my mother had contemplated a career as entreprenuers and decided on franchising as the best path for them to pursue. They purchased a Servicemaster Janitorial Franchise 1976 two years before his retirement from the military. Like most new business owners the enthusiasm is great and the desire to learn how to succeed in operating your own business was high. At the age of twelve (12), I began to feed off of this enthusiasm.

When I was in middle school I got the idea of purchasing candy and gum at the base commissary and taking it to school to sell to my classmates. This proved to be a profitable venture as I would return home with proceeds of about twenty ($20) per day. Quickly I learned the concept of buying for a dollar and selling for two. There were a multitude of small business lessons in that experience. I was always a strong math student, as such, was compelled to keep a strict accounting of my proceeds and record them in a columnar ledger; thus, planting the seeds for the business which I am now in.

. Besides accounting and recordkeeping, there was the concept of inventory management and market research used to determined what candy and gum my classmates were willing to spend their parents hard earned money on. My first experience with partnerships came when my best friend wanted to go into business with me; however, prior to responding to him, I paused and recalled something I read on how Rockefeller felt that the best partner was no partner, so I had to politely decline his offer(fortunately our friendship survived).

After earning enough money to buy a new stereo set establish a savings account and loan my parents $700.00 to pay their taxes I closed the doors on my hallway locker candy store.

My next venture was auto detailing. I was fourteen (14) years old. The seeds for this venture came in response to my neighbor, Carl, who was about nineteen at the time, and had gone out drinking with his buddies and ended up with stained carpets. He asked me to use my fathers carpet cleaning equipment and shampoo to clean his upholstery he paid me $12.

About a week later I was approached by another neighbor an older gentleman in his 40s whom Carl had mentioned my work to. He asked about my cleaning his carpets then asked if I waxed the cars as well. Now this was a great question because the truth was no; however, at the time I had developed the habit of listening to motivational tapes and recalled a speaker saying "tell the customer that you can and figure out how to solve the problem". So I told him that I did wax cars. I had never in life waxed a car. I had one of my father take me to the automotive store. I bought some wax and read the instruction about twenty (20) times and proceeded to completely clean my neighbors car inside and out. This was a value experience for me as I developed a solutions oriented mind set which has served me well as the inevitable challenges of life and particularly small business ownership persists, my focus is on what do we do to create the desired result.

Being a bit of a car guy I was extremely motivated to develop my knowledge, skills and abilities in this trade of automobile detailing. I was fortunate to have a mother who adamantly discouraged her teenage son from getting a job, instead she would encourage me to create my own job. This was powerful coming from one's mother. As a result during the summers I would print up flyers get my own phone line and operate my detail business on the side of the house grossing $75 to $100 per day and employing the neighborhood kids. My first experience with HR management.

While attending the University of Virginia, during my senior year I had the good fortune of taking a course called Entreprenuership taught by Professor Neil Snyder. I convinced my group to take on, as our group project, my automobile detailing business. That class was one of the few A s that I received during my college career.
But the significant event was a lunch I had with Mr. Snyder in which I discussed with him my thoughts of remaining in school in order to obtained a Masters in Accounting. Mr. Snyder politely informed me that he thought that I was afraid to start my own business and that school provided a safe and secure surrounding. Security, I learned, was a word that made true entreprenuers cringe. In my mind I was a risk taker What kind of Entreprenuer would I be if I didn't respond with action.

After graduation I set out to make it happen. I remember choosing Arlington as my territory given the large number of small dealerships. Upon securing my first client I floated a check, cleaned the car and covered the check and found myself in business. That experience led to an eight (8) year career owning and operating an auto saloon

where we offered and array of after market services including, window tinting, car phones sales and installation, stereo installation and mobile car and fleet washing. In addition, we employed in total over 100 persons.

Concurrent to operating the Auto Saloon I establish a micro business consulting firm with my best friend from college who had matriculated to law school at Harvard. We participated in consulting projects in New York and Boston that lasted until 1990 when my friend graduated from law school. At that time since I was newly married and a new father I decided to leave the consulting business and get back into the car business which was a cash business and better allowed for forecasting my income.

The bookkeeping firm which I joined in September of 1994 was the evolution of the consulting business which my friend and I had started in 1988. I had now been married for 5 years with a 4 year old daughter upon rejoining forces with him. My partner was single with no children and we were operating from different vantage points. As a result of our different perspectives, the relationship was rocky and ended when I incorporated Ayanaliyah Corporation in 1998.

During the course of Accounteks' existence we have provided our services to over a hundred clients in the commercial sector. We have contracted over 30 certified public accountants and over 30 bookkeepers and staff accountants. In establishing the Corporation, I remember spending long hours to produce a written business plan in order to obtain a micro loan of $25,000.00. We were flat out rejected. As a result many of the savings habits and budgeting habits which I developed as a twelve year old selling candy to his classmates came to surface. I was very conservative in my business development as a result of internalizing the concept of sustainable growth. My rationale was that as a managerial accounting firm we could not afford to have cashflow problems. As such we were very selective in our client engagements and asked for retainers.

During the summer of 1999 I had the good fortune of meeting a small business consultant named Dewey Thomas Jr. Mr. Thomas has over thirty years of involvement with the small business administration including working directly for them as an employee and then as a consultant working directly with small business. To this day he acts as an advisor, coach and friend. If was as a result of working with him that we really developed our client services and became a more integral part of our clients management structures. Our business started to experience more growth as a result of this change in focus.

TODAY

Currently at AccounTeks Business Services we are positioning ourselves to handle significant growth in terms of clients and staff. We are scheduled to move into larger offices in Downtown Silver Spring. We are also completing our application for participation in SBA's (8)a program. However, we are desperately in need of expansion capital. We received an SBA loan for $25,000 from Innovative bank in January 2003

which was used to hire an assistant. As a result we doubled our client base; however, we are beginning to experience cashflow challenges, which is something which I have spent years planning and budgeting to avoid. However, in order to take advantage of opportunities, we have to invest capital. We cannot miss payrolls nor the ability to pay contractors and vendors with consistency. Furthermore, the assistant whom I hired in November 2002 has since left the firm as a result of getting married and anticipating beginning a family stating the need for health insurance which for us to provide her would be cost prohibitive. I know that this is a major objective of the chairman to make health insurance more affordable and is responsible for the legislation introduced by the Chairman and Nydia Velzquez of New York known as the Self-employed Health Care Affordability Act of 2003.

Another hurdle to growth are employment taxes which created additional pressures on cashflow, which is also address in bill. The majority of businesses whom we worked with had when we began has issues relating to their inability to effectively manage this payroll tax area. We always insist that they companies go on a payroll service with full tax service so that the money is withdrawn from their accounts and filed with the IRS and the state governments.

In moving our firm forward we have the following objectives for service development which include but are not limited to the following:

1. Expanding into a retail and commercial tax service
2. Developing an internet based services component
3. Developing accounting software training programs in line with the workforce investment act as well as directed at small business owners and their accounting support staff.
4. Technical assistance programs including loan packaging, performance bond packaging and certification packaging.
5. We will also expand our cost proposal services to clients going after government contracts.

To move these initiatives forward we have to have capital

I have met the district director of the Washington DC SBA office on a number of occasion and he has made me aware of a number of programs which this office has developed to assist small firms such as our.

He has conveyed the following objectives of the district office to me:

1. Increase in the number of jobs created
2. Increase in opportunities for entrepreneurs to access credit for expansion
3. Increase in the number of start-up businesses
4. Increase in contracting opportunities to small and minority-owned businesses
5. Increase in small business revenues/profits
6. Business sustainability and longevity
7. Improved service delivery of SBA programs and services

In addition the following accomplishment of the district office:

As of 8/31/03, the Washington Metropolitan Area District Office is 228 percent ahead of last year loan production (1057 loans, $146,444,233.) In addition, the district office represents 30 percent of all the contract opportunities 20 percent of the dollars in the Agency's 8(a) business development program.

The success of the district office is the result:
1. Improving outreach through transformation and redeployment of the district staff
2. Improving access to district's resources
3. Providing targeted training and education to the small business community

1. Improving outreach through transformation and redeployment of the district staff
By transforming the district office more staff have the ability for marketing and outreach. Then by organizing the district staff into Trade Area Teams that are defined by the local economies, they are building stronger relationships between the SBA and the small business customers, as well as SBA and the SBA's partners (economic development organizations, lending institutions, federal procurement agencies, Chambers of Commerce, etc.) The Trade Area Team Concept (Prince George's County, Montgomery County, District of Columbia, Loudoun County, and Northern Virginia (Fairfax and Arlington Counties)) has improved significantly SBA's market penetration into the small business community resulting in an increase in the number of successful startups, existing business expansion leading to job creation.

2. Improving access to district's resources
By upgrading the functionality of the district's web page and conducting the district's training in the trade area (rather than in the district office), the district office has improved access to - and use of - SBA's products, resources and services. This enhanced accessibility to SBA's lending products and contracting opportunities leads to small business start-ups, expansion of existing small business and job creation.

3. Providing targeted training and education to the small business community
By educating and training the small business community about the advantages and availability of business versus consumer loans (home equity, personal line of credit, high interest credit cards), and how to identify and report contract bundling, Washington's entrepreneurs have the knowledge to better capitalize their businesses and have greater access to procurement opportunities. As a result the small business community is able to increase revenues and profitability because of business expansion and job creation.

It is one of our objectives to get involved with many of these initiatives of the District Office for the Small Business Administration

In closing I would like to thank you for this honor and opportunity to meet before you and discuss my business and opinions. I love being in business everyday is a new adventure. I grown used to the long hours and quite frankly am not sure of what to do with idle time. I began working when I was ten (10) and putting in 100 hour weeks the minute I completed college. Therefore working hard and long is not the challenge. I would summarize the challenges previously touch upon as follows:

1. Access to capital at critical points of a company's development, when the credit scores may be at their lowest points and the capital reserves have dwindled significantly thus significantly impacting equity and asset valuations.

2. Affordable health insurance programs
3. Tiered technical assistance programs
4. Perhaps the development of a comprehensive incubator where small businesses can get linked up with mentors who might make the difference between success and failure.
5. A payroll tax system which reduces the cashflow pressures of the small business owner.
6. More flexible bid and performance bond programs.

.

Thank you very much for inviting me to provide my testimony today.

Mr. Chairman and members of the committee,

My name is Jordan Glazier, and I am the General Manager for eBay Business at eBay Inc., the World's Online Marketplace. I would first like to thank the committee for giving me this opportunity to come before you because eBay shares your interest in the economic success of small business.

About eBay Inc.

I am sure many of you here today are familiar with eBay. Whether it was an experience selling or buying online, or purely "window-shopping," eBay has become the World's Online Marketplace, where anyone can buy or sell practically anything on earth. Started in 1995, eBay has now grown to over 75 million confirmed users, with more than 14 million items listed on any given day in over 27,000 different categories. In 2002, eBay members transacted over $14 billion in annualized gross merchandise sales.

As complex as this online marketplace may seem, eBay is actually a very easy and user-friendly operation in which buyers and sellers are linked together through a variety of on-line auctions of goods ranging from books to real estate. These buyers and sellers come from all across the United States and around the globe truly making eBay a worldwide marketplace.

A fairly new development in our rapidly evolving marketplace is the fact that eBay is increasingly the Internet home for small business people in communities across our nation. It is the vehicle many have chosen to access a global marketplace.

About eBay Business

For many cost conscious small businesses, (and what small business isn't cost conscious?) eBay is a highly efficient place to buy needed items, such as component parts, telecommunications or computing equipment, and office supplies. eBay Business was created in January 2002 to bring together all business-related listings under one "online roof." Today it boasts of more than 500,000 business-related listings each week. With roughly 90% of business buyers on eBay coming from companies with less than 100 workers, it is clear that small businesses have proved highly capable of adopting this new purchasing technology.

eBay Business' four main product categories are: Vertical Industry Marketplace, Office Technology, Whole Sale Lots, and Marketplace Services.

1. Vertical Industry Marketplace
   Capital equipment and supplies related to metalworking, restaurant and foodservice, testing and measurement, construction, agriculture, industrial supplies/MRO, commercial printing, medical, laboratory, and more.

2. Office Technology

Computers, laptops, networking and telecom equipment, wireless phones, software, printers, PDAs, office furniture, equipment and supplies.

3. Whole Sales Lots
Wholesale listings across a broad range of product categories, such as computers, electronics, media, apparel, toys, sporting goods, and more.

4. Marketplace Services
5. eBay and third-party services to make buying and selling easier for businesses. Examples: online payments by PayPal, escrow, shipping services, transaction insurance, volume selling tools, and "trading assistant" programs.

In many cases eBay Business allows small businesses to reduce costs by buying used, refurbished, or surplus items, enabling them to equip their small businesses for pennies on the dollar compared to new, top-of-the-line items. Since many small businesses are not yet large enough to order in bulk, ordering through direct distributors is not a cost-effective option. The bottom line is that eBay Business helps small business save time and money.

How eBay Business Works

eBay Business is very similar to eBay in that it brings together buyers and sellers from across the country as well as around the world to one central online marketplace. Sellers interested in selling their business-related product on eBay Business post product listings through a variety of options such as an auction-style post or a 'buy-it-now' post. Auction-style listing is the traditional eBay listing where the seller sets the product at a starting price and the highest bidder wins the product. The 'buy-it-now' feature allows sellers to sell the product at a set price. 'Buy-it-now' offers time-sensitive businesses the option to sell and buy products quickly without going through a bidding period.

eBay Business also features value-added services. These services include insurance, escrow, an easy to use Trading Assistants program, and online payments through PayPal. eBay Business is able to offer these value-added services through partnerships with third-party companies such as FreightQuote, which handles eBay's shipping services program. By offering these services, eBay Business' customers are given the tools they need to effectively buy and sell.

Small Business as eBay Sellers

While eBay Business is intended to make it easier for small business people to use eBay to buy things, I am particularly excited about the many small businesses across America who have discovered that the eBay marketplace is a place to "do business," – to put it simply, a place to "sell things."

Many small businesses, folks with storefronts in towns and cities across America, have realized that eBay offers them a way to access an entirely new market of potential

customers. They can get "online" without overturning their entire way of doing business, and the marginal costs are not high. Oftentimes they reduce costs by avoiding intermediaries and dealing directly with the customer.

Where eBay offers some small business people a window on the Internet economy, others have taken the plunge and become, in essence, Internet-based small businesses. And there are more of them than you might realize. Tens of thousands of entrepreneurs now operate Internet-based, online businesses with eBay as their home. We call them "Power Sellers," and in just a couple of years their numbers have exceeded 70,000. And that's not all – we have over 75,000 others who have chosen not to enroll in our free Power Seller program, but who still make their living selling full-time on eBay.

Power Seller Success Story -- Reliable Tools

In 1998, Reliable Tools of Irwindale, CA had cut its staff to only four employees and braced for hard times as the metalworking and aerospace industries had slowed down dramatically. Four years later its staff grew to 28 employees and its annual revenue had almost doubled. Owner Mariano Ruiz used eBay to find more potential buyers for its 'slow movers' inventory. By posting Reliable Tools' products on eBay, Mr. Ruiz had access to a much larger potential buyers market. As a result, Reliable Tools has become eBay's top-grossing Business and Industrial seller with over 4,000 listings per month. Annual sales have increased by more than $3.5 million, along with sales on an international level in countries such as Canada, Australia, and Spain.

Power Seller Success Story -- Priceitwholesale

Entrepreneur Joe Edery is one of eBay's greatest entrepreneurial success stories. Mr. Edery, owner of Priceitwholesale, which specializes in the sale of cameras and electronics, has had more than 30 years of experience in the industry. Starting in a Manhattan showroom, the idea of using the Internet—more specifically eBay, to expand Priceitwholesale's customer base was very appealing to Mr. Edery. Only after 10 short months, Priceitwholesale led all sellers with an estimated $1.43 million in gross monthly sales. Mr. Edery expects an annual goal of $10 million in eBay sales alone. "eBay is the place where we trade. There's no other source. This is going to be our focus." Edery explained. Priceitwholesale now averages 1,000 to 1,200 listings a day with listings expected to increase.

Power Seller Success Story – DDTI

With eBay Business' wide selection of business-related products, some may wonder if it is possible to equip an entire business through eBay Business. DDTI, a machine shop in Gainesville, GA did just that. DDTI had used eBay to purchase computer systems, laboratory equipment, welders, drill presses, sensors, electrical enclosures, valves and fittings, and a 10-ton roof-mounted air conditioner. DDTI had effectively equipped its entire facility by purchasing all of its equipment on eBay. Greg Smith, president of DDTI explains, "The bottom line is that without eBay, we could not

have afforded to put together our shop. Period!" The total cost DDTI spent on equipment from eBay was $100,000. DDTI saved approximately $750,000 from the manufactures' list price.

Conclusion

Successful small business people are entrepreneurs, risk takers, innovators and dreamers. They need to be resilient, because even successful small business people are not always successful. They are optimists, banking on the future and their ability to thrive in it. But most of all, everyone in this room recognizes that being a small business person demands hard work.

The Internet has not changed that basic equation. Small business people who use eBay to reach a global market need all those same qualities. Yes, eBay offers them the ability to reach 70 million potential customers. That is something that's never been possible for small businesses before. And at eBay, we work hard to give them tools to successfully interact with those potential customers.

But, along with 70 million customers come many thousands of competitors. And, don't underestimate the challenges of operating with a new business model that requires new and innovative methods of communications, customer service and delivery over potentially long distances.

In short, small business people using eBay to do business are a lot like all small business people. Success is based on creativity, business savvy and the willingness to take risks. And, of course, hard work.

I truly believe that eBay has done wonders for many struggling small businesses and individuals in our recovering economy. I fully expect eBay to continue to be a vehicle in powering these businesses and that our service eBay Business will further its success.

I would be glad to answer any questions you may have.

September 15, 2003

Fortel Technologies Inc.
655 15th Street NW
Metropolitan Square Building Suite 460
Washington, D.C 20005

Fortel Technologies, Inc. is a privately owned, high technology, small business headquartered in Washington, D.C. We specialize in advanced radio frequency antenna development and associated technologies, pioneering the design and production of aerospace antenna and beam scanning technologies using metalized engineering thermo-plastics, with widespread applications for both commercial and military use. To date Fortel's product emphasis has been on applications in the civil market, which is driven by demands for low cost, ergonomic design and minimum size, with the main applications being:

- Mobile satcoms (airborne and terrestrial)
- Broadband wireless
- Automotive anti-collision radar

With the increased emphasis on the affordability of military systems, it is clear that Fortel's innovative aperture technologies also have considerable potential in the military sector and Fortel are currently in discussions with the four main defense contractors to move forward with them on various design criteria.

For example:

Current radar systems use a range of antenna solutions from reflectors and passive arrays to highly sophisticated active phased arrays. The Fortel plastic aperture technology is directly applicable to all these configurations and offers a large cost reduction, whilst providing performance benefits and a lighter weight product.

For Electronic Warfare (EW) applications, metalized engineering thermo-plastics can be used to realize the complex structures

required in ultra wideband antenna elements, with integrated missile seeker guidance and control systems also potentially benefiting greatly from the low cost and lightweight features of the Fortel aperture technologies.

For future military systems, the technology may offer even greater benefits. Possible areas of application include:

• Wideband radiating elements for LPI radar and integrated airborne communications terminals;
• Conformal antenna geometries and inclusion of different materials for improved signature control;
• "Structurally conformal RF array antennas" for low cost UAV applications;
• Compact low cost guidance unit for smart munitions;
• Enabling low cost, wide bandwidth technologies for broadband links via satellite or AWACS to land based military vehicles and troops delivering *"battlefield control"* and a system capability of avoidance to friendly fire.
• Homeland Security multi-function mobile broadband service (cell phone/voice radio, internet, GPS, Video etc).

In addition to our IP relating to the use of metalized engineering thermo-plastics, Fortel have pioneered spray-on-electronics, delivering the IP to embed within the light weight plastic antenna structures, low cost phase shifting devices with the potential to deliver a consumer cost phased array to fit flush with the roof of the family car or the military Humvee

On the commercial front our Technology has the ability to create substantial growth on a global scale in the Telecoms and multi-media sector; possibly creating the "kick start" that this sector of the US economy is looking for, delivering broadband data, films or video content to the family car, bus and train, with the time to download a 2 hour film being in the region of 42 seconds. In addition the Fortel enabling technology can also be used to deliver the same high data, film or video content to the consumer's cell phone; this could be achieved via WiFi connection from the data stored within the vehicle to the cell phone. Multi-media groups such as Fox, Dish Network and others could in the near future deliver their program content to the

consumer cell phone. The same technology can also be of great benefit to the Homeland Security delivering high broadband content to all the first response vehicles such as the Ambulance, Fire, Police, FBI, and National Guard.

Fortel is a small business with cutting edge technology and immense growth potential.

Fortel 2003

HEARING ON
50TH ANNIVERSARY OF THE SMALL BUSINESS ADMNISTRATION
HOUSE COMMITTEE ON SMALL BUSINESS

September 17, 2003

Testimony of Brendan Walsh, Co-Founder and Vice-President
FedBid.com

Mr. Chairman, Ranking Minority Member Velasquez, and Members of the Committee. It is an honor to testify before you today on the success of Daston Corporation's FedBid.com business unit, and to share with you how we have benefited from the support of the Small Business Administration. At the outset, I would like to express our company's gratitude to the Members of this Committee for their efforts to ensure that even in difficult budgetary times, the Nation's small businesses have an agency they can turn to for guidance, financing, and inspiration.

As I will explain in greater detail, FedBid provides an Internet-based marketplace that facilitates business-to-government e-commerce, with a particular focus on "simplified acquisitions." FedBid has enabled procurement officers at nearly 30 Federal agencies to obtain, in a reverse auction format, real-time, competed bids for products and simple services they intend to purchase. FedBid has been used for procuring a wide and often intriguing variety of goods and services, including: tactical body armor for State Department personnel overseas; Cisco computer networking equipment; radiation detection instruments; and even sports goal posts for a Naval base in Japan.

Each year, the federal government awards over $200 billion in contracts, including some $50 billion in "simplified acquisitions" and "commercial item" purchases. However, as Members of this Committee are keenly aware, federal agencies continue to procure goods and services through inefficient, time-consuming and expensive methods. Such methods ignore the effective alternative of

online procurement services such as FedBid, which offer a readily available, inexpensive, and extremely efficient tool for meeting procurement goals.

Who Is FedBid? FedBid is the result of a concerted effort by seasoned federal government contractors at Daston Corporation to bring truly competitive buying power to federal agencies in the context of what is known as "simplified acquisitions." Founded in 1992 and headquartered in Northern Virginia, Daston Corporation is a privately held, woman- and minority-owned, small, disadvantaged business providing a wide range of comprehensive business and information technology solutions to customers that include leading government agencies as well as private industry.

The Small Business Administration (SBA) granted Daston Section 8(a) certification in 1995, enabling us to devote an increasing share of our efforts toward federal government clients. Since then, we have amassed an outstanding record of referrals and repeat business and achieved exponential growth, which was acknowledged by our selection to the Virginia Deloitte & Touche Technology Fast 50 program in both 2002 and 2003. The SBA 8(a) program provided unprecedented access to federal contracting opportunities and served as the catalyst for team building with other industry contractors.

What is FedBid? In early 2001, as Daston was revamping its federal government services practice, we learned of a unique opportunity to bring to market a revolutionary service that would enable the federal government to obtain, in a reverse auction format, real-time, competed bids for products and services. By summer 2001, we had begun marketing and operating this service, which we call FedBid.com.

By way of background, a reverse auction is like a "reverse e-Bay" – an online bidding process in which the price goes down, not up. In a reverse auction, the buyer posts purchase requirements and sets the time limit for bidding. Vendors bid against each other in real-time to sell the product at the buyer's choice of best price or best value. For government buyers, reverse auctions are a dynamic and

real-time medium for setting purchasing terms that meet individual needs, creating custom product specifications, and obtaining competitive bids that meet or exceed buyer criteria.

In other words, when the Customs Service needs body armor or the General Services Administration needs network servers, those specifications are published on the FedBid website and appropriate vendors bid in a "sealed" reverse auction, knowing only if they "lead" or "lag" throughout the process, and not knowing the identity or price of the competitors. Vendors have the ability to submit multiple competitive bids. Significantly for the government purchaser and the vendor community, the only requirement to use FedBid is an Internet connection.

In addition to benefiting government buyers, this service enables small businesses to compete on the same level as large, established government contractors, thereby creating a truly competitive marketplace for commercial vendors.

SBA's Impact on FedBid. SBA's Section 8(a) program deserves much credit for FedBid's success. The 8(a) program provided the contractual vehicle that enabled FedBid's first agency customer, the Department of State, to initiate a pilot program using our service. Eventually, this program convinced the Department to adopt online, e-procurement techniques as a routine practice among its domestic and international acquisition personnel. Currently, over 60 US Embassies around the world are using FedBid.com to collect bids from US suppliers, and, in fact, one Embassy staffer has stated, "FedBid.com is our link to capitalism." The Department of State continues to be a model of procurement innovation in the federal government with over 1,300 reverse auctions conducted in 2002 and 2003, with an average of 7.2 companies bidding per auction, and awarding over 90% of the dollars to small businesses.

Although an agency need not sign a contract with FedBid to utilize our service, that first State Department contract, facilitated by our Section 8(a) status, set the stage for other components of the

Federal Government to experiment with FedBid and to develop a permanent role for us in their procurement strategy.

FedBid's Impact on Small Business. Further demonstrating the cumulative impact that SBA assistance can have in the U.S. economy, SBA's support for FedBid has had a broad and significant ripple effect on the overall success of the small business vendor community in the federal marketplace.

- Federal agencies competed over 1,100 transactions through FedBid.com in 2002, with over 81% of the dollars going to small businesses (all small business status was confirmed against the SBA's ProNET database).
- In 2003, Federal agencies are expected to compete over 3,000 transactions through FedBid.com, worth $100 million, with an estimated rate of 75% of the dollars going to small businesses.
- Our experience in the past two years, in which more agencies began utilizing FedBid, leads us to believe that in 2004, Federal agencies will compete over 6,000 transactions, worth over $200 million, with over 70% of the dollars going to small businesses.

In addition to these statistical benefits, there is a hidden public policy benefit to an agency's use of a service like FedBid that should be of interest to both the Committee and the SBA. In general, many federal procurements are plagued by documentation problems that prevent compliance with federal policies and requirements related to multiple bids. In contrast, FedBid provides a reliable, auditable procurement process that complies with all federal procurement documentation requirements and which allows Congress and agencies themselves to determine whether small businesses have received a fair chance to compete.

Another reason this Committee and the SBA should take an active interest in the regulations concerning online procurements is that while the federal marketplace typically favors large, established

vendors with sizeable teams of sales and marketing personnel, FedBid provides equal access to federal procurement opportunities. As a result, even the smallest of companies, which have no access to the vast majority of opportunities in the federal marketplace and no local sales and marketing teams can compete for federal business.

In closing, I would like to bring to the Committee's attention the Environmental Protection Agency's March, 2003 internal procurement newsletter, which noted that "[s]ince EPA's introduction to FedBid.com in June of 2002, buyers have utilized the commercial reverse auction site to save time and money in the procurement of goods and services. FedBid.com has helped to significantly increase competition and small business awards while delivering thousands in savings."

Based on FedBid's success in bringing government business to the small business community, we look forward to working closely with this Committee and the SBA in the future to raise awareness regarding small business utilization and the value to the federal government of commercial e-commerce services. Without SBA serving as a catalyst, Daston and FedBid.com would not have been in a position to advance the cause of so many small businesses that want to sell their products, services, and technologies to the U.S. Government. We congratulate the agency during this commemoration of the 50th Anniversary and again extend our heartfelt thanks to this Committee for its stewardship of these vital issues.