

**MADE IN THE USA: STORIES OF AMERICAN
MANUFACTURERS**

HEARING
BEFORE THE
COMMITTEE ON SMALL BUSINESS
UNITED STATES
HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRTEENTH CONGRESS
FIRST SESSION

HEARING HELD
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None.

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WEDNESDAY, JUNE 19, 2013

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,

Washington, DC.

The Committee met, pursuant to call, at 1:00 p.m., in Room 2360, Rayburn House Office Building. Hon. Sam Graves [chairman of the Committee] presiding.

Present: Representatives Graves, Chabot, Luetkemeyer, Tipton, Hanna, Huelskamp, Schweikert, Bentivolio, Collins, Velázquez, Schrader, Payne, Meng, Schneider, Barber, Kuster, and Murphy.

Chairman GRAVES. We will go ahead and call this hearing to order, and Ranking Member Velázquez is detained for a few moments. She is speaking across town but she is on her way and she said we can go ahead and get the hearing started.

So with that I would like to say good afternoon, and we do call this hearing to order.

In recognition of National Small Business Week, today we are going to hear from small manufacturers around the nation who have achieved success while producing goods right here in the United States. And I would like to welcome all the witnesses who are going to be here today and thank them for taking time out of their busy schedules and from running their businesses to offer us their insights. And we are going to have four panels all together today.

We have all heard about the decades-long decline of the manufacturing industry in America. Since the late 1970s, a combination of high U.S. wages and cheaper overseas production costs have led to a loss of nearly 11 million manufacturing jobs in the U.S., with nearly 2 million of those occurring during the recent recession. In an attempt to cut costs, many companies that previously made goods domestically moved their production to China and other nations with much less expensive labor.

Now, after years of industry decline, we are seeing a shift that is taking place. In April 2010, the U.S. began adding manufacturing jobs for the first time in many years. High consumer demand for Made in American products, rising foreign wages, and the increased realization by American entrepreneurs of hidden overseas production costs has led to more manufacturers producing goods and creating jobs here at home. In the past three years, the industry has added a half-million jobs to the U.S. economy.

Today, we are fortunate enough to have with us a group of accomplished American manufacturing leaders that have been doing

business in the U.S. for years. Some started their businesses at the kitchen table, and others took the helm of a local manufacturing mainstay. Whether it is a story of a paint producer in New York or an agricultural equipment maker in Kansas, common traits of success are very evident.

I look forward to hearing from our witnesses today about the things that have led to their accomplishments, as well as the challenges that they see ahead. And again, I want to thank all of our witnesses today that are in the audience for making the trip all the way to Washington to participate in this hearing.

With that I will make the first introduction. With our first panel and our first witness today is Rick Schwind, Jr., of Smithville, Missouri. Rick is the vice president and general manager of Continental Tool and Manufacturing. It is a producer of specialty tools and other machine components. This 20-employee, American manufacturing business makes a wide array of products, including mechanical pullers, sockets, spanner wrenches that are used by the U.S. military. Continental Tool was purchased by the Schwind family in 2008. And Rick, thanks for coming all the way from Missouri's Sixth District to be with us here today, and welcome to the Small Business Committee.

STATEMENTS OF RICHARD SCHWIND, JR., V.P., GENERAL MANAGER, CONTINENTAL TOOL; TERRY IVERSON, PRESIDENT AND CEO, IVERSON & COMPANY; BRUCE BROXTERMAN, PRESIDENT, RICHARDS INDUSTRIES.

STATEMENT OF RICHARD SCHWIND, JR.

Mr. SCHWIND. Good afternoon. My name is Rick Schwind, the vice president and general manager of Continental Tool and Manufacturing, located in Lenexa, Kansas. I am also a resident of Smithville, Missouri, located in Chairman Graves's congressional district. Thank you for the opportunity to be here to speak about our company and today's small business climate.

Continental Tool is a family-owned, private CNC manufacturer of specialty tools, gages, assemblies and components with roughly 20 employees. Approximately 80 percent of our business is manufacturing tools designed for military end use. Think of the Army mechanic that takes care of the Abrams tanks, Humvees, and Bradley fighting vehicles. We make many of those specialized tools. We make specialized wrenches for the landing gear on fighter jets, for the adjustment of sights on weapons, for the setting of fuses on mortar rounds, and hundreds of other tools. In addition, we provide a host of machine components to cooling towers, fire trucks, lighting fixtures, pumps, and valves.

My parents purchased the business in 2008 from a family who had started it from scratch in 1980. My dad's dream was to purchase a small, manufacturing company and offer a career, not just a job, with paid training and benefits to anyone who simply had the right attitude and did not mind working for everything they earned.

As for myself, I graduated from the University of Kansas and later received an MBA from the University of Missouri-Kansas City. I had worked as an operator in a machine shop while in col-

lege and after working in technology and telecommunications, I came back to manufacturing at Continental Tool. Like my dad, I, too, was realizing a dream. Not only being able to work side by side with my father, but also being in the business of “making stuff” for America.

As you remember, 2007 and 2008 were banner years for manufacturing, but as the recession began to take shape, things changed. Raw material pricing, surcharges, and the overall cost of doing business increased. But like any small business at that time, we pulled back, assessed the situation, drew financial lines in the sand, and lived within them. There were opportunities to buy new equipment that we passed up. There were people we wanted to hire but did not due to our own commitment to live within our financial guidelines. The single best (and most difficult) advice my dad gave me was that we needed to manage our business with our minds but not necessarily our hearts.

2011 and 2012 were much better. We rebounded to 2008 levels and operationally we were in a great place. The challenge of the recession led us to sharpen our pencils in just about every way and we got better. Most importantly, we retained every employee during that period.

Challenges remain for our industry where we struggle to find skilled labor. It takes anywhere from five to eight years of on-the-job training to become truly skilled in machine setup and operation. The average age of a skilled worker in our company is 50, and that seems to be consistent across the industry. These men and women are approaching retirement age, and as a nation, we need to build our skilled labor bench strength, or else we will have many people with college degrees but no technical skills.

But as a company, we face additional issues. Uncertainty over health care is a major concern. Today, our company fully pays for the health care premium of every employee. But not knowing the financial implications of the Health Care Law next year has us questioning whether we will be able to provide this going forward or whether we will be forced to turn this cost over to the employee.

As I mentioned, roughly 80 percent of our business is supplying the defense industry. This is where sequestration has had a real impact on us. We agree Washington needs to reduce our nation’s debt and reign in spending quickly. Our company made difficult decisions during the recession and significant cuts to survive, and the Federal government should do the same. However, in our company we took a sensible, precision approach to our finances just as we would when manufacturing a tool, while Congress did not.

Unless Washington quickly addresses the situation they created with sequestration and the budget, the impact to small manufacturers like ours, whose primary customer is the Federal government, will be severe. Our sales to the government are down 30 percent this year, and we recently were forced to lay off three employees, temporarily we hope, and are working to refinance our long-term debt to reduce monthly expense.

Even though our company survived the most recent recession, we are seriously concerned with the current environment facing small business. Does Washington really understand our challenge? Do they sense the concern we have with lack of skilled labor, with

health care uncertainty, ineffective and costly regulation, the sequester and indecisiveness regarding the budget? We certainly hope so, but the environment remains scary.

I am thankful that the Committee is asking for input from companies such as ours in order to stem the tide. Small business is the backbone of our economy.

I am honored to be here today, and many thanks to Chairman Graves and the Committee.

Chairman GRAVES. Thank you, Mr. Schwind.

I will now yield time to Mr. Schneider to introduce our next witness.

Mr. SCHNEIDER. Thank you, Chairman Graves, for allowing this opportunity to invite owners of manufacturing companies to testify during National Small Business Week to highlight the critical role these small businesses play in our economy. Manufacturing, in particular, has been a promising growth sector of late, re-emerging after years of decline. However, headwinds remain. Of particular note, I consistently hear, as Mr. Schwind just mentioned, from my district companies, about the growing skills gap threatening manufacturing and growth prospects. That is why I am so pleased to invite Terry Iverson from Long Grove, Illinois, for today's hearing.

Terry has been involved in manufacturing for more than 30 years. His family's involvement in the industry dates back to the 1920s. Terry is currently president and CEO of Iverson and Company. His company sells machine tools, automated and precision machines that power today's manufacturing. Additionally, he is a minority owner in his brother's company, the Chicago Dial Indicator Company, which manufactures mechanical and electronic gauges. With years of experience in the industry, Terry is now giving back to the manufacturing community by forming CHAMPIONNow, a chain to advance manufacturing as perceived in our nation now, an organization working to address the skills gap in the United States.

Terry, I want to personally thank you for coming today, and I look forward to hearing your testimony.

STATEMENT OF TERRY IVERSON

Mr. IVERSON. Mr. Chairman and members of the Small Business Committee, thank you for the opportunity to join you today.

My name is Terry Iverson. We do sell machine tools in the states of Illinois, Wisconsin, and Indiana. We have approximately 20 people, and my brother Erik does run our indicator business that has about 35 people. As you have said, both companies are over 80 years old.

I come to the Committee today to speak about the skills gap issue in manufacturing. This country is facing a crisis at this moment. If we do not find the next generation of manufacturing engineers, programmers, and CNC machinists, then the manufacturing sector will diminish because we do not have the human resources.

Recently, I have been pleased to hear that there is a buzz about manufacturing in the media, attention it deserves. I strongly believe that manufacturing has made this country great, and supplies good paying incomes for millions of families, and I believe that fu-

ture generations as well, but we must be mindful of the skills gap issue.

In my 33 years on the road, I have talked to thousands of manufacturers and subcontract machine shops. They have all increasingly shared one problem—they cannot find enough skilled personnel. I have been told time after time, “Terry, I will buy a machine from you. Just give me an operator to go with it.”

Baby boomers are getting closer to retirement. I am 54. The average age for the manufacturing employee is 56. Young people are being discouraged by their relatives, their counselors, their teachers, and the media to not pursue manufacturing careers. Because of the misperceptions, that must change. The industry is no longer a dark, dirty, dingy, low-paying profession. Advanced manufacturing in the U.S. is heavily computerized and automated. In Europe, not only do they still have apprenticeships in manufacturing, but they also have a culture that holds these professions in high esteem. Neither currently here in the U.S. is the case.

The young people of our country are our future, and we need to educate the next generation of the realities of the industry compared to the general public’s perception. Forty-two percent of young people going to college do not find their degree in four years. Approximately 53 percent of recent college graduates are either underemployed or unemployed. Seventeen million workers with college degrees are now working jobs that do not require one. With skyrocketing college tuitions and admission requirements, it is clear that manufacturing should be embraced by our students.

There is clearly a demand in the U.S. for highly skilled manufacturing workers. Many are of the opinion that all manufacturing has gone overseas. While some of this notion is true, the advanced manufacturing will and must stay in this country. Some of the low skilled tasks have gone, in fact, to the Far East, but the highly skilled positions with STEM-related skills are still needed in this country.

There are as many as 6,000 jobs for highly-skilled manufacturing positions currently unfilled, despite unemployment at 7.6 percent. Manufacturing needs the best and brightest and best math and science students that are great with their hands. They need to be seen as manufacturing champions.

After being involved in technical education in several community colleges, high schools, and serving on some technical boards around the country, I came up with a vision and organization called CHAMPIONNow. As Brad noted, it is an acronym that stands for Change How Advanced Manufacturing’s Perceived in our Nation. The Now is the call to action. You can see our film trailer on our website.

Since founding CHAMPIONNow in 2009, I have been involved in various projects. Currently, I am involved in a project that will film inspirational stories of career paths into manufacturing with young people, and these can be used as role models for others unaware of these successful opportunities.

I have been involved in Project Lead the Way in my community. This program gives high school students a way to apply theoretical knowledge with hands-on applications, strengthening their STEM skills. This was missing in my engineering education and I became

disenchanted and went into the working world. My family and my father's devotion to the art and science of manufacturing has actually brought me into what has now turned into a lifelong passion of making things.

CHAMPION Now is poised and ready to champion manufacturing careers. We need to educate our country on how exciting, challenging, honorable, and financially rewarding these careers can be. Everyone in our industry has to quit complaining and join together and take action. I encourage everyone here to do what they can to lead the charge on the skills gap and support U.S. manufacturing. We have many needs in technical education, policies, and perception. We need everyone on both sides of the political spectrum to agree on this and play a part in the solution.

Thank you again for all of your time and giving me the opportunity to speak today. I hope I have been able to bring to light some things and a passion that can make a difference in what I consider to be a vital topic in the U.S. manufacturing industry.

Chairman GRAVES. Thank you, Mr. Iverson.

I will now yield to Mr. Chabot to introduce our next witness.

Mr. CHABOT. Thank you, Mr. Chairman.

It is an honor to introduce our next witness here this afternoon, Bruce Broxterman, who is the president of Richards Industries, which has been producing industrial valves for a host of industries since 1948.

Bruce Broxterman started at Richards Industries as an inside sales correspondent back in 1980 and now serves as its president. As Bruce Broxterman can surely tell you, his is a customer-driven company. Their growth and longevity directly reflects the value of the products and service it offers its customers. I am thankful that Bruce Broxterman was able to attend today's hearing to highlight what has made his company successful and speak to some of the challenges American manufacturers face today.

Bruce, Jack is your brother or cousin?

Mr. BROXTERMAN. My older brother.

Mr. CHABOT. Older brother. That is what I thought.

And on a side note, Bruce's brother, Jack Broxterman, was a football coach and social studies American History teacher at my high school, LaSalle High School back in Cincinnati, and I had him as a teacher and I had him as a coach, as well. And I ended up getting a college football scholarship partly as a result of his coaching and certainly the interests that he gave me in politics and government and American history and that sort of thing. So for better or worse, the Broxterman family is at least partly responsible—

Mr. BROXTERMAN. It is not our fault.

Mr. CHABOT. Not your fault.

Some of my colleagues on the other side of the aisle would probably say for real, but we welcome you here, Bruce Broxterman, and look forward to hearing you now.

STATEMENT OF BRUCE BROXTERMAN

Mr. BROXTERMAN. Thanks, Steve.

Good afternoon, Chairman Graves. Thank you for holding this important hearing today to highlight the value of manufacturing in the United States, and thank you for the opportunity to talk briefly

about the challenges and opportunities that lie ahead for U.S. manufacturers.

As Steve said, my name is Bruce Broxterman, and I am the president and CEO of Richards Industries, a privately held manufacturer of industrial valves located in Cincinnati, Ohio. We have been in business since 1961, and our mission is to provide heavy-duty valves to control flow, pressure, and temperature for our customers in the process industries—places like refineries, chemical plants, petrochemical plants, pharmaceutical facilities, and food processing plants.

Richards Industries has been fortunate to experience solid growth over the past six years. After a management buyout in 2007, we have seen unprecedented growth of our revenues and profits. Over those six years, our sales grew nearly 45 percent, with net earnings improving at nearly the same rate and employment growing by 12 percent to just under 150 employees.

The deep recession of 2008, followed by a slow and uncertain economy, has resulted in a challenging business environment, and even now is proving to be difficult.

Richards has grown by staying focused on the niche markets and taking care of our key financial fundamentals.

We have a single-minded philosophy of providing products to meet the “special” requirements of our customers around the world. These products are highly engineered solutions to different customer process problems. Manufacturing runs in our plant are low and precision is high.

Being a small manufacturer can be challenging, but it provides the opportunity for us to be agile and flexible as we work to provide our customers with fast response and product delivery that they need to be effective and successful in their operations. We are often asked to build an engineered custom product and ship it in less than two days, and our lean process structure and flexible approach enables us to do that.

Our products are used in every corner of the world. Despite our size, you will find Richards Industries products on drilling platforms off the coast of Brazil, in pharmaceutical plants in the heart of Europe, on gas pipelines in Central China, and in chemical plants in Kazakhstan.

In 2007, international sales represented just 19 percent of our Richards Industries revenues. In 2012, international sales were 45 percent of the shipment total.

Along with increased revenues, Richards Industries has been able to achieve healthy levels of net income and cash flow, thus enabling the company to repay the debt taken on at the time of the acquisition, while at the same time reinvesting significant amounts of capital in the company. The reinvested capital has been used to generate further company growth and jobs.

At the heart of our success are the employees at Richards Industries. Our team is talented, experienced, and creative, but most importantly, they are committed to excellence and performance, bringing a “consider it done” attitude to work every day. Additionally, the family culture runs through our company, helps set up our team for success, and has resulted in Richards Industries being

chosen as the ‘Best Place to Work’ five out of the last six years by a local Cincinnati business publication.

There are, however, immediate and future challenges that threaten our ability to maintain our pattern of success as a manufacturer in the United States. First among them is the structural cost of U.S. manufacturing imposed by government tax policy, regulatory policies, and legislative initiatives. Richards Industries is structured as an S-corporation and, therefore, the taxable income generated by the enterprise flows directly through to personal tax returns of the owners of the company. High individual federal tax rates imposed on the owners siphon off precious capital that, but for the higher taxes, would be reinvested back into the company to purchase capital assets, grow the company, and create new jobs.

The Manufacturing Institute estimates that these structural costs add a full 20 percent to manufacturers’ costs of doing business here in the United States relative to our major partners.

U.S. health care costs have increased 80 percent in the last decade, and we believe that much of the cost increase is attributable to government involvement in the insurance marketplace via coverage mandates. We believe that the expansion of government involvement in health care brought on by the implementation of the Affordable Health Care Act will put forward further pressure on health care costs.

Of equal concern is the shrinking supply of qualified workers. The manufacturing workforce is moving toward retirement at a faster rate than the rest of the economy, and we cannot find qualified workers to fill positions as machinists, operators, and skilled assemblers. The U.S. education system is not equipping American students with the right skills and the right disciplines to support the manufacturing economy. The lack of qualified workers will impact U.S. manufacturers’ ability to compete in the global marketplace.

I encourage the Committee to continue to explore these growing challenges and to act to alleviate the accelerating headwinds.

I am very proud of the small part that Richards Industries plays in the nearly \$2 trillion U.S. manufacturing sector, and I am excited about the opportunities ahead.

Thank you for your support as we move forward through these challenging times, and thanks for the opportunity to testify.

Chairman GRAVES. Thank you very much, Mr. Broxterman.

Mr. Tipton, questions?

Mr. TIPTON. Thank you, Mr. Chairman. I would like to thank our panel for taking the time to be here. I am a small business guy. That has been my real trade in life, and the ability to create jobs and to be able to address some of those headwinds I think is critically important. And I certainly want to applaud all of your efforts.

If we could, you may not have a specific number. I know in my particular district in Colorado we still have double digit unemployment, real unemployment, in my two largest communities. Can you tell us out of your home areas in your state what is unemployment looking like right now? Mr. Schwind, do you want to start?

Mr. SCHWIND. I do not have the exact figures, but I can tell you it is hard to find the people with the skill to work for us. There seem to be plenty of workers available to come to work, but almost

zero with the skills that we need to have them safely work within a shop like ours with cutting tools, with machines, with chips. Safety is a huge issue, so we cannot take people fresh off the street and put to work; they need to be acclimated to the environment to be able to work effectively but really safely. So I do not have the specific number; I just know that there might be people that could fill the jobs but they are not skilled enough to do it.

Mr. TIPTON. Right.

Same experience?

Mr. BROXTERMAN. It is amazing. I am sorry, I had a campaign on Saturday to hire—we are trying to hire three machinists. First of all, it took us a good four weeks to put together a list of potential candidates. We had 50 scheduled for interviews. On Saturday morning there were 12 no-shows. It is amazing to me the effort that you have to put forth just to find—and these are not experienced machinists. We have a training program, an apprenticeship program, so we are willing to invest in them and train them, but to find qualified folks who are trainable is getting to be impossible.

Mr. IVERSON. We have gotten involved in some internship programs, I think five. We are only a 20-man company, so for us that is kind of a big deal and we found the same thing. Retaining people is very difficult. There is a lot of recruiting going on and people are paying people to go from one industry to another, so that is a struggle that we struggle with. But I think the actual unemployment may be around 9 percent in our state. I am not really sure. Brad might know that better than I. But certainly, finding people is very difficult for all three of us.

Mr. TIPTON. Great.

Well, Mr. Schwind, I was captivated really by a comment you made that came from your father, “To manage your business with your mind and not with your heart.” But you then followed that with “even in tough times you were able to hang on to the people that you worked with.” Does that really demonstrate that particularly with the small businesses that we have in this country that it is more of a family operation and that includes those that you work with?

Mr. SCHWIND. Absolutely. Absolutely. Being a 20-person company, we know the families of every individual. We know the kids, the kids’ names. So we take on ourselves responsibility of the welfare of those individuals—not just the folks who work for us but the entire family unit.

During the recession, we kept everyone because we got a little smarter. We did things that we did not do before. We brought some things in-house that we had paid for currently, and you are willing to do that. You try to do everything you can to retain your workforce because it is a personal relationship. If we had 800 or 900 employees, it might not be that way, but given that I know the names of every individual and every family member of the folks that work for us, you do what you can to keep—to hang on to those employees.

Mr. TIPTON. Right. You know, it was interesting listen to all three of you because what you were specifically noting is what happens here in Washington is impacting your ability to be able to create jobs to be able to hang onto the people you have and to be able

to build for the future. You cited the Affordable Care Act as being able to create uncertainty, potentially endangering jobs, sequestration. I think it is worthy of note out of the House of Representatives we passed two pieces of legislation, and I would encourage you to get a hold of your senators to take up those pieces of legislation. Also, the STEM act that we passed out of the House of Representatives when we were looking at Science, Technology, Engineering, and Math to be able to address them.

But if you could give, and Mr. Broxterman brought it up at the very end, we just had the fiscal cliff legislation a few months back, which is impacting sub S-corporations, S-corporations like his. If you have a piece of advice for Washington, what would it be?

Mr. BROXTERMAN. You know, from my perspective it is to be aware of the impact that that has on small businesses. The impression that comes to folks like myself is that we are the fat cats that are sitting on the back of our yacht with a martini in our hand. Well, that is actually an S-corporation. That is a small business.

I tried to tell this to my folks at election time, is that what has an impact on us is the approach that all income, all personal income over \$250,000 has got to be taxed at a higher rate. Those are small businesses. Those are S-corporations. Those are not just individuals who have been very highly compensated.

Mr. IVERSON. I have seen a lot of people that have, because of the fiscal crisis, have not invested in their businesses in terms of capital equipment, things that can make them more productive. So that is something that I have seen in calling on different manufacturers in the three states.

Mr. SCHWIND. The one thing I would mention in terms of Washington, and I know most of the folks on this panel have small business backgrounds so you know what I mean when I say this, but spend every dollar as if it were your own. Within our companies, whether we are ordering tooling, ordering services from an outside vendor, spend the money as if it were your own and it is amazing how much more conservative we spend when we think of things that way.

Mr. TIPTON. Thank you. I yield back, Mr. Chairman.

Chairman GRAVES. Ranking Member.

Ms. VELAZQUEZ. Thank you, Mr. Chairman. And thank you for being here today sharing with us the successes.

This Committee is well aware of the great role that you play in our economy. And so we are concerned about providing a climate that is conducive to help you do what you do best, and that is creating jobs for our economy.

There has been some discussion here in the House regarding a comprehensive tax bill, and the chairman and I have participated in some roundtables with the Ways and Means members, leadership. And so my question to you is besides lowering tax rates, what specific tax changes could better help small businesses have greater access to cash?

Mr. BROXTERMAN. I think from my perspective, the continued ability to buy capital equipment and have taxes not be a big factor in that decision-making process is a major plus. We are typically a company that buys a major machine tool every year.

Ms. VELAZQUEZ. Have you used section 179?

Mr. BROXTERMAN. We have. Yes. And we have—

Ms. VELÁZQUEZ. One of depreciation?

Mr. BROXTERMAN. Yes, absolutely. And it does. It makes a difference whether you make that move or you wait a period of time.

Ms. VELÁZQUEZ. Sure.

Mr. BROXTERMAN. Or perhaps put that move off all together. This is the first year in probably 15 years that we did not buy a piece of capital equipment, and it was because of the uncertainty in the tax situation that caused us to do that.

Mr. IVERSON. I would agree also. The section 179 is huge in our business. We sell machine tools. A couple of years ago the 179 was more aggressive than it is currently. I know a customer that had a family business that invested in a \$1.2 million piece of equipment, which was a huge investment for them, and the reason that they were able to do that and invest back in their business is because of the 179 and implications on their tax burden.

Mr. SCHWIND. I would suggest that in addition to the advantages on capital purchases, within companies that provide training for their employees. We have all said that we have a lack of skilled labor.

Ms. VELÁZQUEZ. Yes.

Mr. SCHWIND. Our company belongs to the National Tooling and Machining Association (NTMA), and NTMA has created an on-line university to send students to achieve college level training at night while they work in our shops during the day. But the individual companies bear the costs of sending those students to programs such as this. And I think more incentives for companies to provide training in-house or at least to provide some incentive to do it not only makes their individual companies stronger but across the industry if we are doing this, I think there can be some leverage there.

Ms. VELÁZQUEZ. Well, there are some partnerships happening between community colleges across the country and the small business sector in New York I am quite aware because one of them is in my district. And precisely, I just held a roundtable with small manufacturers, and time and again the major issue is to find skilled workers.

Thank you, Mr. Chairman.

Chairman GRAVES. Mr. Chabot.

Mr. CHABOT. Thank you very much, Mr. Chairman.

Bruce, I think I would like to go to you since you came all the way from Cincinnati.

You had started—what year did you start? Was it 1948—excuse me, 1961 or 1948?

Mr. BROXTERMAN. The company was incorporated in 1961 but the original product line was developed in 1948. That is correct.

Mr. CHABOT. All right. I was just wondering how my cracked staff could have got that wrong.

Mr. BROXTERMAN. Okay. No, they were right.

Mr. CHABOT. My question is this. You have been a very successful company and you have approximately 150 employees now. Times are different now than they were back then. If you would have started a company or wanted to start a company like you did back then now, would that have been possible? What additional

challenges do startups have out there nowadays that were not in existence back when you guys started up?

Mr. BROXTERMAN. Well, you know, I think there are a few things. It is interesting. I was involved in a management buyout of the company in 2007. We could not do that today because there is just no way in the banking environment that I could have gotten the funds to help me finance that.

Mr. CHABOT. Is that because of Dodd-Frank in particular, do you think?

Mr. BROXTERMAN. Yeah. I mean, from our standpoint I just had this conversation with U.S. Bank this week, and they said you should mention that if you get the chance because that kind of legislation change has a huge impact on their approach to lending dollars to people like me.

I think, too, I think the issue of finding skilled labor now as a startup would be very difficult. It is hard enough for me as a company of 150 to get people to take the chance to go to work for a small company, much less someone who is just a startup and just getting out of the chute.

Mr. CHABOT. Well, getting into that question about skilled labor, and all three of the witnesses here have mentioned that, they are having the same difficulty, and that is in an economy where we have ballpark somewhere between 7.5 and 8 percent unemployment, and that really, I would argue, does not adequately reflect the true unemployment when you look at people that used to work full-time and are working part-time who are still counted as working, and people that have given up working all together have gotten so discouraged they drop off and they are not counted at all anymore. So it is probably significantly higher than that. But whatever, the unemployment rate is higher than it ought to be, yet folks like yourselves are having a hard time hiring people. Are there any things that you would suggest that either we ought to be doing or maybe the local vocational schools ought to be doing or somebody ought to be doing to make folks employable in these high paying jobs which you all are screaming? And I will let all three of you touch on that if you would like to.

Bruce, do you want to go first since you are the hometown guy to me?

Mr. BROXTERMAN. You know, that is one that I thought of quite a bit on the way out here and as I prepared for the testimony, and it is difficult. I think there are some line items in the budget that support the nonprofits, such as the MEPs in Cincinnati. It is a group called TechSolve that offers low-cost training for companies like ourselves. They have a machining center where they share their expertise on machining and machining skills. But it is a challenge. It is a special challenge.

I like hearing about what Steve has to talk about because he has taken kind of a unique approach there I think that would be helpful as well. But it is a challenging time and I am not sure what the answers are.

Mr. CHABOT. Okay. Would either one of the other witnesses want to—

Mr. IVERSON. Well, I got an e-mail from the president of the Illinois Manufacturing Association, and he said that basically, stu-

dents coming out of high school, just their math skills are not up to par. And so a lot of us, the first thing they do at community colleges is that they find that they have to re-teach and do a better job at getting the math skills sharpened first. So I think schools in general are not—they are being measured maybe in an inappropriate or not necessarily an efficient way. And so a lot of people, a lot of schools are putting prominence on things that may be they should not have prominence on.

Mr. CHABOT. Thank you.

Mr. Schwind.

Mr. SCHWIND. Yes. I think in our own experience we find new individuals coming into our company with no experience have found us as maybe a second or a third option. They were not charging into machining out of high school because while in high school there was no real promotion of it. I think we need to get with mom and dad while these youngsters are still 14-, 15-, 16-years old in high school. I know within the high schools at least in our area we have had good success with robotics, and out of that students are learning how to design high level. They are learning how to build. But it seems to be gone the days where you would go to high school with kids that can rebuild cars when they get out of high school. It just seems like we have lost focus or funding. I am not sure why. But at the high school level there is very little real building or manufacturing going on. It seems to have moved more towards design and engineering, which is still good, but we just lost that hands-on approach I think at the high school levels.

Mr. CHABOT. Thank you.

Mr. Chairman, I see my time is about ready to lapse. Just let me make one final point.

I happen to be the chair of the Subcommittee on Foreign Affairs on Asia and the Pacific, and Mr. Broxterman, you had mentioned that about 45 percent of your sales now are international, and we are looking at TPP and we are looking at trade with the Europeans and a whole bunch of other free trade agreements and things of that nature, so in 10 seconds could you tell us do you think those types of things would be helpful? Would you like to see the international trade to go up?

Mr. BROXTERMAN. Absolutely. Obviously, our goal is to have it be half of our business or more. The more you can do to reduce barriers between us and our foreign markets and support us in our work and sending products overseas, the better. Places like Brazil where there is a challenge in terms of their import taxes, and then obviously, we have had some property rights issues in China as far as patented products being copied, those are the things that are toughest for us.

Mr. CHABOT. Thank you very much.

Thank you, Mr. Chairman. I yield back.

Chairman GRAVES. Mr. Schneider.

Mr. SCHNEIDER. Thank you, Mr. Chairman. I want to thank the witnesses. I know, having run a business, taking a day and coming to Washington is difficult, so thank you for taking time out of your busy schedule and sharing with us your stories.

Particularly, stories of manufacturing. I know when I graduated in 1983 with an engineering degree, we had 12 percent of our grad-

uates in engineering and 22 percent of our economy, our GDP was manufacturing. Both those numbers are today at half. All three of you have told us that you have a hard time finding employees. When I am home in my district I make a habit of visiting companies in the district. I am batting 100 percent. Every single company we go to is saying the same thing. We cannot find people with the skills we need.

And Mr. Schwind, you made a comment about kids coming out of school but not having the requisite skills. There is a distinction between knowledge and know-how, and what we need are people who have the know-how to put a car together, to operate these machines.

I was proud the first bill I introduced is the America Works Act, which is working with community colleges and industry to help close the skills gap. And Terry, what you have been doing in Illinois with CHAMPIONNow, working with—high schools and some of the other things is nothing short of miraculous. So that was a long way of saying thank you to you all for what you do.

And I would be remiss, also, Mr. Schwind, your father was a client of mine before you bought the business, and having worked with family businesses for almost 20 years and working with my own dad, I tip my hat to you because as you all said, family businesses treat their employees like family. That is how we are going to grow the economy.

As we look forward, as we look to close the skills gap, you mentioned, Mr. Broxterman, that it takes a number of years to train people in your business. How long has it taken you at this point to fill an open position?

Mr. BROXTERMAN. From our standpoint, the process is three-fold. One is to actually find a pool of employees, and that typically runs two to three weeks. And then once you have them is to bring them in and vet that process. And then finally, to make that offer and try to bring them onboard. I would guess that the whole process for us is somewhere in the range of about three months.

Mr. SCHNEIDER. Mr. Iverson?

Mr. IVERSON. Well, we are in a situation where we do not have a production technician, which is hard enough in itself. Many times we have to find either a service engineer—we have been very lucky with our service people. But salespeople that have to have mechanical skills and other skills, time management skills, so we have had to actually bring young people in and develop them, and it is short of two years to get to the point where they can actually do the job effectively. So if we are trying to find someone seasoned, it may take us every bit of six months or more.

Mr. SCHNEIDER. Mr. Schwind.

Mr. SCHWIND. In our experience, to recruit someone and recruiting someone with skill, anywhere from three to six months. Lots of interviewing, but finding someone with the actual hands-on and the practical experience could take up to six months. Finding someone to come in with no skill is relatively easy, but then you shift a lot of the responsibility and cost of training, safety, all that, right back into your shop. So you would prefer to obviously hire the more experienced because you bring in some unknowns when you bring in someone fresh with no skill.

Mr. SCHNEIDER. Sure. Do you see that timeframe—getting people, getting people the skills, having to retrain or train backwards, having a restrictive impact on your ability to grow your businesses?

Mr. SCHWIND. From my standpoint, it definitely is. It reduces capacity. We run three shifts. In past years, that second and third shift was a big part of what we did. Our second and third shifts now are just skeleton shifts because we just do not have the manpower to fill them.

Mr. IVERSON. At our indicator business we do not have a second shift and we compete with competitors all over the globe. And we have actually gone to what they call “lights out” manufacturing, where we can run the machines at night unattended. People can say that that is taking away jobs but it really is not. It is making us more competitive, and trying to put a second shift on—a first shift is hard enough. A second shift is almost impossible.

Mr. SCHWIND. We do long manufacturing runs, so we do run a second shift, but we pick and choose. There are certain cases where we can take a relatively new employee and have them run certain jobs, but in many cases, if it is something specialized, we intentionally hold off. And we could run it but cannot because we do not have the human capital trained enough to do it.

Mr. SCHNEIDER. Great. Thank you.

I am running out of time. I could sit here and talk all day about manufacturing, about small business, about family business, so again, thank you. One of the things we need to push through is sequester, and Mr. Schwind, you touched a bit on about it, but real briefly in a couple of seconds, can you give us a sense percentage-wise the impact sequester is having on your business?

Mr. SCHWIND. Year-to-date it has been about a 30 percent impact on our revenue to the federal government. And like I said before, we knew something had to happen. Sequestration did, but within the recession when demand dropped, we at least had insight into when things were going to turn around. Right now, with our government buyers, we do not have that insight. That is what is hard for us to plan. So what we have done in response is we are looking for commercial work and adding that to our pipeline, but it has been difficult for us. About a 30 percent drop.

Mr. SCHNEIDER. Mr. Iverson.

Mr. IVERSON. I would concur. I mean, there is a lot of uncertainty, and because of the uncertainty, people are not going to buy machine tools. Our indicator business, we are investing in research and development quite heavily, but you know, we cannot necessarily make the investments that we would normally make.

Mr. BROXTERMAN. The impact there is less for me. It does add to the uncertainty of the overall economy, and therefore, the investments that my customers make. But I do not directly sell to that marketplace that is so strongly impacted by sequestering.

Mr. SCHNEIDER. Well, again, thank you. Your success is our success. The ability for you all to grow is how we will grow our future. So thank you all again for coming today.

Mr. BROXTERMAN. Thanks. Thank you.

Mr. SCHNEIDER. And I yield back.

Chairman GRAVES. Mr. Luetkemeyer.

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

I just wanted to thank the individuals for coming today. I appreciate your insights, the real life stories of how you operate your businesses, the impact of the rules, regulations, and trade policies of this country on what you do. I am going to save my questions until the next panel because it is a long, long day for us, so I will just yield back with that, Mr. Chairman. Thank you very much.

Chairman GRAVES. Ms. Kuster.

Ms. KUSTER. Thank you very much, Mr. Chair.

I appreciate it. I was planning to yield back to wait for the next panel but I appreciate this conversation so much I just wanted to weigh in very briefly.

I am, like my colleagues, very, very interested in small business and workforce development, and I have been on this Congress at your Company tour whenever I go back. I am now up to 17 companies, very, very similar to your own with this CNC high-level manufacturing. And the witness that I brought here from New Hampshire today actually is going to describe a five generation company that has industrial revolution machines that are over 100 years old in the same company, the same factory as CNC machines that are cutting edge. So we are proud of it in New Hampshire.

But I just want to share with you a bill that I have introduced, Workforce Development Investment Act. It is H.R. 1747, and I would love to get bipartisan support from the panel that will provide tax incentives to employers who partner with local colleges to prepare students for the workforce. And is this the type of legislation that might be helpful for you working with your local community colleges, technical colleges? And if so, I would love to get your comments.

Mr. BROXTERMAN. I would just say that that is the kind of thinking that will help us move forward. It is exactly the kind of thing that we need. Some type of a break so that we can work with local experts to train folks. We have our own Richards Industries University that we created for ourself, which is a combination of on-the-floor work plus online work to help our folks learn the industry, but anything that can accelerate that process because it is three to six months to find somebody, but it may be as much as two years to train someone that moved from basic hand-drilling type operations to the true CNC environment.

Ms. KUSTER. That would be terrific.

Your comment about the math skills, that is precisely what I am running into. Like my colleague, Mr. Schneider, I am batting—every single company that I have been to has had this issue. One company, of every 10 that they bring in for an interview, only four have the math and English skills. Of those, two are disqualified for drugs and alcohol, and of the two that they hire, only one will last longer than four months in the company.

Mr. BROXTERMAN. You know, I have not done the math but I bet ours is very similar to that.

Ms. KUSTER. Is very similar.

Mr. BROXTERMAN. And that is the sequence that we run into as well.

Ms. KUSTER. So, my only other comment, and then time is short today, I will yield back, but just how can we all be working together to make sure that we invest in this basic infrastructure

which is our public school system? One of you mentioned Project Lead the Way, and I am a huge fan of that. My son started in the seventh grade and our teeny little town of 7,000 people, and he is now studying engineering in college and starting to work this summer at Lincoln Labs. So how can we all be working together to encourage those types of programs in our public schools?

I love your CHAMPION NOW program; maybe Mr. Iverson, you have something you could add to that.

Mr. IVERSON. Well, I think we need to keep, you know, STEM going, Project Lead the Way. We cannot let those not be supported. I think they need to be implemented more across the board throughout the whole country. Different states I travel in, I see one state doing a great job and another state not. I also think that the school system needs to be measured a little bit differently than it is so we can encourage and rate the school about how successful they are not of just sending young people to four-year universities, but then also success stories as well and incentivize the schools and track the schools for those successes as well. But I also think that Project Lead the Way has got to succeed and we have got to support it.

Ms. KUSTER. And then the last question for Mr. Schwind, one of you talked about videos, and what I have learned from my visits to the community colleges is a comment that you made about it is often the parents that have the image of the old, grungy, dark shop, and so I think the videos would be brilliant in trying to bring the parents into this modern environment where it is so clean and some of these companies that I go into, everybody has got the caps and the clothing, so any comment about how we could engage the parents.

Mr. SCHWIND. Absolutely. And I think the story is a good one in that the image needs to change for what manufacturing really is, but you think of all the students going through four-year universities, saddling up \$60,000–70,000 of debt with no job. In our industry, many of our companies, especially within the NTMA, pay for that training, if there is some tax incentive to do that, and these students graduate, have a good-paying job with no debt. It is nothing but a good story, and I think that needs to be intertwined and told by guidance counselors and directly talking to mom and dad. I think it is a great opportunity. I think videos would help.

Ms. KUSTER. Terrific.

Mr. IVERSON. We are involved in a lot of videos, and I concur 100 percent that the parents and the influencers need to know what reality is more so. National Manufacturing Day, I think it was the FMA, has October 5th where we open our doors as companies and all the manufacturers need to do that and participate so that the parents can come in and see what the reality is on the manufacturing floor. I also think your point about getting businesses, partnering with community colleges is huge. And when you see that happening, there is a notable difference in impact on the community in the manufacturing sector.

Ms. KUSTER. Excellent. Well, thank you so much. And I appreciate you all coming to Washington and all the witnesses today, and I will look forward to working on these ideas with you.

Thanks, and I yield back.

Chairman GRAVES. Mr. Hanna.

Mr. HANNA. I will just thank the witnesses for being here today, and I yield back.

Chairman GRAVES. Ms. Meng.

Ms. MENG. I also thank the witnesses for being here. I yield back.

Chairman GRAVES. That is everybody.

There are no other questions with that. I appreciate our first panel for coming in. Thank you. Some of you traveled a long way, obviously, and I very much appreciate that. And with that we will seat the second panel. I will turn the gavel over to Mr. Luetkemeyer.

Mr. LUETKEMEYER. Okay. Could the second panel please come forward? Mr. Mittler, Mr. Wanger, and Ms. Johnson, Mr. Allen.

Okay, let us get started with the second panel. And thank all of you for coming.

We will apologize to you before we get started here. We have votes scheduled in about 15 minutes, and so when you see the bells and whistles and everything start to go off around here, we will take probably a few more questions at that point and then go five or 10 minutes or so and then we will have to take off. We will ask for your indulgence while we go cast a few votes and we will come back and we will continue with the Committee at that time.

If you have been watching the discussion, you know that in front of you you have got a little box that has red, green, and yellow buttons on it. You get five minutes to make your statement, and then all of the members up here have five minutes to ask you questions, and we will try and hold to that, in the general vicinity of, but it is my honor this afternoon to be able to introduce one of my constituents, Mr. Mike Mittler. He is president and co-founder of Mittler Brothers Machine and Tool in Wright City. Mittler Brothers has been making high-quality, metal working equipment since 1980. The business includes a product line of metalworking and fabrication tools used in auto racing and aviation market. Additionally, they play a role in engineering, designing, and building special machines to automate industry. Mr. Mittler and his brother have built a very successful family operation that has not only excelled in business, but it has also provided safe and stable jobs for the local community and supported local students in developing skills and technical experience for future careers.

I must add for the enjoyment of any NASCAR fans in the room, Mr. Mittler is a racing enthusiast whose experience in auto racing is related to a number of ideas for special tools and machine concepts, and his support of a particular individual who is now one of the top race car drivers in the NASCAR family. So in my opinion he is the perfect example of how hardworking Americans can achieve anything when their innovation and ingenuity are allowed to flourish.

I am happy to welcome this great Missourian to the Committee, and I remind Mr. Mittler he has five minutes to present his testimony. My special welcome. Thank you.

STATEMENTS OF MICHAEL MITTLER, PRESIDENT, MITTLER BROTHERS MACHINE & TOOL; JIM ALLEN, DIRECTOR, SHAPEWAYS, INC.; JILL JOHNSON, FOUNDER AND CEO, INSTITUTE FOR ENTREPRENEURIAL LEADERSHIP; ANTHONY WANGER, PRESIDENT, IO.

STATEMENT OF MICHAEL MITTLER

Mr. MITTLER. Thank you, Congressman. It is my privilege, and I feel my duty, to be here to give my testimony today, so thank you very much.

As you said, my name is Mike Mittler, president and co-founder with my brother Paul of Mittler Brothers Machine and Tool, a manufacturing company located in Wright City, Missouri. And as you said, I feel we are the classic example of small business. We founded our company around the kitchen table at my mom and dad's house Super Bowl Sunday of 1980. On Monday, following the Super Bowl, we rented a 2,500 square foot building for \$400 and a handshake with the owner. How little did we know?

Paul and I worked many long days and nights as the only employees of the company to build our reputation of quality work and great customer service. We had honed our basic customer service skills with the first Mittler Brothers, cutting grass, raking leaves, painting houses, and many other odd jobs while in high school. With me, the oldest of eight children, and Paul the youngest, if we wanted to have any money at all, we had to earn it.

Mom and dad were great role models while providing the initial startup money, which we paid back with interest by the way. They quickly said, "You boys are on your own and you have to make it." Always glad to offer advice, they did not meddle in the business and knew we had to make our own mistakes so we would really learn the hard way.

In 1984, we moved to our second location, a 7,500 square foot building that we helped build with a lot of sweat equity. We added both customers and employees slow but sure over the years and moved to our current location, a 50,000 square foot building in Wright City in 2004.

Like Rick, I am a member of the National Tooling and Machining Association. I was proud to have served as the national chairman of that organization in 2006. There are thousands of companies like ours in manufacturing America, and together, it is these small businesses who provide jobs to the majority of Americans.

Our most important asset is our people, and we are proud to have 10 people with over 20 years of service with us. Two of them started right out of high school and are now grandfathers. We currently have 60 employees, and last year we paid out over \$2.5 million in payroll to our people. I am very proud to currently have five military veterans as part of our team, and I feel these are the real heroes of this country. We have always given young people a chance to work for us, and currently have several moving up through the ranks, including two still in high school working part time for us.

Our people are all highly skilled, and we employ welders, machinists, toolmakers, engineers, painters, and assembly technicians. Our people are guided by just three basic rules—safety, quality,

productivity. We provide a quality benefit package, including health care, that we pay the majority of, a 401K plan, a gain sharing program that last year paid over \$200,000 to our employees, and a flexible work schedule to allow our people to deal with their family and their job.

We utilize the latest technology in our manufacturing processes, including 3D solid design modeling software and high tech CNC, our computer-controlled machines.

Our company has two main areas of focus. One is our product line of special machines and components for the auto racing, hotrodding, restoration, aircraft, and bike building industry. And the other is design and building of special equipment for industrial automation.

Our standard products serve both the professional racer, fabricator, and the do-it-yourselfer who has our products in their own home workshop. We are proud to be able to sell our products all around the world. Our products have been featured in a number of hit TV shows, including the American Chopper series and several other how-to shows. Numerous trade publications and many online videos have also featured our products. We maintain a dynamic website, publish a 90-page catalog, and exhibit in several trade shows to promote and sell our products.

In the design and build area, we manufacture custom machines and systems for large industrial companies, helping them compete in the global economy. Our customers include companies in medical, building products, energy, heavy truck, and general industry.

While we have been successful over the years, many things I currently see bother me and give me cause for great concern. I wonder often would I do it all again? In today's climate, could my brother and I succeed and create the jobs that we currently have? Unfortunately, I think the answer is no.

There is too much uncertainty right now and the costs of manufacturing in America are rising, making us less globally competitive. Uncertainty over the health care law, instability in the tax code, ineffective and costly regulations are the biggest problems we face. It seems most of our obstacles come from right here in Washington. Small businesses do not need a helping hand. We need a sensible partner in government which allows entrepreneurs to build a business and most importantly create jobs.

In closing, I am proud and thankful to live in the greatest country in the world and proud to have an opportunity to contribute in a very small way to that greatness. May God continue to bless America. Thank you.

Mr. LUETKEMEYER. Thank you, Mr. Mittler, for your testimony.

For the next witness we will have Mr. Payne introduce our next business, Ms. Johnson.

Mr. PAYNE. Thank you.

Mr. Chairman, if the Committee would be so kind to skip by Ms. Johnson. I have not received my information yet.

I think that is a little shorter than the one I had.

Mr. LUETKEMEYER. We will skip her?

Mr. PAYNE. If the chairman would.

Mr. LUETKEMEYER. Okay.

Mr. PAYNE. Thank you.

Mr. LUETKEMEYER. Ms. Meng, is she here? There we are. You can introduce Mr. Allen.

Ms. MENG. Thank you, Mr. Chairman, and Ms. Ranking Member. It is my pleasure to introduce Mr. Jim Allen.

Mr. Allen is the director of Economic Programs at Shapeways. Shapeways is the world's leading 3D printing marketplace where users can make, buy, and sell 3D printed products. The startup company produces and ships hundreds of 3D printed objects per day from its 25,000 square foot facility in Queens, New York. It also has the capability to print millions of objects per year. Shapeways uses cutting-edge technology that places it at the forefront of 3D technology. I am proud to have Shapeways as part of our Queens community and look forward to Mr. Allen's testimony.

Welcome, Mr. Allen.

STATEMENT OF JIM ALLEN

Mr. ALLEN. Thank you for inviting me to speak at this Committee.

Again, my name is Jim Allen, and I am the director of Economic Programs for Shapeways. We are the world's leading 3D printing marketplace and community. We harness the power of 3D printing by granting consumers access to commercial and industrial-grade printers to basically print whatever they want. These are done in our "factories of the future," which as Ms. Meng mentioned is in Long Island City. We also have one in the Netherlands.

We want to make product design both personal, accessible, and inspiring, and that is something that we can do through 3D printing. I have worked closely for the last two years of the company by maintaining close relationships with local, state, and federal government agencies and the local economic development community. I have also been involved in creating what we call the "factory of the future" in Long Island City, leveraging my experience in manufacturing and economic development.

The Shapeways story reads like a new-age American success story. The company was founded in 2007 by Peter Weijmarshausen and Marleen Vogelaar in the Lifestyle incubator of Phillips Electronics in the Netherlands. At the time, 3D printing was still very expensive and virtually unknown. It was really the domain of large corporations, prototyping service bureaus, and architects, but it really was not used for creating real products for real consumers. Consumers were using 3D software to design objects but they really had no outlet to actually have those objects in their hands. The founders of Shapeways said, "Let us make this possible."

And so in 2008, the company launched their website and started 3D printing, basically achieving the impossible. In 2010, the company was spun off from Phillips and the Dutch founders packed their bags and their families and moved to the U.S. They moved here to New York for the same reasons that a lot of companies do—direct access to the world's largest consumer market, as well as access to capital. The founders also realized that New York City is a hub for creativity and design, and so they looked at this as being an opportunity to tap into the American workforce.

Since late 2010, Shapeways has created over 70 well-paying jobs in the U.S. in the fields of manufacturing, software and web design, marketing, product design, finance, and customer service. As we continue to grow, we are going to have probably over 50 people in the manufacturing plant and we are also going to need to have support at our corporate office in Manhattan, so there will be additional jobs created there.

I want to highlight Shapeways growth from the perspective of community and marketplace. We have a diverse and global community comprised of designers, shoppers, as well as creators, who are turning out ideas on a daily basis. At least count they were uploading 60,000 new products every month to our website. We also have thousands of members of our community that do not have any 3D experience and who want to get involved in creating objects that populate their lives. At most recent count, we have over 300,000 community members.

We also have shop owners. These are people who have design experience and are placing their designs on our website for others to purchase. We allow them to set their price and make their own profit in return for a small fee from us, but we manage the transaction from end to end. In 2012, we paid out over \$500,000 in payments to these shop owners, and at that point there were 8,000 shop owners. Now we have over 10,000.

We have also been fortunate in raising capital. In 2010, we raised our initial \$6 million, and over the last few years we have raised an additional \$41.3 million. Most recently, a \$30 million round through Andreesen-Horowitz and supported by Union Square Ventures, Index Ventures, and Lux Capital. This is a testament not only to the Shapeways concept and business model, but is indicative of the game-changing potential of 3D printing. As we go forward, we are going to continue to roll out new materials, invest in the latest 3D printing technology, and work our way towards 100 percent local production. Right now nearly 90 percent of the products sold in the U.S. are manufactured here in the U.S.

I feel that this is the tip of the iceberg, not only for 3D printing but also for U.S. manufacturing in general. I gave a talk last January at the Leadership Summit of the International Economic Development Council and noted that there is a significant uptick in venture funding of manufacturing in hardware-based companies. So it is not just the latest social media fad or website that is being funded. This coupled with improvements proposed in the Jobs Act to ease restrictions on crowdfunding may help spark a renaissance in U.S. manufacturing.

One of the challenges that we face, which has been mentioned by each one of the previous presenters, has to do with finding and attracting the best talent, and this we think stems from a lack of STEM education. We need to continue to support those programs. I worked for an economic development agency outside of Chicago before and was working closely with the workforce development organizations there and the manufacturing community to make sure that that happened.

Before I finish, I would like to acknowledge the warm welcome and assistance Shapeways has received from Queens, Manhattan, and the State of New York, from Governor Cuomo, Mayor

Bloomberg, Congresswomen Carolyn Maloney and Grace Meng. We have been welcomed with open arms. Queens may not be known for its manufacturing industry, but the past few years Shapeways has realized how great a community this can be for business with the right investments and strategy. We hope that Shapeways can be both a hub and a catalyst for the resurgence of manufacturing in this area.

Thank you again for your time.

Mr. LUETKEMEYER. Thank you, Mr. Allen.

Mr. Payne, do you want to introduce your witness?

Mr. PAYNE. Thank you, Mr. Chairman.

It is my honor to introduce Ms. Jill Johnson, CEO of the Institute for Entrepreneurial Leadership, also known as IFEL, located within my district in Newark, New Jersey since 2002. She started the organization to serve the unique needs of minority- and women-owned businesses with her father, Dr. Henry Johnson, who was a minority business advocate in Newark for over 20 years. In 2011, she expanded the organization's reach through a partnership with the City of New York Base Workshop in Business Opportunities program, which has special outreach to low-income communities, including the re-entry and veteran populations.

While today's hearing focuses on the resurgence of small business manufacturers, I wanted to ensure that the challenges and opportunities for entrepreneurs of various sectors, including manufacturing, from disadvantaged backgrounds, were highlighted as well. Given Ms. Johnson's 20 years plus experience with minority- and women-owned businesses and her work in urban and low income communities, she is equipped just to do that.

In her current capacity as the CEO of the Institute for Entrepreneurial Leadership and Workshop in Business Opportunities, Ms. Johnson is responsible for strategic direction of the organization that will guide their vision to make the American dream through entrepreneurship available to anyone who has the drive and commitment to be successful. She has led the company in the creation of successful programs focusing on entrepreneurial training and mentoring services for New Jersey Department of Labor, the Newark Urban Enterprise Zone, and the Rutgers Center for Urban, Entrepreneurial, and Economic Development. In 2012, the Institute for Entrepreneurial Leadership and Workshop in Business Opportunities together served over 1,700 aspiring and existing entrepreneurs in New York and New Jersey, as well as through five affiliate partners in four states. Prior to launching the Institute, Ms. Johnson was a financial analyst at Goldman Sachs, an associate publisher of Yes Magazine, which was a family-owned business, and the president of On Point Consulting, a strategic business planning consulting firm started by her husband.

Again, it is my honor to introduce Ms. Jill Johnson.

Mr. LUETKEMEYER. Ms. Johnson, you have five minutes. And just to let everybody—the witnesses as well as the panel members know, we will take this testimony and then we will adjourn to go vote. As you can see on the board, we are in the process of voting, and then we will return probably in about 30 to 45 minutes.

So, Ms. Johnson, you have the floor for five minutes. Welcome.

STATEMENT OF JILL JOHNSON

Ms. JOHNSON. Thank you very much to the Committee.

My name is Jill Johnson, and on behalf of the Institute for Entrepreneurial Leadership, the Workshop in Business Opportunities, and the thousands of people who pursue small business ownership as their path to the American dream, I thank you for the opportunity to address this Committee today.

I am here to share our view of the challenges that exist for the entrepreneurs that we serve which are particularly acute in segments that require high levels of capital investment, like manufacturing.

The Institute for Entrepreneurial Leadership is focused not on the entrepreneurs who start businesses with loans from their parents or corporate buyout packages or by raising money on Wall Street; our clients are regular people who aspire to live a better life, people for whom the American dream is a concept worthy of pursuit.

For over 10 years, as Congressman Payne said, from our base in Newark, New Jersey, we have provided one-on-one mentoring to businesses with revenues of less than \$250,000. While these types of enterprises are often demeaned as “mom and pop” businesses not worthy of investment, we celebrate these entrepreneurs as the agents of change in communities where change is most needed.

In 2011, we joined forces with Workshop in Business Opportunities, an amazing organization that has trained over 15,000 entrepreneurs since 1966, in the areas of New York City where the angel investment dollars do not flow. Since joining forces, we have created an end-to-end training, mentoring, and support continuum for the entrepreneurs that are often left out of the mainstream small business ecosystem. Last year we served close to 1,800 existing and aspiring entrepreneurs, and we launched a pilot program to replicate our model nationally through affiliate partners. Our clients are 73 percent women, 70 percent with household incomes below \$60,000, and 74 percent black and Hispanic. The challenges that our clients face in starting and growing businesses revolve around three primary issues: the Capital Gap, Talent Gap, and Opportunity Gap.

In 2010, white Americans were about six times as wealthy as nonwhite Americans. In dollars and cents, this translates to the average white family having about \$632,000 in wealth, versus \$110,000 for Hispanic families, and \$98,000 for black families. While access to capital is often viewed as best addressed through the private sector, private sector solutions are generally not interested in low return, nonscalable ventures.

While the SBA does what it can, the SBA cannot replace the type of business startup and growth capital offered through personal wealth and friends and family investment. Black businesses are particularly affected due to the historical lack of intergenerational wealth transfer. While money alone cannot fix a flawed business model, it is a simple truth that money can buy expertise and can enable a small business to stay afloat long enough to figure things out and adjust. Access to capital makes the pivot to profitability possible. Undercapitalized businesses have no room for error. We need to find solutions to the access to capital gap.

In addition to capital constraints, many entrepreneurs rank lack of business training as high among the challenges they face. Again, this is where we see a divergence in what exists for high tech, high growth businesses and the businesses that we serve. Across the nation there is a strong effort to support incubators and accelerators for companies that have the potential to attract significant private sector investment dollars, as well as research grants. Most of the value is in having access to the talent and expertise that entrepreneurs generally cannot afford during the early years in the development of the business. These incubators and accelerators stimulate innovation, provide support, and connect capital to projects that can change the world. What we are missing is the same level of resource for entrepreneurs who can change communities. We need to find solutions to the talent gap.

Related to the previous two issues, a challenge for many of our clients is the inability to win meaningful contract opportunities. While this is due in large part to lack of capacity, we find that the absence of strong networks and relationships is also a limiting factor. Limited resources often prevent undercapitalized entrepreneurs from attending conferences, playing golf, joining clubs, and making the sales calls necessary to develop strong relationships with large potential customers. Government set-aside programs and corporate spend goals have been helpful in certain areas. However, for the businesses that we serve, these programs do not apply. We need to find solutions to the opportunity gap.

After our years of working with thousands of aspiring and existing entrepreneurs, I have come to believe with all my heart that solutions are possible. I have presented several in my written testimony. It is not enough to just focus on those who have been blessed with the benefits and privilege of history; we must also empower those individuals who have not but aspire for more and whose spirits are still open to dreaming.

On behalf of the thousands of entrepreneurs like the ones that we serve, I ask that as you consider ways to support the manufacturing sector, that you commit yourselves to inclusion of community entrepreneurs whose success creates a path to economic self sufficiency for more of us and a healthier economy for all of us.

Thank you very much.

Mr. LUETKEMEYER. Thank you, Ms. Johnson. That was right on five minutes. Very good.

We apologize to the panel. This is our life around here. We are in the process of putting the rule on the floor for the Farm Bill, and so we are going to have a recess here for probably about 30 to 35 minutes, I would assume, around 3 o'clock, give or take five or 10 minutes, we will be back. It probably will not be any sooner than 3 o'clock, but I would say as soon as we can get a number of members back here we will again go back to work. And I apologize, but again we ask for your indulgence.

With that, we will recess until a little after 3:00.

[Recess]

Mr. SCHWEIKERT. Okay. Our Subcommittee is back in session.

This is actually one of those moments where I got to be in the chair at just the right moment. I get to introduce Mr. Wanger.

Anthony Wanger is president of IO, a global leader in the manufacturing of software-defined data centers with intelligent controls, the next generation of data center inner structure technology, and integrated hardware and software data center platforms. IO intelligent controls offer enterprises, governments, and service providers an innovative way to deploy provisions and optimize data center capacities anywhere in the world. As president, Mr. Wanger directs the company's expansion and acquisition activities overseas, key transactions, and the company's legal, HR, security, and risk management functions.

Prior to his involvement with IO, Mr. Wanger co-founded and managed Sterling Network Services, a leading enterprise data service provider. Earlier in his career, Mr. Wanger was a private equity investor and served as a senior vice president at Sterling Partners, where he directed a variety of investments and transactions for the firm. Mr. Wanger graduated with a bachelor of arts degree in political science from Embry Riddle University—that is a strange place to go for a bachelor in poly science—and a juris doctorate degree from Boston University.

I know him. He is my friend. I am allowed to screw with him.

And from a personal standpoint, knowing of the company, knowing some of the technologies, one of the reasons I am actually very pleased to have my friend actually here from Arizona. It is often when we speak of manufacturing we think of the production of widgets and things and not understanding the platforms it requires to manage in an information world.

Anthony.

STATEMENT OF ANTHONY WANGER

Mr. WANGER. Thank you so much. Good afternoon, everyone. This is a terrific opportunity to appear before the Committee. In addition, I would like to thank each and every member of our team at IO. We now have employees all over the world prominently in Arizona but we have folks in several other states and also overseas. I owe a great thank you to my co-founders and partners, George and Bill Slessman, and our financial backers who have been steadfast. We built this business from the ground up, no employees. We started with a Costco folding table the first day of January 2007. So it has been an interesting several years.

Lastly, I guess I would like to thank our customers who are the reason we are here, and people ask me all the time what is the secret to business and the secret to small business success? I think it is very simple. It is find great customers and keep great customers and make customers happy. If you do those things the rest of it is manageable.

Just a little bit to add to the introduction, I come from a family of all small business owners. My mother, father, grandparents, father-in-law, sister-in-law are all small business owners. So these are discussions that we do not just have here, but also over the dinner table and at holidays.

About IO, just to give you a little bit of background, we are a manufacturer of modular data centers and we are a leader in the software-defined data center industry. I brought an image over there. We build very large scale building blocks that can be used

and combined to create the data center capacity that a given company needs, from the very small all the way through large global giants. Our technology can be used to deploy, provision, and optimize so-called clouds. We hear a lot about the cloud in the news. The cloud really, ultimately, is a series of servers and storage devices that are connected to the Internet, and the demand for these services is substantial and growing. Our customers are industry leaders in everything from financial services, education, entertainment, health care, retailing, and more.

I am very proud to say that our products and technology are made in the USA. We manufacture our data center modules in Chandler, Arizona. We recently doubled the size of our factory from two lines to four lines, and in addition, we employ a great deal of technical specialists, including software developers, so all of our physical hardware is software-defined and software-controlled by the operating system that we developed in a proprietary fashion, which again we believe to be industry leading. I am very proud to say that we have a substantial number of U.S. patents both issued and pending and that every day we go to work we wake up to please our customers and to innovate; to find better solutions to the problems and help our customers solve those problems.

A recent item of note, the company is very pleased that we are now an exporter. We just landed our first IO anywhere modules in Singapore. We sent around on Twitter a picture of the modules literally hitting the dock earlier this month, and that was a proud moment for us to see great high technology products going from the U.S. to Asia and the rest of the world.

We employ a workforce of approximately 385 people. The joke was that I am very pleased to be able to appear before you today but in a year or so we might exceed 500 employees because we are scaling rapidly and we have added about 100 employees this year already. Most of that was attributable to the expansion of our manufacturing operation.

We both sell our modules, our IO Anywhere modules to customers directly where they deploy them and we also operate them for our customers as a service, and we do so in data centers in Arizona, New Jersey, and Ohio. And as mentioned, soon in Singapore. Our corporate headquarters is located in Phoenix, Arizona, and I think it is an important point that not only do we directly employ these folks but we have an ecosystem of terrific partners—supply chain partners and installation partners and other folks. And so when a small business is able to succeed and grow, I think we are able to take a lot of folks along with us, not just our direct employees but also the folks that work with key partners.

Having done this, I personally in expansion have traveled a great deal and been able to see how much of a hunger there is for American-made products and technology. We are leaders in the IT and Internet infrastructure industry and IO is proud to be a part of it.

Mr. SCHWEIKERT. Thank you. Not as good as Ms. Johnson in hitting the mark, but it was very, very close.

One of the joys of getting to sit in the chair is I get to throw out a couple of questions, and so think of this sort of as the lightning round.

There are a couple things having listened to some of the opening statements. Ms. Johnson, just for the fun of it, are you familiar with the discussions on crowdfunding? And how do you think that future is going to help? Because I was listening to sort of you describe a lot of the sort of these tiny little organizations who are trying to set up businesses and get themselves going. Will it help?

Ms. JOHNSON. Absolutely. And I think that crowdfunding is really, really an exciting opportunity for a lot of the businesses. We recently, actually, joined with Kiva Zip, which is doing crowdfunding, and they are doing it in a bit of a different way. So people can actually give contributions, loans essentially, in increments of \$25 to give people a loan up to \$5,000. We had someone, a client who was on the platform and was able to raise \$5,000 in less than 30 days, and this was the money that provided the resources that she needed to really get her product up and going and to another level.

Mr. SCHWEIKERT. I am elated to hear that. It is one of those, as you spoke in your opening statement, we do have some communities, some populations which do not have necessarily the family structures, the economic structures or banking relationships. It is a new world out there if we can ever get the SEC to finish its rule sets. I am excited because I think it is going to do sort a certain level of egalitarian level of access to capital.

Ms. JOHNSON. The other thing that it does, just to add, is that it provides access to markets as well because it familiarizes more people with the product.

Mr. SCHWEIKERT. Mr. Wanger, now the Jobs Act last year also had the emerging growth company part of it. So if you ever chose to go public in the next couple of years, do you believe you would fit into that portion of the Jobs Act?

Mr. WANGER. Yes, I do. My understanding is that we would be right within the definition of the emerging growth company definition of the Jobs Act.

Mr. SCHWEIKERT. And have you, as an organization, thought about what that might do to your ability to hire people and create jobs and create that platform for economic growth?

Mr. WANGER. We have. Ultimately, we compete against very, very large companies, and one of the advantages they have besides their access to capital is also their ability to provide stock options and equity ownership and some of those items. So the ability to streamline a process to test the market and to do those things would be very beneficial.

Mr. SCHWEIKERT. Okay. Forgive me for asking, but Mr.—is it Mittler?

Mr. MITTLER. Mittler.

Mr. SCHWEIKERT. Mittler, sorry.

Mr. MITTLER. Yes, sir.

Mr. SCHWEIKERT. Anything you see out there, both we have done in Congress that is helpful or you see as bottlenecks right now in your ability to grow and provide economic expansion?

Mr. MITTLER. Well, I think that the health care law is certainly a big unknown for all of us. We are spending a lot of time trying to understand that. No one seems to really know what the direct impact of that is going to be for us. So that is something that we

feel has hurt us directly. We provide a very rich package. We pay about 85 percent of the total premium, not only for our employee but all their families and all that. We then, to keep our premium down, we have a partial self-funding, so that we assume part of a large deductible, but we self-fund that back to the employee to keep our premium down or low and still provide a good benefit to our employees. So that, I think, is a huge thing.

We, as some of the other members spoke about, we are a family-type business. I do not know every one of my employees' children's names but I know all their names, most of their spouses. We engage them at least twice a year in social events. So I think that is a real problem for us.

And then burdensome regulation, I think a lot of these regulations are written for the big guys, and when OSHA comes into a small business it is really quite a worry for us. And so I have said here before, I think OSHA as a small business should be there to support us, pat us on the back, and yes, if there are flagrant, repeated violations, certainly, fines would be in order. But I think they should be there to serve and help us to be globally competitive, help us to provide a safe environment.

As you noted my three rules, I am a very simple guy—safety, quality, productivity. And I am proud to have been over a five-year run without a lost time accident.

Mr. SCHWEIKERT. Thank you, Mr. Mittler.

Mr. Allen, same sort of question. As policymakers, what are the bottlenecks that you see coming either from regulatory or public policy for you?

Mr. ALLEN. I guess I see a couple areas. One I mentioned during my talk was about I think with the Jobs Act with the relaxing of restrictions on crowdfunding, if that could get passed through the SEC, I think then as Jill was talking about, that there is a lot more access to markets. It is sort of a validation of what a product or a company can do. One of the most successful campaigns that was on Kick Starter, a crowdfunding site, was for a manufactured product. The founders were looking for only about \$250,000. They raised close to \$10 million. So that tells you be careful what you wish for. But I think that is one thing.

Within the 3D printing industry, we also have to look at intellectual property rights. We are very vigilant about making sure that people do not upload designs that have been copyrighted by others and they certify when they upload designs and sell them that they are their own designs. So that is something that we want to make sure happens or that we police ourselves, but we are also worried that larger companies may want to shut down companies like ours because they look at us as a repository for designs that could conceivably be—they may think that they are theirs.

Mr. SCHWEIKERT. Interesting.

Mr. Wanger, I saw your head nodding, so let me ask sort of you have had amazingly rapid growth, and I am elated to have you as part of my community. But with that, what are the bottlenecks that are hitting you, and what do you think we as policymakers should take on that would be helpful?

Mr. WANGER. Thank you. I think from my perspective it would be an effort to create simplicity, perhaps safe harbors. Time and

time again I will be on a conference call with a benefits lawyer and a finance lawyer and a securities lawyer and an auditor and I am paying them all to fight with each other to try to understand what the intention was. And I think that things like a safe harbor or like a clear rule or a path as was exposed in the Jobs Act is just so helpful to us because it just gives us a clear path. We can comply with the law and get on with the business of business and job creation.

Mr. SCHWEIKERT. With that, I pass over to the ranking member, Ms. Kuster.

Ms. KUSTER. Thank you very much. And thank you, Mr. Chair. And I want to thank all of you as witnesses for taking the time as small business owners to come down and be with us in Washington today.

My questions are focused, and I am so impressed by the way with all of your companies. Mr. Wanger, you are setting records here on job creation, so Congress needs to take note. We all were elected to create jobs, and I thank Mr. Mittler for his comment that Congress should be a sensible partner with business, and I agree with that approach.

My question is in the area of workforce development. And I guess I will start with you, Mr. Wanger. Have you had any difficulty with this level of growth in terms of the skills? We heard on the previous panel issues around STEM education or preparation for the workforce and I was referencing a bill that I have introduced on tax incentives to employers who partner with local colleges to prepare students for the workforce. Do you have any comment on workforce development?

Mr. WANGER. Sure. Thank you.

Yes, I do. I actually sit on, in Arizona, on the Arizona Workforce Development Task Force as part of our Technology Council. We have had very good success training individuals who were previously residential contractors or tradesmen or women, and they have come into the factory and been able to contribute meaningfully quickly after some training. That has been a very positive story for us. I think a bigger challenge has been around some of the very specialized areas—software development, electrical, and sort of multiple discipline engineering can be a challenge because we need folks who understand electrical engineering and computer science and mechanical engineering. And so literally today on our website I think we have 30 or 40 open jobs openings, and most of the ones we have trouble filling are on these STEM technical areas.

Ms. KUSTER. So I want to invite you to come to New Hampshire where we have on taxes, either income or sales. You have a long list. We would love to have you—and a great engineering school as well.

So I wanted to turn to Ms. Johnson. In the same realm, do you have issues with the companies that you are working with in terms of the talent pool available and the education system? And do you have any recommendations of how we could be the sensible partner with business on the education side?

Ms. JOHNSON. Absolutely. And I think that the challenges that a lot of our clients face are even more acute because they have fewer resources, and so they are hiring from probably the lowest

end of the talent pool and in inner city communities where the educational systems tend to be not what they should be. And then I guess from a personal standpoint I have four sons who are all in public school—three of whom are in public school, and one of the things that I have seen is just a movement away from working with your hands. And when I was in school we had to take shop—metal shop or wood shop. I took wood shop. And so you develop a familiarity and comfort with working with your hands and being in that environment that may lead someone to decide that a career in manufacturing is the right path for them. And I think it would be very beneficial to move that back into schools at the earliest educational levels, even at the elementary level, so that way young people have options. They have a path. It is not just, you know, if you are smart you go to college and if you are not you do something else. It is that now you are training very smart people and talented people from the very earliest levels to look at manufacturing as an option. And in our inner city communities where people may not have the ability and wherewithal to go on to college, this is really a viable career path that needs to be encouraged.

Ms. KUSTER. Excellent. Thank you so much.

I note that the clocks are not working but I will yield back in case I have any time.

Mr. SCHWEIKERT. I just thought you were special.

Mr. Hanna.

Mr. HANNA. I will just thank the witnesses for being here today. You all have very impressive resumes and I will yield back.

Mr. SCHWEIKERT. And my friend from Arizona, Mr. Barber.

Mr. BARBER. I have no questions.

Mr. SCHWEIKERT. Mr. Bentivolio.

Mr. BENTIVOLIO. Does it work? Can you hear me all right?

Ms. Johnson, I could not have come at a more opportune time for me anyway.

I was a vocational teacher and general ed teacher before I came. In my district we are really concerned about something just mentioned regarding apprenticeship programs. I noticed over my tenure as a teacher that the metal shop, the CAD, the woodshop disappeared, and it is a great loss because there are a lot of kids out there wondering what they are going to do and they have no clue. They are being forced or told to go to college.

And also, we have a bunch of veterans coming home from overseas and having been a veteran, in 2007, I came home. I went to college and you know all that, and I found that the best, most therapeutic thing for me was to work with my hands. I took up gardening and it was very relaxing for me and within weeks I was well adjusted and back.

They are going to have some fun with that later I am sure.

What would you recommend? Because right now I am finding out there is a problem working with VA and the Department of Labor. Getting the Department of Labor, for instance, to agree to an apprenticeship program that the VA or a soldier once he is discharged can apply for VA benefits. But it does not apply to apprenticeship programs because the Department of Labor does not authorize it. I am just now getting into that. Do you have an information on that? Can you help me in understanding what the big problem is?

Ms. JOHNSON. I am not familiar exactly with VA benefits, but one of the things that I do want to say based on our experience in working with the Department of Labor, in New Jersey there was a very innovative program to support entrepreneurial training. And the challenge often with entrepreneurial training programs is that it is not deemed as looking for work. And so even programs like Job Corps, they are responsible for helping young people get trained for jobs, starting a business does not count for that.

And so one of the things I would love to see is that there is more of a relationship between the job training programs and entrepreneurship because for so many people there are just not the jobs out there. And when you especially look at the re-entry population, that will have a special emphasis as well. There are just not opportunities for them in the workforce oftentimes with the skills that they have. However, having a trade and learning to work with your hands, that is something that is then a transferrable skill to starting your own business.

Mr. BENTIVOLIO. How would you recommend we get public schools and other schools more interested and focused on giving students the opportunity to go to an apprenticeship program like carpentry, masonry, or a manufacturing technician of some sort? Do you have any suggestions?

Ms. JOHNSON. I do. I think that really, again, it starts with having exposure. I did not originally say I think I want to take something working with my hands; I want to take woodshop. It was either I took home economics, metal shop, or woodshop. And I was not so interested in cooking, and so I chose to do woodshop. And now actually doing sheet rocking and spackling and working on my home is a release from the work that I do every day, and it also supports home ownership. And so I think that in creating an opportunity for exposure is what young people need where it is not an option because young people do not always know best what they need.

Mr. BENTIVOLIO. Well, I just spoke to a young—do I still have some time left, Mr. Chairman?

I just spoke to a young congressional award winner for students, and the student came to my office today and asked if there was a program where she could—because she does not really know what she wants to do. A lot of students think they do but they will get involved in something and they find, well, that is not really what I wanted to do. And I suggested maybe they follow me because one of the opportunities I have as a congressman is I get invited to a lot of my constituents' place of business for a tour. I am just wondering if maybe that is an opportunity we should explore and get more young kids involved at the high school level, maybe during the summer, to tour some of these various employers' facilities. Do you think that is a good idea? Suggestion?

Ms. JOHNSON. I absolutely think so. And I think that would also be an amazing opportunity for a lot of the entrepreneurs like the kids that we serve to close the talent gap. And having young people, whether they are in high school or especially even at the college age, where now you have programs like Teach for America, which allow very young, energetic people to go into the teaching profession for a period of time. We could do the same thing with

entrepreneurs in disadvantaged communities and provide incentives for people to work and support these entrepreneurs while getting access to training and just experience so that they can then have the opportunity to decide what they want to do. This would be a great experience for a lot of veterans returning home as well.

Mr. BENTIVOLIO. Thank you. I have some more questions I would like to explore if we have time.

Mr. SCHWEIKERT. We may have to make a circle around.

Mr. BENTIVOLIO. No problem.

Mr. SCHWEIKERT. Thank you, Mr. Bentivolio.

Mr. BENTIVOLIO. I yield back my time. Thank you.

Ms. MENG. Thank you, Mr. Chairman.

I was curious to any and all of the panelists what are some programs, if any, federal programs that have been helpful to your businesses?

Mr. MITTLER. I would comment that the section 179 for the advanced depreciation of capital equipment is beneficial for us. Our business is very capital-intensive, buying expensive CNC machine tools, so that really helps us defray the cost of that. So I think that is a positive benefit.

Mr. ALLEN. One program that I have taken advantage of with Shapeways is the Manufacturing Extension Partnership through the National Institute of Standards and Testing where they provide low cost manufacturing training, safety training, lead manufacturing and other topics, and train the supervisor.

Ms. MENG. Similarly, the R&D tax credit is of great importance to the manufacturing industry because it provides the ability to invest in innovative research. Currently, America leads the world in groundbreaking R&D and small companies are prominent in that effort. How in your view could the R&D credit be made more business friendly? And should it be made permanent?

Mr. MITTLER. I would like to comment on that again. That is exactly parallel with the other. Since we develop our own products, having that R&D tax credit is very important, and I think if that was made permanent then that would give us a longer range view of developing more increased products. So I would highly encourage that that R&D tax credit be made permanent. Every few years we see are we going to have it, are we not going to have it? I mean, we move forward the best way we can, and if we benefit, we benefit. But if we knew that that was there, and again, that is part of the uncertainty that I spoke of, you know, we are not in a certain climate, so if we had more certainty that would make it easier to have a long-term view of developing more and bigger products.

Ms. MENG. Thank you. I yield back.

Mr. SCHWEIKERT. Thank you.

Mr. Payne.

Mr. PAYNE. Thank you, Mr. Chairman.

Ms. Johnson, as you know, New Jersey's Small Business Development Centers, in conjunction with the SBA and several other organizations, hosted a series of educational and networking events around entrepreneurial and small businesses this week. During Monday's event I heard from a young man with an interest in 21st century manufacturing opportunities particularly dealing with

technology. Can you speak of the possibilities and opportunities and challenges facing your particular constituency in these efforts?

Ms. JOHNSON. Sure. Thank you.

I think that the challenges really exist around the three areas that I mentioned in my comments—the access to capital gap being a very large part of that. It is very difficult to get a business started and to scale up, if you will, without the capital necessary to, one, test and do prototypes. And I was discussing that with Jim a little bit earlier—to test and do prototypes—and to be in business long enough for the reality to actually happen. And so I think that one of the challenges with access to capital can be effectively addressed through crowdfunding. I think that will just open a lot of doors and enable people to test concepts in a short order using funding that they are able to raise, not relying just simply on their own means.

I think that the other real challenge is just an access to opportunity around contracting, and I think that most of these small businesses with which we deal, which are the very smallest in size, are not able to take advantage of contracting opportunities as many of them exist because they are just too small and they do not have the opportunities to scale. And I think as Mr. Wanger mentioned in being able to create additional opportunities and utilizing resources that exist and creating an ecosystem so that businesses that may be growing very rapidly like his company are able to bring others along by providing contracts. And even if some of the contracts are in catering and janitorial services and other resources that exist or that are required by the ecosystem and that community, those are ways to create a spillover effect by the growth and success of other businesses. And I think that is especially true in the manufacturing sector.

Mr. PAYNE. And also, we tend to find I know in the constituency that we serve, bonding in different areas—in construction and what have you. Not manufacturing, but the capacity for people to be able to afford the bonding that is required has been prohibitive in entrepreneurs moving forward.

My experience in small business, I come from a manufacturing background in the 1970s. My uncle had created a company in 1969 that manufactured the old computer forms that we used to use, the big folded sheets with the holes down the side that are obsolete. But we were the only minority firm in the nation that was doing that at that time in the 1970s, hiring—we called it guys coming back home from doing their debt to society but now we call it re-entry. So I am very proud of that background which really continues to lead me down this path to try to help young people in startup businesses be successful.

In your testimony, in speaking of the enormous level of support and resources for high tech and high growth business, you state that what is missing is the same level of resource of entrepreneurs who can change communities. Can you expand on that point?

Ms. JOHNSON. Sure. I had the opportunity to visit the Entrepreneurship Center I think it is called in Nashville as part of a conference that was held by the Startup American Partnership, which has been highly touted, lots and lots of publicity, and lots of resources. It is a great partnership and provides a great benefit to

high tech, high growth businesses. There are many incubators and accelerators that focus on high tech, high growth businesses, and they are doing that because we have made a conscious decision that as in particular areas and as a country, that we want to be the leaders in these areas. And I think that if we are going to have the same amount of success with businesses, with companies that are providing the jobs to people from the re-entry population that are serving the needs of local communities, that are creating economic opportunity in our most distressed communities, we also have to think about the level of resource with which we are supporting these types of entrepreneurs.

We have resources provided through the SBDCs and SCORE and various resources provided through the SBA, but our feeling about that is if those resources alone were not good enough to have the type of high tech, high growth companies that we wanted to produce, why do we feel that that is enough for minority women and small businesses that are community-based businesses in the areas where they are in most need and that have the fewest resources? I think we have to be serious about or decide if we are serious about really growing those types of businesses and then provide and support those businesses with the requisite resources.

Mr. PAYNE. Thank you, Mr. Chairman. I yield back.

Mr. SCHWEIKERT. Thank you, Mr. Payne.

I actually also remembered green bar computer paper. I think that is what we all called it, which is actually sort of tear—I also remember punch cards.

Last quick comment. Thank you. Having Mr. Wanger here is special for me because Arizona is a long way away, but actually all of you had some really interesting things to share.

There are no further questions for the panel. I want to thank the witnesses.

The third panel will be getting ready to be seated. And Mr. Hanna, I believe you are chairing the next panel, and this panel is actually now closed. If you have any other testimony or comments you would like to submit for the record, I believe it is tradition in this Committee to keep it open for five legislative days. And with that, the next panel.

Mr. HANNA. Thank you, everyone, for being here.

I will begin by introducing Barb Schindler, our next witness, president and chief operating officer of Golden Artist Colors, a world-renowned company, that does business in over 60 countries, I believe. Ms. Schindler joined the company in 1997 as comptroller, and previously served as chief financial officer. Golden Artist Colors is an employee-owned company which began in 1980 in New Berlin, New York, proudly located in my congressional district. The company makes tools and products for artists, including acrylic paints, and provides good jobs in my community. For that we are all very grateful.

Welcome, Ms. Schindler. You may begin.

STATEMENTS OF BARBARA SCHINDLER, PRESIDENT AND COO, GOLDEN ARTIST COLORS, INC.; SHELLY GIBBONS, VICE PRESIDENT, QUIK MART; MIKE BERGMEIER, PRESIDENT, SHIELD AGRICULTURAL EQUIPMENT; AARON BAGSHAW, PRESIDENT, WH BAGSHAW CO., INC.

STATEMENT OF BARBARA SCHINDLER

Ms. SCHINDLER. Good afternoon, members of the Committee. And thank you, Congressman Hanna, for inviting me to be here today to testify on manufacturing in America.

My name is Barbara Schindler, president of Golden Artist Colors. Golden manufactures acrylic and oil paints for professional artists. As a global company, we export our products to 60 countries around the world.

Our mission is to grow a sustainable company dedicated to creating and sharing the most imaginative and innovative tools of color, line, and texture, for inspiring those who turn their vision into a reality.

To achieve that mission, we operate on three principles: 1. Make the best products; 2. Provide customers with the best service; and 3. Find people that can make the first two things happen. Our products are intended to preserve the artistic legacy of our times for hundreds of years. This is a unique responsibility and privilege that we take very seriously. In 2002, Golden became an employee-owned company. We have 157 owners coming to work each day, knowing that their contribution will have a direct impact on their investment and their retirement.

The art materials industry is one which grows a meager 2 percent per year. Despite that reality, Golden has grown its business 21 percent since 2009. Many of our competitors have moved a portion of their manufacturing to emerging markets, predominately China. We choose to remain here, as we recognize we can protect our product quality and intellectual property in the U.S. Our continuous efforts to drive manufacturing efficiencies improve our ability to remain competitive; however, our commitment to new product development and consumer relationships is essential for continued growth. Our five-member technical support team responds to 13,000 phone calls and e-mails annually. We also contract with over 40 teachers throughout North America who provide art education for over 15,000 people each year.

Most of the issues we face are local and industry-related, yet there are three significant issues where we feel the Federal government can provide leadership and assistance. They are health care, education, and harmonized labeling standards.

We remain optimistic that the Affordable Care Act will meet its goal of creating affordable health insurance to all Americans. As we prepare for this future, however, it is our approach to ready our employees and our business for every aspect of health care, and not simply the ACA impact alone.

At Golden, we have been managing affordability via staff education and wellness. Yet, a consumer mindset can only go so far in an opaque market such as health care. Medical inflation outpaces the cost of living. We need your continued efforts to address the entire health care system. Americans must embrace wellness and

health care providers must place the patient in the center of all they do so that we may once again enjoy the highest quality health care in the world and not simply the highest cost.

Secondly, an educated and creative workforce is critical to sustain success in any business. Unfortunately, due to federal mandates and budget shortfalls, art teachers are being lost in almost every district. We are troubled by the lack of arts education in our schools and believe this is a serious situation that will in the long run shrink one of the most significant drivers of American ingenuity and leadership.

Finally, we need a harmonized regulatory framework for health and safety labeling of art materials. Applying state of California mandated health warnings to our products, warnings that are deemed appropriate by no other jurisdiction in the world, causes confusion and lost sales not only in the U.S. but in our foreign markets as well. Adoption of the United Nations' Globally Harmonized System of Classification and Labeling of Chemicals as the preemptive standard for consumer products, would eliminate these burdensome domestic and international inconsistencies.

Golden's future is both positive and sustainable. We will be successful if we are able to maintain and hire an educated and enthusiastic staff. Employee ownership has been a point of difference between us and other employers. Federal support for ESOPs is invaluable for creating workplaces which honor and celebrate its staff. ESOPs are not a cure-all for business success, yet it provides another level of security for employees trying to navigate their future. When employees are treated like owners, they act like owners.

Thank you again for the privilege to address this Committee.

Mr. HANNA. Thank you. You have about a moment left if you would like to wait for the 157 people that are watching you I understand.

Ms. SCHINDLER. No, that is good.

Mr. HANNA. You are all right then. Good.

Ms. SCHINDLER. Thank you.

Mr. HANNA. Thank you.

I would like to yield to Mr. Barber, who will introduce our next witness.

Mr. Barber.

Mr. BARBER. Thank you, Mr. Chairman, and thanks to all the witnesses for being with us today. It has been a very educational hearing so far, and I know it will continue that way with your testimony.

It is my honor and pleasure to introduce Shelly Gibbons. Shelly and I come from the same town. We were both from Tucson where she is the vice president of Quik Mart, a family-owned and grown small business in Tucson, Arizona. Quik Mart was started in 1965 by Shelly's dad. Growing up, Shelly and her brother and sister worked almost every job there was in the business from counting change to pulling weeds to secret shopping, which she still does when she is not being recognized. She told me yesterday that actually her dad would have the children around the dinner table and he would throw a bunch of change and he would say you better

know how to count that. So we need to do more of that it seems to me.

Now almost 50 years later, the Quik Mart business has not only survived the test of time but has grown. From those first three stores, Quik Mart now has 27 stores, all in southern Arizona, and it is truly a local small business success. As a former small business owner myself, and my wife, we owned a business for 22 years, a retail business, I know just how hard it is to start a business, make ends, meet, meet a payroll, keep the customers coming back, and so my hat is off to any business that can survive the first five years of opening and operation because that is usually when businesses, if they are going to succeed, do; and those that do not, fail.

As a member of Congress now, as a small business owner in the past, it is my job to make sure that the voices of small businesses in Arizona are heard here in Washington. And I invited Shelly here today to testify before the Committee, to tell us her family story because her family business is a shining example of the entrepreneurial spirit that is in so many southern Arizonans and working families across the country.

I want to thank you for joining us today, Shelly. It has been great talking with you and getting to know you. We met many years ago when I was district director for Congresswoman Gifford. It is great to see you here today in my new capacity as a member. We welcome you and look forward to your testimony.

STATEMENT OF SHELLY GIBBONS

Ms. GIBBONS. Thank you, Mr. Barber, and Mr. Chairman.

My name is Shelly Little Gibbons. My family owns Quik Mart stores in Tucson, Arizona. My father, Wes Little, started Quik Mart in 1965, like Mr. Barber said, where he opened three stores. My mother and father are the ones that chose the colors, the logo, and the name Quik Mart. He liked the way that there were four and four letters, so that is why there is no C in Quick. After these three stores opened, mom and dad would scrape and save until they had enough money to buy another corner or build another store. They did not borrow any money from the bank to expand the business.

Growing up, there were a few memories I remember clearly. One is dad working extremely hard to keep the business running, but he would also be home every night for family dinner. Another is how we would take Sunday drives. Mom and Dad would pack us three kids in the car and we would drive around the streets of Tucson. As I got older, I realized our family drives were to be looking at different street corners where Dad was contemplating building another store. Another family tradition was every time a new store opened, in the evening we would all drive out to the new location to visit and check how it looked at night. So you can see all of our stores are like another child in our family.

Quik Mart slowly grew from the three stores in 1965 to the 27 we currently have today in Pima County. The 27 stores we have are not all the original stores. We have opened and closed and re-named many a store. Since all stores are family owned and not franchised, if one is not doing well and hurting the company's bottom line we will close it. Sometimes the city and county help with that by changing traffic flows, so it is not as convenient to get to

us anymore. Or sometimes it just turns out not to be a great corner. Housing developments that we thought were going to go in did not.

Owning convenience stores is a hard business, especially after 2008. It became harder and tougher. Our vendors now charge us a fuel charge when they deliver products. Unemployment tax, workman's comp premiums, payroll tax health insurance, everything every year keeps going up while the business with so many people unemployed keeps going down or is staying the same. Also, we are experiencing more shoplifting, beer skips, and robberies with so many people out of work and desperate.

Our next big expense is the new Affordable Health Care Act. We employ over 170 employees, so either way we go, providing health insurance for our employees through the company or paying the penalty and sending our employees to the Exchange will be a huge expense for us.

But with all I have mentioned, we are very proud that we Quik Mart stores and little family have been open and around for almost 50 years. You do not see too many family businesses that have grown and have had this much impact on a community as ours has. We have kept many people employed throughout the years. We have even had many generations of family members work for Quik Mart. People like working for us because we are local. Our corporate office is right there in Tucson. Any of our customers or our employees can come by at any time to see us.

We have had a lot of loyal employees that have been around for over 30 years, and the majority of our employees stay five years or longer. Quik Mart—We are Tucsonans.

I would at this time like to thank Congressman Ron Barber again for inviting me to testify here. Thank you.

Mr. HANNA. I will yield to Mr. Huelskamp to introduce our next witness.

Mr. HUELSKAMP. Thank you, Mr. Chairman. It is my privilege to introduce my fellow Kansan, Mike Bergmeier. Mike is the owner of Shield Ag Equipment in Hutchinson, Kansas. Shield Ag has been in business for 75 years and is a small manufacturer that meets the needs of farmers with tools and assemblies required for a sustainable modern agriculture. And I will say I have known Mike's Equipment long before I knew Mike in our own operation. His customers are regional and international, with distributors in Canada, Europe, Asia, Mexico, New Zealand, and Australia. Mike currently employs 44 full-time and five to six seasonal part-time employees. Mike is a graduate of two outstanding universities, Kansas State and Wichita State. He also served his community for eight years on a local school board. Mike and his wife Angie are parents of six children and reside outside of Hutchinson.

And I welcome him to Washington to share his testimony today. Thank you for being here and joining us today, Mike.

STATEMENT OF MIKE BERGMEIER

Mr. BERGMEIER. Thank you, Representative Huelskamp.

My name is Mike Bergmeier. My wife Angie and I own Shield Agricultural Equipment, South Hutchinson, Kansas.

The economy of the United States was built around the three super sectors that create wealth—mining, agriculture, and manufacturing. I am proud to own a small business within manufacturing in direct service to agriculture.

The only way to create wealth is to create it out of something tangible, hard, growable, or renewable. When a president or a politician from either party starts talking about creating jobs, I worry, because government spending does not create wealth for the human race. And the more jobs balance shifts away from the big three, the poorer we become as a nation.

That is why I am here today, for my children, not for me, to tell you why my children might not have the same opportunities I did to own a business and employ people. With all respect, please allow me the time to discuss these government functions that inhibit the ability for me to grow my business. And you will see a danger down the road for my children.

It is difficult for most politicians and business leaders to pin down overregulation. It just seems there are no specifics; just talk about there being too many. I liken these government regulations to the Eastern Red Cedar tree. Cedar trees supply windbreaks and shelter for farm and domestic and wild animals where I live. Having more of them seems to be a good thing. I have plenty of cedar trees. The problem is that one cedar tree left unattended becomes about a dozen within a year, and then 100 within a few years, and 1,000 within a decade. And you get to the point where you cannot grow or maintain your farm and ranch your livestock. The bluestem quits growing because the cedar trees suck up all the resources. You have to spray more invasive weeds because they will grow or the grass will not.

And you look back on it and say where did all these cedar trees come from? And you cannot pick out any one cedar tree that is the culprit. The only real option is to get out the chainsaw and cut down as many as you can without much regard for the good trees or the bad trees, because my quarter of grass land became dysfunctional and I had to do something.

Here is a sampling of the forest of laws and regulations that keep me from expanding my business. The Patient Protection and Affordable Care Action of 2010. My company will remain at 44 full-time and 4 to 15 part-time employees. Any benefits to people PPACA aside, this was the real issue. It hurts the people you are trying to help the most, folks in the lower and middle income classes. Those 4 to 15 part-time men and women will not have access to my health care insurance, and I will not expand. As my company paid total health care insurance premiums, Arista, by \$45,000 a year, that is one person I cannot hire. It is that simple. I have to make payroll every Friday and I have got to pay my suppliers on time.

So let us go back to the cedar tree thing again. The following is a list of just a few of the new forest of regulations that are impediments to growth. The RIN numbers are listed in my written testimony, and all have potential onerous effects on any future expansion. From the EPA, stormwater runoff revision of section 402(p) of the Clean Water Act, and the national pollution discharge elimination system, revisions to hazardous chemical reporting, risk and

technology reviews for foundries. From the Department of Labor and OSHA, electrical power and distribution protection; trip, slip, and fall safety improvements; and the new revisions to the national ambient air quality standards for particulate matter, dust, under Title I of the Clean Air Act. By the way, it is 522 pages long and impossible to interpret.

There are at least 200 rules, laws, and regulations out there that my business falls under, and expansion is just not worth the trouble. My bankers spent more time on the banking regulations that regulate the regulations than they do in processing business loans. Full implementation of Basel III capital requirements will impair the ability of business lenders to provide funds for expansion. The federal tax code is incomprehensible and nearly impossible to comply with. The forest of cedar trees is just too thick. When you increase my taxes, I just react. I do not hire the next person. I do not purchase a new piece of equipment, and I do not improve my operations and expand into new opportunities.

As I fear that my kids will not have an opportunity to own a new business, a small business, or work in one of the big three wealth creation industries due to burdensome government regulation and laws, I also worry that their education will not position them to be future leaders. The education system in the U.S. is broken. We spend more money per student on education than any of the other 11 most developed countries in the world with lesser outcomes than most of the other 11. I implore you to completely gut the No Child Left Behind and AYP standards. Allow the states and localities to determine what is best for the lifelong earners we are trying to raise.

In closing, I have got to tell you the truth. You do not owe me nothing. I was born with nothing, raised in a great family environment, educated at a small rural school, and I graduated from the finest land grant university in the United States. In 1983, I moved to Hutch with nothing but a college degree from Kansas State and a used pickup truck. You can overtax and under serve me. I really do not care because I love my family and I love my employees and other stakeholders, and I will continue to work to make a living because that is what I do. And the USA continues to be a great country to operate a small business. I will leave this life someday and report to God with nothing and that is fine by me. What I am asking you to consider is making sure that my children, grandchildren, and future generations of Americans have the same opportunities that I have and that you do not overtax and regulate business to the extent that nobody wants to take the risk anymore of joining in the great triangle of wealth-producing industry. We all owe that to our children. Thank you very much.

Mr. HANNA. Thank you, sir.

I would like now to have Ms. Kuster introduce our next witness. Ms. Kuster.

Ms. KUSTER. Thank you very much, Mr. Chairman.

I am delighted to introduce our next witness. Aaron Bagshaw, my constituent from Nashua, New Hampshire, and I want to thank Aaron for being here with us today and for sharing your inspiring story of manufacturing innovation and ingenuity. It is my pleasure to introduce Aaron, who is the president of W. H. Bagshaw Com-

pany, a pin manufacturer, in my congressional district in Nashua, New Hampshire.

In business since 1870, and in Nashua, New Hampshire, for the past 60 years, the W. H. Bagshaw Company is the oldest pin maker in America. A small, family-run business, Bagshaw has adapted to the times and now manufactures products for the medical, aerospace, defense, and high tech industries. I also want to note that Mr. Bagshaw works in a fifth generation company. Aaron and his wife, Andrea, were kind enough to host me and Congressman Hoyer in their factory earlier this year to discuss the importance of American manufacturing. I am thrilled to return the favor and give Aaron the opportunity to discuss his company's success story.

And with that, I recognize Mr. Bagshaw so he may address the Committee.

STATEMENT OF AARON BAGSHAW

Mr. BAGSHAW. Good afternoon. Thank you to the Committee. I appreciate the opportunity. Representative Kuster, thank you very much for the invitation to speak to you all today.

As a small business owner, it is so encouraging to know that our voices are being heard and that small business, and manufacturing in particular, is such a priority to our delegation. Representative Kuster has been to our factory, like she said, on two visits now, once as a candidate, and more recently, like she said, with Steny Hoyer.

My name, Aaron Bagshaw. I am president of the W. H. Bagshaw Company in Nashua, New Hampshire, a fifth generation pin manufacturing business. After combing through our records recently, I have discovered that we have manufactured and shipped, since our inception 143 years ago, almost 42 million pounds of pins to happy customers all over the world. Amazingly, this would be enough steel to build the Chrysler Building in New York City.

My great, great grandfather started manufacturing pointed pins for the textile industry in 1870. In the 1920s, we were the only and original manufacturer of the Brilliant Tone phonograph needles. We still manufacture textile and phonograph pins today, as well as more modern products that are in higher demand. The life cycle of the pin to me, and probably to some engineers out there, is baffling. If any engineers are listening right now, I would like to share this information with you. We still manufacture and sell the same product we manufactured 143 years ago. However, over the years we obviously had to adapt, update, and change not only what we sell but how we manufacture it. We are now making complex machined components for high tech applications using advanced machinery.

Our pin-making machines are modeled after Leonardo Da Vinci's grinding concepts. We are a living, breathing showcase of where the Industrial Revolution meets the Digital Revolution. We have machines that can make millions of pins per week, and we have state-of-the-art machines that can make incredibly complex components. Often in my tours of our facility, I will say that our "older" machines can make a lot of pins fast. I liken our story to what Henry Ford described as "you can have any color you want as long

as it is black.” You can have any pin you want as long as it looks like a pin that we have manufactured before. Textbook Industrial Revolution. Next on our tour, I would show you our computer-controlled machines that are making parts unattended. We download a computer program into the machine wirelessly or directly from a laptop. With setup assistance of an operator, the machine manufactures complex components. Textbook Digital Revolution. All under one roof.

When people learn about our business, after the obvious question, “What do you mean, pins?”, we are asked, “How have you managed to stay in business so many years?” Our magic formula seems to be having this incredible legacy and foundation partnered with lots of mojo and a fresh approach to marketing and to management. As well, we like to say, we are a 143-year-old startup. Our core values are: Family, a “Make it Happen” approach, Empowerment, Courage, and Perseverance.

The story of our family business truly is one of courage and perseverance. Through the years we have weathered several years, obviously, a Depression, and the recent Recession. Ten years ago, we made a courageous decision to branch out into new markets, investing in CNC machines. CNC stands for computer numeric controls, which means that they are programmable machines. One operator can run several machines at one time. These machines have allowed us to produce pins that are much more complex for the aerospace and high tech industries. Several years ago, my wife and I made another courageous decision—we purchased a controlling interest in the business to secure the business for future generations.

As with most businesses, we are concerned about the economy, health care, and energy costs, but our most important resource is our labor force, and a big challenge for us is access to skilled labor. There is a shortage in our area of machinists who are skilled at running these types of machines. In some cases, we have been able to bring in entry-level employees and train them. We are working with our local community college to bridge some of the gaps in their skill levels so we can accelerate their learning. We were excited to learn that a federal grant allowed for a major upgrade to the equipment in their machining labor. Having these partnerships with community college will be effective for the continual development of our workforce. While a large corporation can hire someone to focus on workforce development and educational outreach, a small business like ours does not have that resource. We have taken advantage of lean manufacturing courses in our state, NETAAC programs, export assistance through the U.S. Department of Commerce, and business advising from our New Hampshire Small Business Development Center. The Trade Adjustment Assistance for firms has also been very beneficial. Support like this is critical to small businesses like ours.

We often say, “If you think a pin is just a pin, you do not get the point.” We have survived for 143 years on grit, determination, fortitude, and a bit of luck. From Da Vinci to Ford to the Digital Revolution, we, as a company, need and will continue to need the skills that stem directly from the fields of Science, Technology, Engineering and Math. Our story does not end here. Our continued

growth and evolution will rely heavily on the ability of our employees to adapt and grow and use these technology skills. Thank you.

Mr. HANNA. Thank you. There are a number of themes going on here today. Deep concern about the health care law. An idea that regulation is far-reaching and growing and cumbersome and difficult, and keeps you from growing your businesses. Another theme clearly is the lack of—there is opportunity, there are jobs, lack of employees to fill STEM-type jobs—Science, Technology, Engineering, and Math, which is directly related to how we educate ourselves in this country and how we compete globally.

Something unique among our panel, I think, is Barbara Schindler's ESOPs program. And it is an Employee Stock Option Plan. Maybe you could enlighten us a little bit about how that works and how it has changed the dynamic in your company since the Golden's originally started. And what kind of incentives it may or may not provide.

Ms. SCHINDLER. Sure. So our business was started by Barbara and Mark Golden and Mark's parents, and they put probably \$5,000 into it and sold a lot of artwork and started the business. In 2002, when it was determined that they were interested in creating this ESOP, Mark Golden tells the story that he always asked employees to act like they were owners. Act like it is your dime that you are spending, and so whatever you are doing, keep that in mind.

So 2002 actually allowed us to finally say, okay, not only are we asking you to act like owners, but you will be owners. We have always been an open company where we have shared our financial information, and when it is a year that is more challenging, or if we are venturing into a new market that we want everyone to be aware of, we provide that information to them. So we really have an open set of books. So it was an easy transition for us to move into an ESOP environment.

We continue to educate them on what evaluation, how that happens, you know, what happens when you take on debt, what does that do to your valuation? So we continue to educate our staff on the meaning of it, and then besides having the ESOP, we continued with our 401K match, which many ESOP companies do not, but we really want our folks, when they retire, to be situated where they can celebrate their years of hard work.

So the ESOP, just so people know. I had, in fact, our electric guy, our electrician, he was at the point in his career where he is over 55 and he has been in the plan for 10 years, and he could diversify. That is one of the rules around ESOP, to protect your interests. So he could actually take 25 percent of the monies of his shares in the ESOP and convert it and put it in his 401K or another investment. And he said to me, he said, "Barb, I know what we are doing. I have no idea what any other company is doing." And I said, "Well, that is right." He said, "I am comfortable leaving my money here." And I said, "It is your choice. Do what you need to do." But that is the feeling, the sentiment that it brings.

So it is a great avenue. The owners, they wanted to really give back to the arts and so they created an artist in residency program. And that is what having the money out of the company and into their hands enable them to do. So it is a win all around.

Mr. HANNA. Thank you. Ms. Kuster.

Ms. KUSTER. Thank you very much, Mr. Chairman. And thank you, Ms. Schindler, for sharing that story with us. One of the most successful companies that I have visited on this Congress at our Company tour—I visited 17 small companies now and one of them has an ESOP. And I love visiting there because the associates, as they called them, all of the employees are so excited to show me what they are working on, and they always want me to know what the next product line is and where—and the other thing that I love is when I get to the end and they are showing me the shipping and delivering and there are these huge boxes that say “Ship to Shanghai.” And this is what this whole day is about and this week and this whole Committee is Make it in America. So I am very proud of what you are doing, and I think you do get better energy out of your employees when they are owners.

I am interested—a previous panel member said that government should be as sensitive partner in business. And I certainly agree with the comments on we want to avoid overburdensome regulation but by the same token we have had a lot of conversation today about education, STEM education. I have a bill about cooperating with community colleges.

I have not heard as much today, but I do hear on visits about infrastructure. And I am going to guess that your companies are not going to, building the roads and the bridges to get your employees to your plants and get your products to market. And so I would love to hear your comments on what the government can do to provide you with the infrastructure that you need, and it may be telecommunications, but getting your products to market. If you could comment on that I would be interested.

Mr. Bergmeier, did you have any comments?

Mr. BERGMEIER. Well, you know, we pay taxes for the roads. You know. And so I kind of expect that out of my government. That is part of the taxation I pay on diesel fuel and gasoline. So, of course, infrastructure is a way to improve the economy because you can flow goods quicker. But with regards to any special programs, I already feel like it is the government’s job to do that because I am paying the taxes for that to happen.

Ms. KUSTER. And have you had any issues that all the other panelists have discussed—STEM education, difficulty in hiring in this new technological environment that we are in. Have you had any issues about hiring?

Mr. BERGMEIER. My shop is pretty simple. We are a modern shop with modern equipment and CNC equipment, but we are still a blacksmith shop. And we hire people who have skills. We are in a rural area, so in general we can get people with physical skills to come to work. I do work with the Kansas WorkforceONE development program. In working with their directors, you have to bring them aside but they will tell me the truth; that they cannot get people to apply because they make \$11.45 an hour on a 40-hour week sitting at home because of SNAP programs and other welfare programs and social programs. Those people cannot recruit people to their programs to be trained to go into the Kansas workforce because they make more money sitting at home.

Ms. KUSTER. Mr. Bagshaw, do you want to comment on your experience with the community colleges and training and maybe comment on the wages if that is the issue—what the wages are for manufacturing in New Hampshire. I know that we have a 5.3 percent—

Mr. BAGSHAW. Unemployment?

Ms. KUSTER. Unemployment. So most people in New Hampshire are employed. We do not have the situation you're describing in Kansas where maybe the benefits are far more generous than in New Hampshire.

Mr. BAGSHAW. We are understanding right now that with our local community college that they are going to be receiving or they have already received a grant for a machine that is representative of the machine that we use in our facility which will be absolutely dynamite for us. We are ready to hire people and put them into positions now. The issue that we have is that when we do hire people, usually we are training them for six months, seven months, eight months. It takes them probably a year before they are really contributing to the team. So that is the battle that we have. So with the community college and partnering with them, hopefully, we can reduce that timeframe.

Ms. KUSTER. And if I could just very briefly with my one second left, what is the average hourly wage of the incoming employees?

Mr. BAGSHAW. I think they could be making \$20 an hour when they are coming out of that community college.

Ms. KUSTER. Thank you very much.

Mr. HANNA. Mr. Huelskamp.

Mr. HUELSKAMP. Thank you, Mr. Chairman. I appreciate the opportunity to ask a few questions. I certainly appreciate the testimony from Mr. Bergmeier.

We were talking, in general, the hearing theme is Made in the U.S. And I know, Mike exports all around the world, in multiple cases. Tell me now, as an American manufacturer, where the other folks who were trying to shed jobs overseas. How are you able to compete in a multitude of countries and get that done?

Mr. BERGMEIER. Well, what Shield Ag has done is, as you can see we, we are at 75 years old, but in the last 10 years we have reinvented ourselves to really focus on sustainable agriculture. That is a more sustainable footprint and the ability for underdeveloped countries to grow their own food. And by doing that we have positioned some of our products so that countries, other than the United States, that want access to U.S. agricultural technology, come and find us. And that is where we have been successful in our export markets.

Mr. HUELSKAMP. Okay. Fantastic.

Describe a little more. You had, I think, seven different regulations you had identified. Can you pick one of them out of the business and say, hey, this is what it is doing to me?

Mr. BERGMEIER. I picked the ones that are impediments to me putting up more plant, property, and equipment. By looking at which ones I would have to file paperwork on it. Remember, big companies will complain about this stuff, too, but it is just me and some great managers making payroll every Friday. So if I want to put up 2,000, 3,000, 5,000 square feet, I have got a lot of stuff to

do. And I also run heat treat facilities and things like that, which are subjected to all these EPA things and it is just not worth the hassle.

I did not want to pick on any one particular organization, but when I see the flood of recent regulations and updates to regulations since about 2009, I say those are targeted right at me. So why should I want to do it? I will just continue to do what I can within the laws of my own building as I grow my revenues.

Mr. HUELSKAMP. And Ms. Schindler, what has been your experience with implementation or the new regulations coming out of the president's health care plan and response from your employees? Mr. Bergmeier indicated he has capped the number of employees he is going to hire. He is not going to cross the 50-employee threshold. Your thoughts?

Ms. SCHINDLER. For us, as I said, we remain optimistic. We took a serious approach to wellness and looked at our health plans, and we actually moved to a high deductible health plan with the heavy savings account probably five years ago. So there has been a lot of education, just about being consumers of your medical needs. You know, you would not buy a car, just that the salesman is saying, "Hey, trust me. Buy it." So we have done a lot of education for our staff to just—I am just trying to be better prepared for going to the doctor and their medical needs.

So for us there is a lot that you do not know. We had to try to understand it just with—we bring in a lot of college students which we love because for us our back to school time of year is now. We are preparing for all the colleges taking art materials, and so we bring in about 15 to 20 college students for the summer and we were not sure what that was going to mean with the Health Care Act. And I said, "Look, on the end we cannot change our business practice; we just have to understand what it may mean and then keep talking about that."

I think for us as we understand it, I know that this year for our renewal, there is a 5 percent increase that we are going to have to bear just because of the act. But we strive to say, okay, there is a challenge with raw materials. I have the same challenges with all the different markets and trying to figure out who is the best partner to be able to sell to that consumer and understand the consumer in that market.

And so our approach is really to say, well, with this opportunity, how can I increase more business? So we are always looking at growing the venue side because we have these challenges. So that is how we are approaching it. We do understand the theory behind it and we do believe that everyone needs to have health insurance. How it is going to pan out, we hope the dialogue continues so that you can ask us for that feedback. But there is a lot that is not, you know, there is a lot that you are still developing. And we realize we have to partner in that development.

Mr. HUELSKAMP. Yeah. It was reported I think yesterday or maybe even today that the January 1st deadline, the regulations are behind schedule, and there are some things you do not know today and maybe we will not even know on the deadline, January 1st, so I appreciate the testimony.

I yield back, Mr. Chairman.

Mr. HANNA. Mr. Barber.

Mr. BARBER. Well, thank you, Mr. Chairman. And thank you again to all of the witnesses. I think your testimony has been excellent and you have made a number of points that I think we all need to take to heart.

You need to know you have allies in this Committee, on both sides of the aisle. We would not be here if we were not interested in helping small businesses thrive. And not only survive but thrive because we know, all of us, that 70 percent of this economy is in your hands, and in the hands of many other people in this country who run small businesses or run into all the problems that you have talked about today. I want to make sure that we deal with those problems as specifically as we can, and I will come back to that in a moment.

But I wanted to ask Ms. Gibbons a little bit more, if you could share a little bit more about your concern. I think other witnesses, too, have some concerns about the health care law, the Affordable Health Care Act. As you know, it is going to be implemented over the next six months or so, starting July 1st, in October enrollment, and then implementation in January if things go according to plans. And I am concerned about that as well.

I want to make sure that this health care law, and we know that it is going to continue, works for small businesses. So I am really interested in what we can do to make it work because we are not going to have implemented it over the next several weeks, and months.

So Ms. Gibbons, can you tell me and other witnesses perhaps, to, what kind of help do risk sources assistant do you need—you do not have that would make easier for you to work within this new law that we have got?

Ms. GIBBONS. Well, I think part of it is information and I know that out there it is very sketchy, low to reach us. But in our situation with our employees, right now we do offer health insurance. The time limit, you know, they have to work for us for a year. The type of employees we have, of course, are under-educated, lower income employees, and so what we are struggling with is sending our employees to the Exchange, and from the research and having them take advantage of the subsidies seems like the best way for them to get affordable health insurance. But then the penalties that we would have to pay would cost us up to \$250,000 a year that we cannot afford.

So we probably will continue with the health insurance that we are offering for them but we struggled with what would be best for our employees versus the company, but sometimes keeping the company up and running so that they have a job is the difference between our employees having health insurance or not. But we are afraid that a lot of our employees are just going to just do the buyout because it is the cheapest way to go. And then we are back to them not having health insurance.

Mr. BARBER. It is tough balancing act, and I think small business all across the country are going to try to figure out what to do.

I am really interested in taking a hard look at specific parts of the bill. I was not here when it was approved, but I am interested

in fixing what is wrong with it and there are many things that we need to fix, and that is co-sponsored some bills that I hope will help small businesses if we are able to get them through.

Let me move to a different question in regard to regulations. You know, we hear a lot here in these—how businesses, small businesses struggle with bureaucracy and red tape. And we need to make government work better for small business. I think sometimes it is about getting out of the way, and sometimes it is about removing things that are burdensome. And certainly, even the tax code is problematic for business, the same individual if we need to fix that as well.

So can you describe, Ms. Gibbons, some regulations that you faced that you deal with that you think do not make any sense, we could get rid of them; we would get them out of your way and you would be able to do a better job as a small business owner.

Ms. GIBBONS. Well, I think some of the tax codes could go away. I do not know which ones specifically. The problem that we have is our small business is 170 plus employees, and so a lot of the tax codes and the tax breaks that we could get were too big of business to get those but then we are not a big business either. So we sort of get stuck, crunched in the middle, with not getting any tax breaks and still having to pay like a big business all the taxes and unemployment and workers' comp.

Mr. BARBER. Well, I am out of time but I know there are many other questions all of us want to ask you all. And again, thank you for being here. Thank you for doing what America needs, and that is keeping small business not only alive but growing hopefully and continuing to serve our communities and the people who live in them.

Thank you so much. I yield back.

Mr. HANNA. Thank you.

Mr. Bentivolio.

Mr. BENTIVOLIO. I yield back. Thank you very much, ladies and gentlemen.

Mr. HANNA. Thank you to all of our witnesses. Thank you for your insights, your long travel, and the distance, and certainly the expense. And we are deeply appreciative of all of that.

If there are no further questions for this panel, I want to thank you and excuse the panel. The next panel may now be seated and I will turn the gavel over to Mr. Collins of New York. Thank you.

Mr. COLLINS. In the interest of time we are going to go ahead and jump in. I think we have some other members on the way. This has been one of those days that we have all been jumping around not sure when votes are coming. But anyway, thank you all three for coming, and in particular I guess we will start with Mr. Braddon, who was invited down here by me. He is the president of Commodore Plastics in Bloomfield, New York. I had the pleasure of touring that factory here just a month or so ago. They are located in New York's 27th District, which as I said I am proud to represent. It is a family-owned business operated by Mr. Braddon's father, started in 1981, who is with us today and his lovely wife. Thank you for joining us.

Commodore is a manufacturer of foam meat trays for supermarkets and food processors. It employs 150 people and it runs 24/

7. He and his company service approximately 4 percent of the U.S. market for meat trays. He is also the president of the sister company, Commodore Technology, which makes all the equipment Commodore plastic uses and also sells this technology to vendors around the globe. And from what I remember the machines are about the size of this room, so it is not exactly small equipment. They employ approximately 30 people in Commodore Technology. It is a successful exporter. And as we all know, we cannot export too much.

I want to thank Mr. Braddon for traveling to Washington with the family to share with us the success of his business and what this Committee and the Federal government can do to help him and his business grow, expand, and succeed. Thank you.

**STATEMENTS OF BRAD BRADDON, PRESIDENT, COMMODORE;
SHIRLEY BROSTMAYER, CEO, FLORIDA TURBINE TECHNOLOGIES;
RICHARD NAJARIAN, PRESIDENT, PRECISION
GLOBAL SYSTEMS.**

STATEMENT OF BRAD BRADDON

Mr. BRADDON. Thank you very much for the introduction. Thank you for having me.

I submitted a report here that is I think better to read—or better for you to read than for me to read, and so I am going to go a little unscripted here and just kind of touch on what our story is. I do not need to read that one. I know that one pretty well. And then a little bit about us and government and kind of how we see that and a little bit about something that is really bothering us and then something a little bit about taxes.

My father started the business in 1981. He was working for Mobil Chemical as a process engineer and he was watching them put foam lines in. They would put a line in and it would be full. They would put another one in and it would be full. And he thought, jeez, I can do this. I know how to do it. I am doing it. So he managed to pull a line together and he gets some people and he gets a building and he starts—he has got this idea he is going to make four trays. And he goes and gets these four trays going and of course his money is gone. He did not have very much money to start with, so really the American dream story started with \$30,000 and became a manufacturer.

But pretty quickly they said, “No, George. You have got to have all the sizes.” And he was scratching his head like I do not know how I am going to come up with all the sizes. And he is an investor so he invented a way to get the sizes. He introduced some colors, and eventually, he did get some business. So far into that business, after about 10 years, pretty successful, and then the plant burns down. And so it is reset button and we are beginning all over again.

But during this process he found a customer that was Pepperidge Farms, and they had an extrusion line. And they did not want to run it anymore. They decided that being vertically integrated, making your own foam trays, did not make a lot of sense so he got some new equipment, new used equipment and a customer at the same time. And what happened was he realized that the manufac-

turing footprint that they had for this little teeny operation was the manufacturing footprint that he needed. And so we are a teeny little player in a great big market and we survive because we have this other footprint. We build all of our own equipment. That is what Commodore Technology does, and so we are the only ones with it. And all the other competitors in the U.S. are big. They do not want that manufacturing footprint because they are big, and so that is kind of how we are able to survive.

So one of the things I guess is we do not really consider ourselves a small business anymore because we are not finding ourselves having to do—I do not have to do everything myself anymore. George does not have to do everything himself anymore. And when he did, that is when we considered ourselves to be small. And when we did have to do everything ourselves, that is when the regulations are tough. Right now I look at OSHA as that is the guide on how to be safe. Just follow that guide and you will be safe. It is a law of cause and effect. It is perfect. We could not think of those rules ourselves. It works good.

Some of these regulations that we have had some issues with, we had an issue with not knowing a law existed. There was a chemical bulk storage law that existed that we did not know existed. We figured out that it existed, but by the time we had our program in place we had a visit, had the wrong program, and had a pretty good size fine there. Most recently, we had some building code problems. We had a building that we have been occupying since 1994 and we find out from the fire chief that we do not meet these guidelines and we have to move. Well, we really did meet the code, and fortunately, we were able to find an architect and we swung around that curve ball.

So when it comes to the Affordable Care Act, I think we should talk about that just for a minute. Mostly, what we are finding out and what we are learning is that we meet these requirements with what we offer today. The thing that we are most concerned about is the affordability provision. And this year it is okay. We have maybe a slight change that will be needed, but next year it changes pretty dramatically, and we just do not know kind of where that is going to come from and what that is going to mean to us.

I already went over on time. Please do not mind.

There is a couple of things that I outlined about some of the other regulations. You never think about audits on 401Ks, a workman's comp that we had where we were sued by New York State and we lost. We were part of a pool. I explain a little bit about that. The one thing I say about taxes here is I am told that there are loopholes in taxes but they do not apply to us. I do not know what they are. If they do exist, they certainly do not apply to us. We feel like we pay taxes. And they feel like they are pretty significant. And when you do pay a lot of taxes it is difficult to reinvest because you pay the taxes, you pay yourself, and the other thing that happens a little bit to me personally right now is where the S-corps or the company's profits are coming through our owner, so my income tax—I look like this on paper, right, but I get paid somewhere like this. So I am not eligible for financial aid for my kids to go to college so I better make sure that I save some money.

I am going to jump to the thing that is really bothering us, and that is what is going on with some product bans. And right now there are some product bans on foam, hinge hood containers, and they are mostly going on in California and they are mostly being done by individual cities. But just recently, Mayor Bloomberg proposed a ban on Styrofoam. And Styrofoam is a trade name. It is really called polystyrene foam trays. That is what we make, and so we are super concerned about this attitude, and it is really not based on something that is—it is not real. There is a perception that this stuff is bad for the environment, but the reality is that it is not. And it is taking just a little bit of plastic and making a lot of products. We are foaming plastic like in the bathroom when you foam soap and use a little teeny bit of soap and you get a lot of soap. It is a little bit of the same thing.

One of the things I want to add about that is polystyrene foam that is used in the United States is made in the United States and it is good manufacturing jobs and a lot of the people who work for us, this is the first job they have ever had and they come in here and we provide them with some structure and we provide them with some benefits. I am just kind of dumbfounded that this is a concern of ours really. That I guess would be the thing that is really bothering me.

Mr. COLLINS. We can even talk about that some more, but at this point what I would like to do is yield to Mr. Murphy to introduce our second witness.

Mr. BRADDON. Okay.

Mr. COLLINS. And then we can do some questions after.

Mr. BRADDON. I am sorry that I went over.

Mr. MURPHY. Thank you, Mr. Chairman.

I would like to also thank I guess Ranking Member Velázquez. I passed her in the tunnel, so I got a little wave to her.

On behalf of the Small Business Committee I would like to welcome Shirley Brostmeyer, CEO of Florida Turbine Technologies. Ms. Brostmeyer is an engineer by training and trade. She started her career as a line engineer working on turbine blade and vein designs for GE and has worked across the international turbine industry as a manager and consultant. As CEO of FTT, an innovation in its field, Ms. Brostmeyer represents the best of American ingenuity. Her experience working in both extremely large and small companies from the lowest level to the highest is invaluable to the Committee as it seeks to level the playing field for small businesses seeking government contracts. I thank Ms. Brostmeyer for traveling to Washington from beautiful Jupiter, my hometown, to speak at this hearing, and I look forward to your testimony. Thank you.

STATEMENT OF SHIRLEY BROSTMAYER

Ms. BROSTMAYER. Thank you, Congressman Murphy, and thank you to the Committee for this opportunity.

Again, I am Shirley. I am the chief executive officer of Florida Turbine Technologies. We are a leading provider of engineering, development, and testing, and the manufacturer of test equipment for turbomachinery. This turbomachinery is used for military and commercial aircraft, space propulsion, and industrial power.

Florida Turbine Technologies began in 1998 in Palm Beach County with a handful of engineers, and we have grown to supply research and development activity worldwide with over 200 employees. FTT is a leader in innovative turbomachinery improvements. In fact, we lead the nation in patents per employee. Many of FTT's patents are recognized by the Air Force, who actively review these patents as extremely innovative ideas.

Thanks for the privilege of speaking with you today, and I would like to encourage the creation of a new federal acquisition regulation for government research and development projects. Currently, whether or not a company has production products is being used as a selection criterion for R&D, and this should not be allowed.

We at FTT feel that better utilization of small business for government contracts would provide more innovative and affordable solutions—saving money for the taxpayers, and creating exports that will boost our economy. I would like to quote a March 2010 House Armed Services Committee report regarding the current defense acquisition process, “Small businesses are largely locked out of the process or accorded contracts only on the goodwill of one of the larger firms. We are concerned that the end result of this process is the gradual erosion of competition and innovation in the defense industrial base.”

Only 2.5 percent of research and development funds are allocated to Small Business Innovative Research programs, or as you probably know it, the SBIRs. And yet, small businesses provide the most innovative and agile workforce available without the large overhead costs of large companies. For the other 98 percent of government R&D acquisitions, government decision makers actively use a selection criterion which puts small business at a significant disadvantage. This criterion is that a company must have at least one active production program to be a serious competitor for R&D funds. This is true because of historical close ties between the government and its large production suppliers. But this is also true because government employees prefer to work with a “proven entity,” albeit expensive and less innovative. They feel comfortable that the technology will be taken to market and not left on a shelf after their investment. But there are many contractual ways to deal with product transition into production, and once a development prototype from a small business has been proven, larger businesses will often compete to license the available technology.

FTT has developed small engines that address future DoD needs for small UAV and missile platforms. We have developed our most recent engine on SBIR funds, and we have matched the funds dollar-for-dollar with profits from our commercial business. This small engine would reserve as an ideal platform to affordably demonstrate advanced aircraft engine technologies. However, we are discouraged from competing for R&D contracts because our small engine is not currently in production. This issue is certainly not limited to the turbine engine community. The findings in the 2010 House Armed Services Report confirm that this is a pervasive issue.

Thus, I have a recommendation which would increase small business participation in R&D programs, and this is it: create a Federal

Acquisition Regulation that R&D contract decision makers may not use the existence of production programs as a selection criteria.

I thank you for your time, and I hope you consider this change to the existing acquisition philosophy.

Mr. COLLINS. Thank you, Ms. Brostmeyer. I always say do not bring me a problem without a solution. That was well done. You have a solution.

I would like to now yield to Mr. Bentivolio to introduce our next witness.

Mr. BENTIVOLIO. Thank you, Mr. Chairman. Ranking Member, fellow Committee members, I am very appreciative we are holding this hearing today. According to the business research firm, Dunn and Bradstreet, Michigan's Eleventh Congressional District is the second leading manufacturing district in America. It is my privilege to introduce Mr. Richard Najarian, representing an exemplary manufacturing company in this industrial district. Mr. Najarian—did I pronounce that correctly?

Mr. NAJARIAN. You did.

Mr. BENTIVOLIO. Thank you. Mr. Najarian is president of Precision Global Systems, a manufacturer for some of the world's largest automotive and defense companies based in Troy, Michigan. Since being founded in 1983, PGS has become a leader in crisis manufacturing management, machine and assembly, and component recertification. With over 100 employees in three manufacturing sites, PGS ships over 3 million parts every month across North America and beyond. Mr. Najarian is also chief investment officer and a board member of Premier Biomechanical—excuse me, Biomedical, Incorporated, a company working with the U.S. Army to develop cures for cancer, traumatic brain injury, and suicide ideation. A veteran of the frontlines of American capitalism, I am honored to introduce an individual who has been successful in good times and bad and has insights to share on public policy moving forward. Mr. Najarian, I thank you for coming and look forward to your testimony. Thank you.

STATEMENT OF RICHARD NAJARIAN

Mr. NAJARIAN. Thank you for the introduction.

Am I on? I guess I am. Okay.

Thank you for the introduction. First and foremost, this is a fantastic forum and I thank you for that.

Congressman Bentivolio's invitation came through another organization called Automation Alley, which is a networking organization in southeastern Michigan, and we have been working with them for a little while here with regard to both automotive and defense contracting.

I hope you have a chance to read my testimony, my written testimony. If you have not, please if you get a chance to take the time I would appreciate it. As a graduate of the University of Michigan, B.A. in English, 1989, Go Blue, I like to write, and sometimes I can get a little carried away on the written testimony side so I will be brief in the oral testimony here.

Our capabilities are in component recertification, value add sub-assembly, as well as complete production assembly. The PGS team implements these processes at one of three manufacturing sites oc-

cupying nearly 200,000 square feet located in southeastern Michigan. We ship over 3 million parts each month to customer locations throughout North America and beyond.

Several years ago I wrote a letter to the employees of PGS to note some of the trends I was witnessing. As you will know, we were already in the midst of the recessionary events that created such turmoil in our economy. I am going to read a couple of excerpts from that note.

“The tides change, the winds shift, the water ebbs and flows, and the sun sets only to rise again. PGS has had wonderful days and yet these recent days have been extremely slow. We will soon find growth and opportunity at our doorsteps, and with the systems recently implemented, we will have no hesitation to open the door and let it in.

We arrived at our place within the automotive industry by design. We do great things for great companies. We work behind the scenes of our customers who continue to waste millions of dollars in scraps, rejects, and wasteful processes. We have tasked ourselves to help them stop this absurdity. Our ideas will reinvent their successes as well as ours.”

Then in 2010, I issued yet another letter, but this time the ebb had receded and the flow had begun again for PGS. I will read an excerpt from that note.

“The year was 2008 and the economy was on the brink of disaster. In many ways it provided a test of our resolve. How hard could our group be tested? And we were tested unlike any other time in our 27 year history. The entire automotive manufacturing industry lay in ruin as Congress and the American people questioned our intelligence, our ingenuity, and our integrity.

How will we all help? Cast no shadow on the questions each of us asks for they are the power of our future. Harnessing the power of success with innovation and determination will lead our company and our team into a very bright future and only we determine how our future shall unfold by the course of our actions and the strength of our spirit.”

So I was asked to come here and talk to this Committee about the question of what will be obstacles in our growing manufacturing organization? And I will say it is a very deep and troubling question. There are a lot of regulations that are out there. There are a lot of taxes that are out there. Tax code, there is a section 179 expense election, and we think about all these things but there are a couple things that came to mind. One is, and I share some concerns with my neighbor to the left of me, is how do we get U.S. manufacturers to do business with U.S. manufacturers that are small business companies? And the second is how do we account for the waste that is a byproduct of every manufacturing site?

Incentivizing one company to do business with another could be one of the most intriguing demonstrations of U.S. policy in years. Small business manufacturers based in the U.S. shall be granted certification as such.

Giving a federal tax incentive for work produced to a small business manufacturer would stimulate the economy, continue to assist more small businesses in gaining a better foothold on their specific

product or service and keep these factories still active and in the market. Market forces do not always favor the small business.

Frontline buyers are typically unaware of how their purchasing power can affect their community, and upper management may consider how they save money through supplier consolidation or shared product/material purchases. They may consider how they better brand their product or push themselves into new markets. Why not extend the new opportunity to U.S. small business manufacturers similar to minority-owned, women-owned, 8(a), and so on.

The second idea is with regards to waste. Plastic plugs and caps are utilized for either shipping from plant to plant or as assembly aids. The caps and plugs are used one time in a way to either protect a seal, maintain fluid in an assembly, secure a wire, assist in protecting a sensitive area during the assembly process. Quite literally, thousands of tons of material are annually sent to landfills as a result of this seemingly innocuous process. We estimate approximately 20 million pounds of plastic sent to landfills or dumps each year just from the auto industry. And just because a plant has plastic material removed from their site does not qualify them as a zero landfill facility.

LEED, as some of you may know, has become the standard for buildings erected or modified throughout the country. It is now time to establish a new standard for the manufacturing process throughout the country that incorporates the same need to respond to environmental concerns. Why not certify via an outside independent auditor, whether a plant or facility really has done all that is possible to either reduce or eliminate the waste product entering our soil?

Again, thank you for the opportunity to present this testimony. I hope the two primary ideas I offered will be respectfully considered by this Committee as reasonable and possible. Further, to the hearing, I pledge my continued support and vigilance to these ideas, and I look forward to your desire in kind. Thank you.

Mr. COLLINS. Thank you, Mr. Najarian.

I know Mr. Bentivolio has got another meeting he is going to have to go to, so I will yield to Mr. Bentivolio at this time.

Mr. BENTIVOLIO. Thank you.

Mr. COLLINS. Five minutes.

Mr. BENTIVOLIO. Thank you very much, Mr. Chairman.

Mr. Najarian, I understand you manufacture an increasingly diverse line of automotive parts. Can you describe some of the challenges involved in branching into a new product line?

Mr. NAJARIAN. Well, some of the issues that we run into as a small business is because of resources. Typically, in some of the instances that I have had we have been fortunate that we have established some relationships with some larger OE customers—OE being original manufacturers or original equipment manufacturers. The difficulty in that is being able to—even though our ingenuity or engineering, our abilities or capabilities are available to do something, a specific product, it is hard to get a customer to actually give you the opportunity to do so. And the reason why is because maybe you are not doing it today.

Well, what does that mean? What I am talking about is in my case we were doing a derivative of a project. We happened to be

working on actual and a customer, in this case it was Chrysler, gave us the opportunity to work in engines and transmissions. It was a derivative of what we were doing but they saw through that and said, "Well, we see the success that you have on the actual side so we would like to talk to you about engines and transmissions."

So I think the trouble is—and then when that happens, the ability for us to then go into engines and transmission work becomes greater. The problem is getting that frontline customer to come to you and say could you do something. The problem today is the buyers are typically going to a smaller set of large organizations, and that is who they typically go to. And the reason why is because they really do not understand how they affect their community at large. So if you look at their city, their state, or their country, from that standpoint, how they affect it from their purchasing is not something that the typical buyer really understands. And I am talking the frontline buyer. I am not talking about management and so on and so forth.

So I think that is part of the issue, is getting them to better understand what it is that small business can do for their community because sending the money overseas, which is what a lot of them do, it is usually out of convenience because those are the companies maybe that do that project already or that part already.

Mr. BENTIVOLIO. And earlier you had a proposal where you indicated that a number of facilities declared themselves to be zero landfill facilities but that is not always the case. Would you care to elaborate on the scale of this issue and how it affects companies like your own which reuse and recycle their waste internally? I want you to expand on that, too, because I found that very interesting what you are doing with these caps. Can you talk about that?

Mr. NAJARIAN. Sure.

Mr. BENTIVOLIO. Thanks.

Mr. NAJARIAN. So the caps and plugs that we are talking about are shipping aids. What happens is what we designed was a process to recover those and a process to clean them and recertify them, send them back to the manufacturer. When I am talking about a manufacturer, I am saying, okay, so for instance let us take a transmission. On the transmission you might have four or five plugs or caps that are used to protect either a seal or a port. When they are taken off at the assembly site when they are assembling the vehicle, they typically throw those parts away. And so we developed a way to bring those back, clean them, requalify them, and send them back to the transmission site, for instance. I actually patented and actually have a patent that came through in April of this year, so we just finally closed that out which was a huge success for the organization.

But one of the things that I am concerned about is there are a lot of companies out there, large organizations that qualify themselves as zero landfill organizations, and they are really not. They might be selling their plastic or selling the stuff that they would otherwise put into the landfill; somebody else puts it in a landfill for them. They might burn it off. Somehow, some way, trust me, it is going into the land. It is going into the soil. And I think we need to start regulating that with regard to not—and I am not

talking about regulations like we typically think of regulations, but what I am saying is that if you are going to call yourself a zero landfill facility, you should be certified as such.

And similar to LEED, where LEED does, okay, well, you are platinum or gold or silver star, LEED building, we should have similar capabilities of judging whether or not a plant really takes the environment into consideration. They do not have to. There is no requirement, but if they are going to say it and they are going to qualify themselves as such, then we need to give them some sort of standard by which they should follow.

Mr. BENTIVOLIO. I see my time is expired. Thank you very much, Mr. Najarian. I appreciate your testimony.

Mr. NAJARIAN. Thank you, Congressman.

Mr. BENTIVOLIO. To all of you, I want to hear more about your story. Real quick. I have about five seconds here. Is the original owner in the room?

Mr. BRADDON. Yeah, right here.

Mr. BENTIVOLIO. Okay. Good job. Thank you. We need more like you.

Mr. COLLINS. Thanks, Mr. Bentivolio.

At this point I will yield to Mr. Murphy.

Mr. MURPHY. Thank you, Mr. Chairman.

Ms. Brostmeyer, again, welcome. Thank you.

Your Florida Turbine Technologies is one of the most innovative in America and you remarked on that already. And it is a prime example of the kind of high tech design in manufacturing where we are always going to hold an edge in America. As you pointed out, FTT has the greatest number of patents per employee in the nation. I mean, how cool is that? That is something to be proud of.

In addition to out-serving the competition patents, I understand that your company excels at finding new and innovative applications for existing technologies. A talent that large, that large of a talent pool you have, companies are often unable to replicate this. Can you give us a concrete example of how a FTT product or a prototype that has benefitted from being able to quickly and easily cross pollinate some of these technologies?

Ms. BROSTMAYER. Definitely. That is an excellent question. We see that actually working with some large companies that work in multiple industries that one group does not talk to the other, and that is one of the really powerful things about a small technology company. Although we work in various industries, we are so small that we are able to take lessons learned from one industry and apply it into another. So one example where we are doing that, we have developed a sequential cooling scheme for an industrial turbine application. It is being tested this year and it is going to have all kinds of efficiency improvement implications in the machinery. But we just actually took the same concept and designed it into an aircraft engine application and we have actually just received an award, an SBIR award to test that as well or to develop it to the point of test. So it is really good to get the synergies from different industries, especially high tech like the space industry that we are in, aircraft engines, and industrial turbines.

What I think is rather interesting is that our country is behind in rocket turbines and rocket space relative to the Russians and

the Europeans, but we are not behind in aircraft engines and we are not behind in industrial turbines. So lessons from those industries can readily be transferred to our rocket industry, and we are actively doing that.

Mr. MURPHY. You mentioned SBIR. Can you maybe talk about some things you have done to take advantage of that program, and perhaps some things we could learn and some improvements that you would recommend to us?

Ms. BROSTMEYER. Sure. Yes. FTT is very active with the SBIR program. I mean, over the years we have been awarded over \$10 million worth of SBIRs. And actually, we have designed and developed an entire turbine with SBIR funds. In our case, actually, we matched those funds with profits from our commercial ventures. But that saved the government—I mean, normally you are looking at a 10 million plus program and so it saved a lot of money in terms of the development costs.

I think SBIR is a great program. I guess if we had to make a couple suggestions, one would be that they shorten the time cycle because there is more than a year from the time that we—there is some kind of a technology need identified to the time that one is actually awarded the monies to start working. So that could be shortened. That would be helpful. And another thing that we feel would be helpful is, I mean, if you have a good idea such as our small engine and you are getting the momentum, there is a \$1 million cap on phase two SBIRs. And we feel perhaps it could be a little higher than that in order to enable really larger products to continue being developed.

Mr. MURPHY. Thank you for those recommendations.

And you made the case that the defense acquisition process is inherently biased against small businesses and you had a pretty shocking quote there. You have recommended the federal acquisition process not just use prospective contractors' production status as selection criteria. If we were to make this change, how would you recommend the government ensure small businesses with unknown production capability were able to produce the products that the government needs?

Ms. BROSTMEYER. Well, again, that is a really good question because I know that is the concern that is cited a lot of times when small businesses are locked out of the process. But there are a couple things. First of all, we are right now working on licensing agreements for technologies that we have developed under research SBIR programs, and if there is a good idea, larger companies will want to license the technology or a team or a joint venture, but in the worst case, if the government funds a small business for a R&D or development program and the small business is unable to commercialize it, the government owns rights to the technology and therefore, the government could take the project and go to somebody else, you know, even a larger manufacturer at that point to put it into production. So that would be the worst case if the small business cannot figure out a way to license or work together with other businesses. But I guess the other point is that the government should encourage large businesses to engage with small businesses who have good ideas, and that encouragement would also really go a long way.

Mr. MURPHY. Thank you. Just one more question here.

I caught the tail end of your testimony, Mr. Braddon, and Mr. Najarian, you spoke about this idea of LEED certification for manufacturers. I am certainly not an expert on Styrofoam but I guess I am in the general public category. You mentioned perhaps the naïve thinking that Styrofoam is very bad for the environment. I fish, I dive, every time I go in the ocean, when I see things floating it is always Styrofoam. My understanding is that it does not break down. Maybe you could explain that. And Mr. Najarian, your thoughts on what he said.

Mr. BRADDON. Okay. Well, when he talks about the zero landfill, I would say that our plant probably qualifies as a zero landfill. It is not something that we have purposefully tried to say that we are, but every bit of scrap that is generated in our process goes back in and we make more product with that. And that would be on the foam side of the business.

On the equipment side of the business, our scrap is metal chips, and so of course, that is all recycled, and all of our cardboard is recycled and all of our plastic wrap is recycled. And the most garbage that comes out of our plant is from the cafeteria. That is where most of it comes from.

As far as foam in the environment, foam is basically inert, and if you do not like it because it floats, well, it is very light. Only 5 percent of a foam tray is actually plastic. The rest starts out as a blowing agent. You know, you take plastic and you foam it. It is not too much different than this plastic. You do not hate this plastic, but if we were to foam this plastic you might hate it. And we cannot understand that. It is taking a little bit of plastic and making a lot of product. A typical meat tray might weigh 6 grams, so you get about 500 school lunch trays out of 10 pounds of plastic. I mean, that is a pretty efficient use of material, and it is inert. And if you do want to use it as waste to energy, it has got a high BTU content. You could say that you were going to take these natural resources and you were going to make electricity. Well, you could take these natural resources, you could make plastic, then you could make electricity. Why not use it once first.

My father invented the term "precycle." He says you are going to use it for this. Use it for something else first. And I think there is a lot of hope to that waste to energy. Right now you have these recycling programs where they throw everything in the bin. Everything in the bin. And then you cannot really sort everything out of that bin. Like if you look at the Europeans, they have a green dot program. They collect clear PET, green PET, blue PET, aluminum, and steel. They do not collect everything like we do. But we are collecting everything, and I think that could be a really nice way to waste energy because it is not absorbent, it will help the stuff that is soaking wet that is in with the plastic to burn. You get a real nice BTU content. I think it makes a lot of sense.

Mr. MURPHY. Mr. Najarian?

Mr. NAJARIAN. Do I have to push this button again? I do not know. Okay.

So I do not have anything necessarily against polystyrene so I did not make any ovations to that, but as far as what I was talking

about, my idea is specific to any facility, any manufacturing facility in the country.

With regard to making sure that the waste that they have, this byproduct, and a lot of it is plastic, some of them are good with their cardboard, baseboard, you know, metal, of course, is always recycled because you get some good money for the scrap dealers that are out there in this country and everybody is looking for steel or aluminum or some form of metal, so that is not an issue. And they have recycling programs for light bulbs and things of that nature, but the question that I am asking, and the assistance that I think needs to be done is how can we actually certify a company as being environmentally sound.

I have, for instance, TS69, 49, 9001, and ISO14001, those are all certifications, two are for quality and one is for environmental. 14001 tells me I measure my aspects and impacts to the environment very well and I follow exactly the rule that the international standard states. But what it does not say is am I really removing this product from my facility the right way? Or in this case what I am talking about is recycling those plastic parts. There is nothing that says that you cannot recycle on a normal basis. These parts that I am talking about are washed and brought back and we charge a nominal amount of money for it. It is a cost savings to the company, but the bigger issue is certifying those companies within. And not just allowing them to self-proclaim themselves. You know, self-proclamations of, hey, we are zero landfill. We do not affect the environment at all, and nobody can challenge it because there is no auditing committee that comes in and says are you really that? So it is kind of that truth in advertising. We do not allow that. We regulate that; we should regulate these things of things, too.

Mr. MURPHY. Thank you all very much.

Mr. COLLINS. Yeah, no, thank you. I have got a last but not least.

A few questions. I am also a small business guy. I have done that for 40 years—high tech, low tech, and bio tech, and one of my companies also lives on patents. The funny one off the record here—but we are not off the record—is the patent on bed bugs. So we are going to see where that one goes.

What I would ask is maybe a rhetorical question just to get some info. One benefit of these hearings is to get on the record your opinion. You are all successful, hardworking, small business owners, and it is helpful for all of us when we go to other committees even to give them feedback from here. So my rhetorical question or comment to start is in my businesses we have a mantra “Grow or die.” Every day we come in we want to take care of our customers, we need to worry about orders, collecting money, paying our bills, et cetera, et cetera, but we all plan to grow. I mean, how are we going to grow? Whatever that is. We may not always succeed.

Now, to me, growth is an investment. It takes money, and so I guess the concern I have on this Committee and serving in Congress now and seeing some of the environment that we talk about here, I talk about financial things. For the first time in history, small business taxes are higher than big corporations. It has never happened before. 39.6 percent for subchapter S pass-through, and

I am presuming all of you are subchapter S pass-throughs. So you are paying, and I pay, at 39.6 percent. But the biggest corporations pay at 35. Now, to me, number one, that is just plain wrong. But my rhetorical comment is that is money you cannot invest in your business.

Mr. NAJARIAN. Right.

Mr. COLLINS. The money is coming to Washington for whatever programs—good, bad, or indifferent—but you do not get to keep the money to invest, and I think you probably could confirm you take most of the money you make and reinvest it. That is what entrepreneurs do. They do not, by and large, have yachts and airplanes and that kind—you are always looking to grow your business. So every dollar that comes to Washington is a dollar you cannot invest, and this tax code that we are talking about at a 25 percent marginal tax rate, I am presuming, and that will be one of the questions, what would your reaction be on the positive or neutral—but I think positive—to a 25 percent top marginal tax rate that says—putting aside the state you are in, I am from New York, you know, shame on me or unlucky me—you get to keep 75 percent instead of only 60. How would that impact you if we are able to get tax return this year? What would you think of a 25 percent top marginal rate which is what they have in Europe?

Maybe we will start with Mr. Braddon and ask all three the same.

Mr. BRADDON. Of course, that would have a positive effect. Right now, you have a certain amount of debt capacity and you have to be at a certain profitability level in order to have that debt capacity. So when you start bumping up close to that, then you are done. And you cannot borrow any more money. The bank looks at your ratios and they say, okay, you are done. We are not doing anymore. And then particularly if you have a bad year, which happens, you know, you lose customers, you gain customers, especially in a market that is not growing, and yeah, it would give more debt capacities. It would fix those ratios. You would be able to borrow more money and buy more equipment and grow.

Mr. COLLINS. I will take that as a yes.

Ms. Brostmeyer.

Ms. BROSTMAYER. Yeah. I mean, certainly, everyone wants more money to reinvest in their business, and we would be no different than that. I do not know the big picture as far as how our government is going to get enough taxes to do what they need to do, but I would say that I think the off shoring of profits that is going on in large businesses is a big problem. And as a small business, I look at some of the large businesses and ask myself, well, gosh, you know, how can they shift their profit centers offshore such as they do? How do they get away with that? And to me that is also something that really needs to be addressed because that is where a small business is really at a loss. They will pay their taxes. They have no choice about it.

Mr. COLLINS. Thank you.

Mr. NAJARIAN. So 15 percent is quite a bit. I could not fathom that happening.

Mr. COLLINS. Twenty-five.

Mr. NAJARIAN. No, I mean, 15 percent reduction over what I have got now from almost 40 percent, right? I think it is 39.6 or something like that. But anyway, one of the issues that we ran into I know last year, it was a very nice year for PGS, but it was funny because at the end of the year we needed up with no cash—paying down loans, our payables went down, so that was nice. We paid off our working capital loans. And at the end of the day we had no cash left because the rest of it went to taxes. And in fact, I ended up in the negative territory when you added the taxes into it. So that was kind of an interesting side note.

I think extra money for us, we would be moving into new markets. We would be pushing a little bit harder into new opportunities that right now we hesitate on because of the resources that we have or do not have right now. We have a great relationship with our bank we established a couple years ago. We actually worked with the SBA on a big loan a couple years ago which has been absolutely the most fantastic thing that happened for my organization and allowed us to actually grow and prosper. So if any of you had anything to do with that I thank you for that. I think what we would look at is moving into new markets and pushing a little bit more on the limits of what we could do from a manufacturing standpoint. And in doing so you increase business. You just keep going.

Mr. COLLINS. That is helpful because when we stand up and we make these proclamations that if we give small businesses more cash, they will spend it on job creation. And that if we need more jobs, and we do in this economy, the quickest way to get those jobs is let small business owner, who all are subchapter S. So these are not the fat cats. The three of you sitting there who would take that differential and put it right back in your business, whether it is R&D, another trade show, or in Ms. Brostmeyer's case, another 100 patents. Right?

Ms. BROSTMAYER. Yes.

Mr. COLLINS. Which is jobs. And so we have talked about it would be revenue neutral. We would get rid of all those loopholes that Mr. Braddon does not know about. But if it is revenue neutral, and I think that is our focus, and I do not think it is even—I think it is bipartisan. We need to unleash the ingenuity and the creativity of small business owners who speed to market, which is what Ms. Brostmeyer was talking about, would make the bigger corporations look slow and lethargic.

Now, my other question really concerns Obamacare, you know, the Affordable Care Act. And I bring that up because, again, there is a cost issue. There are two issues here. One is impact on your employees. And you are not running a fast food restaurant where you can cut your workers down to 27 hours. That is not something you are going to do, and I was just in with some insurance companies who were begging to repeal the health insurance tax. And I go, "Where does the \$100 billion come from?" That was a way of raising monies to pay for the expansion of Medicaid. And while it is going to get passed on to you, by the way, we had a hearing on that a few weeks back, and someone from the insurance industry said, yes, the \$100 billion health insurance tax paid by the health insurance carriers will absolutely be directed back to the con-

sumers, which are businesses, impacting premiums. So now we do not yet know exactly what is coming, but I have heard a lot of folks, if they have got 39 or 42 or 45 employees say I want to grow but not beyond 49. And we have seen smaller companies like yours cutting hours.

But my question on Obamacare is where is that in your thought process right now? How big of a concern? Have you gotten your premiums for next year yet? And maybe the last one, maybe the controversial one was if you could vote tomorrow to repeal Obamacare, or let it go just the way it is because there are no changes coming. It is what it is. So would you repeal it or not? That is kind of a direct question I am curious about.

Mr. BRADDON. So we have a fair amount of people who are—I guess a starting wage of around \$10 an hour. And so when you look at the affordability piece of that, right now I think it is 20 percent of a single—it is 10 percent of a single program, that is the affordable—

Mr. COLLINS. Yeah. Affordability is like 9.5 percent of W-2 wages. If you had a \$20,000 employee, the affordability would be considered \$2,000 for his portion.

Mr. BRADDON. Okay. So that is not too far off from what a single policy goes for; right? I mean, that is not that different. It might be \$4,000 for a single policy. Okay, so you check the mark. We are going to pass on affordability. Now, next year it goes to the employee and all their dependents.

Mr. COLLINS. Except their spouse.

Mr. BRADDON. Except their spouse. So if you have—now you are buying them a family policy. I mean, right now no policy exists like that. It is either single, two, or family. There is no—not being offered to me. So now, okay, the same person that makes \$10 an hour, now we have to buy them a family policy. That is about a \$9,000 a year policy. So now you are paying \$7,500 if it is a—

Mr. COLLINS. I want to meet your broker because in my companies the single policy is like \$6,000 or \$8,000 and the family is \$15,000. So.

Mr. BRADDON. Yeah, well, you know, yeah, okay.

Mr. COLLINS. A lot of people—not to put words in your mouth—really do not know yet what they are going to do.

Mr. BRADDON. Right. There is an uncertainty right now. I do not know how many people are going to sign up. Right now we have 90 out of 170 roughly. And so how many people are going to sign up this year more? I do not know that. So that is an uncertainty. And then next year, how many people fall into this particular bucket where now we have an extra 7,500? And I think what is going to happen is people are going to move in favor of eliminating low paid positions. And you are going to take that bottom rung on the ladder and you are going to raise that up and people are not going to be able to get on the bottom rung anymore.

Mr. COLLINS. So would you repeal it?

Mr. BRADDON. For the way it is? I think it is going to do more harm than good, and I would.

Mr. COLLINS. Thanks.

Ms. Brostmeyer.

Ms. BROSTMAYER. Yes. Well, our company provides health care. We always have for our employees and their families. Really, it is not going to influence us in any way except that our premiums are going up at a little bit higher rate than they would have otherwise. We are extremely vigilant about comparing policies and trying to find something that works for us, so we did just change carriers in an effort to try to keep the premiums at an affordable rate.

I mean, it is a challenge, and I would not say that I would repeal it because I will say, I mean, I have a handyman. I have a cleaning woman. I utilize lot of household help in order to work, and my husband works, and we have two teenage daughter. So we have a lot of household help, a lot of help. None of them have health insurance. I mean, you ask them, you know, what are you going to do if something happens? And I go to the emergency room. I have been there a few times, and it is filled with people who do not have health insurance. And there are people, like my sister for instance, I mean, people that have medical conditions that in the past have worried, oh, gosh, it is going to be really hard for me to change jobs because I have a specific medical condition and, you know, pre-existing conditions are so difficult. Employers are going to look at that and say I know that it is going to be a challenge to hire you and put you on a medical plan. So I do not feel I have the oversight to say, okay, here is exactly what we should do about health care, but I know it is a complex issue and I would not claim to say let us get rid of it. I do not think that is the right solution.

Mr. COLLINS. That is why I am asking.

I will say this. Some of the lower paid folks qualify under Medicaid. One thing as a nation we have to remember when we talk about the uninsured, we normally think about the poor. Well, in fact, they have insurance; it is called Medicaid. And when we worry about the emergency rooms, the thing that I worry about is many doctors do not take Medicaid patients. If you show up at the door of a primary physician, a dermatologist, and you say I am on Medicaid, more than not, certainly up in our area, they do not accept you. So you go to the emergency room with your insurance card. The expansion is Medicaid, so now you have a lot more Medicaid carrying individuals who are going to the emergency room. Well, if you think it is crowded now—

Ms. BROSTMAYER. It is going to get worse.

Mr. COLLINS. Just wait. Yeah. Unintended consequences.

Mr. Najarian.

Mr. NAJARIAN. If it is a vote of three I am going to go with repeal.

Anyway, so, you know, I am a republican by nature and by my beliefs.

Mr. COLLINS. And a taxpayer.

Mr. NAJARIAN. Yeah. And a taxpayer. Yes. And I hesitate to say that out loud because I am being audited right now by the city and the state which is one of those coincidental things. And it is okay. We go through those days.

So we have in a similar sense, we have had insurance for our employees since day one. The company opened in 1983 and we have been providing insurance for everybody. There was a time we used to pay 100 percent. We cannot do that anymore so we pay a

percentage. And I think the biggest issue that I found, if somebody was to say what is the matter with health care, I would say that the problem with health care is we do not understand it. I am talking about Obamacare, not health care in general. And what I mean by we do not understand it, small businesses are very savvy. Small business owners are typically pretty savvy people. And I say this because if we knew six months ago, a year ago when everything was voted on and passed, it is fine. It is passed. We are not changing it. You said it yourself, it is not going to go away right now. But for us to plan for it, you cannot—we are in the dark. I think it is absolutely absurd for us to be in the dark this long to know exactly how we should plan. When everything came through we had an insurance carrier who came to me and said this is what it is going to be like. Three months later I get the guy come back in my office who says, okay, there are changes to it. We did not understand these other things. Oh, now there is another system. We still do not really understand what it is that we are going to be doing. And so for us to plan for the inevitable is difficult.

Mr. COLLINS. The uncertainty. I was just with an insurance company and they were sharing they have had to put forth their premiums for next year and they do not know who is signing up.

Mr. NAJARIAN. Right.

Mr. COLLINS. They do not know if the young and the healthy are going to stay in, and they are all brand new policies. Policies that are being offered have never existed before because they include the health clubs. They have to have prescription coverage. There are a lot of things that now have to be in policies that were not before, so they do not have a base to compare it to. They do not know who is signing up, but they had to lock in their premiums.

Mr. NAJARIAN. Right.

Mr. COLLINS. They have done that, and right now they do not know what their profits or losses may be. So it is an unknown.

Mr. NAJARIAN. Right. And we have been trying to plan for it like everybody else, but it is just you are planning sort of in a bubble almost because every small business owner has a different interpretation of exactly what is going to come down.

Mr. COLLINS. So as we wind down, one other quick one. I am being selfish because you are helping me here a little bit. I have held hearings on cybersecurity because I chair the Subcommittee on Technology, and I am also on the Science, Space and Technology Committee. The statistics are 87 percent of small businesses do not have formal cybersecurity polices, and I have to admit across my companies I am as guilty as the rest. I have one that is really good and the rest are not. But cybersecurity and small business, when we worry about customers paying our bills and collecting our money, cybersecurity is not real high on the list. We are trying on this Committee to shine a light on it, to make people more aware. I am just curious where you are on that and also specifically, are you in the cloud or not?

Let me start with Ms. Brostmeyer.

Ms. BROSTMAYER. Yeah. First of all, we are not in the cloud. And I am sort of curious how that works with very secure information. But I am told that there are ways to do it, that one can really

stay secure. So I have been asking the question should we be looking at this, and I really do not know enough about it yet. But we do have cybersecurity. I mean, we see all the time threats in our industry especially from Asia, from all over the world, and we are very vigilant, sometimes too vigilant that it slows our computers down so much because there is just so much involved.

Mr. COLLINS. Is somebody in charge and do you educate your employees on passwords—changing your password dos and do nots?

Ms. BROSTMEYER. Absolutely. Yeah, very important in our business. And so, yeah, there are people in charge. We have a group that really monitors it very regularly.

Mr. COLLINS. Good for you.

Ms. BROSTMEYER. And we are trained.

Mr. COLLINS. So you are part of the 13 percent.

Ms. BROSTMEYER. I guess so. Yeah.

Mr. COLLINS. Thank you. Mr. Najarian?

Mr. NAJARIAN. I am going to hand you this capability statement in a little bit, and the differentiators talk about—the first thing says cybersecurity compliant. It is something that we take very serious. We are in the cloud. We have been in there quite a while. Everything that I do, I can operate the entire company over the Internet, but we work with a company that is very secure. If I lose anything tomorrow, if something happened and the system went completely down, we actually have cold storage and hot storage sites that are not even located nearby our facility.

We are very dedicated to traceability to everything—lot traceability, lot controls, things like that, so parts coming into our plant, when they go out we know where they got to in the process in the assembly, so if a customer calls up and says I have got a problem, I not only contain what he has on his floor but I can contain any other customer that has shared those types of parts.

But I think that one of the questions that you asked with regard to cybersecurity is understanding how it can negatively affect your company, and until you have really had to react to something, and that is typically why anybody starts up and says, okay, we need to be a little bit more vigilant, is because they have had an issue. And I think the shame of it is that, yeah, we have a lot of people that are hacking into our computers all the time—not ours personally but in the United States. And a lot from overseas. And I know the government is the primary objective for a lot of those overseas nationals.

Mr. NAJARIAN. They are actually coming after small businesses.

Mr. COLLINS. And the small businesses.

Mr. NAJARIAN. Stealing your IP, stealing your customer list, getting your banking information, and your employees' data.

Mr. COLLINS. Yeah. And that is the challenge, just keeping everything in a secure site. And that is why we do this in a cloud bubble because we have found that if somebody can get in to a computer itself, they still cannot get into that and that is one of the issues that we—

Mr. COLLINS. Yeah. Good. Good.

Mr. Braddon.

Mr. BRADDON. We do not specifically have a cybersecurity policy. I think we follow some good practices. We have the standalone system for our banking. Our servers are hardware in a closet on our own site. We do have, you know, we are doing some offsite backups in a couple of different ways and knock on wood, we have not had any issues.

Mr. COLLINS. Yeah, I think as we move forward there is going to be more and more emphasis on it, and I think as you do business—if your customers are big customers, they are going to want to know—there is something called Trust Mark, which is the cybersecurity, like you were talking about LEED certification, and maybe we can get something for the sustainability and all of that. And we are trying to shine a spotlight on it on this Committee because small business people do not generally go to work worried about cybersecurity. It is Federal government, big banks, insurance companies. But they are starting to come after us, and when they do, it can be devastating if you are not ready. And most are not ready.

So I guess I know we are running out of time, but this has been very helpful.

Mr. Braddon?

Mr. BRADDON. I would like to maybe mention one thing. In my testimony I talk about one piece of self-regulation that we do, and I think it is similar to what you are talking about with the ISO certifications where we hire a company and they come in and they do their inspection and they give us a guideline on how to make products that are safe for serving food, and then they come in and then they give us a score. And believe it or not, they have competition. Right? So there is different—and a food producer can look at those guys and say I like the way that AIB is doing their audit or I like the way these guys are doing their audit. So you have competing companies that are regulators. Basically, it is a form of regulation, and we voluntarily sign up. And if some of these ideas come out, maybe so will more of that type of regulation.

Mr. COLLINS. We are always looking for a competitive advantage. And hey, if you have got one and you can promote it and it gets you business, you want to do that, that is what we do as entrepreneurs.

Well, I thank you for your time. I know we have run over a little bit but all of you should be proud of yourselves, and we thank you for the jobs you have. And I know you are all going to grow your companies this year. So thank you for the new jobs that you are going to be adding, caring about your employees and all that we do here.

So what we have started is a dialogue. That is what the Small Business Committee does. Talk about small business—your issues, your concerns. You have given us some good ideas here, and I am sure we can follow up on some of that. So again, thank you for all of your time.

I ask unanimous consent that the members have five legislative days to submit statements and supporting materials for the record. So without objection, so ordered.

The hearing is now adjourned. Thank you.

[Whereupon, at 5:30 p.m., the Committee was adjourned.]

APPENDIX

**Testimony of****Mr. Rick Schwind****Vice President, General Manager****Huntington Partners Inc. DBA Continental Tool & Mfg****before the****House Committee on Small Business****June 19, 2013**

Good afternoon. My name is Rick Schwind, Vice President and General Manager of Continental Tool & Mfg, located in Lenexa, KS. I am also a resident of Smithville, MO located in Chairman Graves' Congressional District. I am honored to be here today, and thankful to Chairman Graves and this committee for the opportunity to speak about our company and today's small business climate.

Continental Tool is a family-owned, small private CNC manufacturer of specialty tools, gages, assemblies and components with roughly 20 employees. Approximately 80% of our business is manufacturing tools designed for military end use. Think of the Army mechanics that take care of and maintain the Abrams tanks, Humvees, and Bradley fighting vehicles. We make many of those specialized tools. We make specialized wrenches for the care of landing gear on fighter jets, for the adjustment of sights on weapons, setting of fuses on mortar rounds, and hundreds of other tools. In addition, we provide a host of machined components to cooling tower companies, fire trucks, lighting fixtures, pumps, and valves.

My parents purchased this business in 2008 from a family who started it from scratch in 1980. My dad had retired as an executive with a background in manufacturing and industrial distribution. His dream was to purchase a small manufacturing company and provide long term employment for the company's employee base, but also to find and nurture a younger generation of worker. His dream was to be in a position to offer a career, not just a job, with

paid training and benefits to anyone who simply had the right attitude and didn't mind working for what they earned.

As for myself, I graduated from the University of Kansas and later received an MBA from the University of Missouri-Kansas City. I had worked as an operator in a machine shop while in college and eventually ended up in management. For a few years I worked in a technology start-up and then the telecommunications industry before coming back to manufacturing at Continental Tool. Like my dad, I too was realizing my dream. Not only being able to work side by side with my father, but also being in the business of "making stuff" for America.

As you remember, 2007 and 2008 were banner years for manufacturing. The economy was good, competition was fair, opportunities were everywhere. But as the recession began to take shape, things changed. Raw material prices, surcharges, and the cost of business increased. Competition became fierce. But like any small business at that time, we pulled back, assessed our situation, drew financial lines in the sand and stuck to those principles. In a world full of emotion and momentum, we became focused on running the business with the best financial acumen we could muster—by the numbers. There were opportunities to purchase new equipment we wanted to take advantage of, but we passed up. There were people we wanted to hire, but didn't due to our commitment to live within financial guidelines. The single best (and most difficult) advice my dad gave me was that we needed to manage the business with our minds but not necessarily our hearts. We needed to protect the jobs of our employees to the best of our ability. Use our mind, emotion, and faith as the backbone for every decision, but levy that against the financial justification on whether or not to proceed. We knew of several shops in our area at that time that failed to fully comprehend the financial aspects of some of the decisions they made, and sadly some of those shops failed and closed during that time period. 2009 and 2010 were indeed a challenge.

2011 and 2012 were much better. I'm glad to say that our business rebounded to 2008 levels and operationally we were in a great place. The challenge of the recession led us to sharpen our pencils in just about every way and we got better. Our processes improved, our quality improved, our margins improved, and we retained every employee.

But challenges remain. In terms of talent, we continue to struggle to find skilled labor. In our industry, it takes anywhere from 5–8 years of on the job training to become truly skilled in machine setup and operation. The combination of mathematics, mechanics, and technology are a challenge for anyone new to this industry and the learning curve is steep. I've heard there is renewed focus at the college levels on engineering, but we cannot stop there. There is an even more pressing need for skilled labor. The average age of a skilled worker in our company is 50 and that seems to be consistent across our industry. These men and women are approaching retirement age and as a nation we need to build our skilled labor bench strength, or else we will have many people with college degrees, but no technical skills.

But as a company we face additional issues. Uncertainty over health care is a major concern. Today, our company fully pays for the health care premiums for all employees. But now knowing the financial implications of the Health Care law next year had us questioning whether we'll be able to continue providing this going forward, or whether we will be forced to turn this cost over to the employee.

As I mentioned, roughly 80% of our business is supplying the defense industry. This is where sequestration has had a real impact on us. We agree with the decision to pass a law holding Congress accountable to reduce our nation's debt and reign in spending. Our company made difficult decisions and significant cuts to survive, and the federal government should do the same. However, we took a sensible, precision approach to our finances as we would when manufacturing a precision tool while Congress did not.

Unless Washington quickly addresses the situation they created with sequestration, the impact to small manufacturers like ours, whose primary customer is the Federal government, will be severe. Our sales to the government are down 30% this year, and we recently were forced to lay off three employees, temporarily we hope, and are working to refinance our long term debt to reduce monthly expense.

Even though our company survived the most recent recession, we are seriously concerned with the current environment facing small businesses. Does Washington really understand our challenge? Do they sense the concern we have with health care uncertainty, ineffective and costly regulation, the sequester and the indecisiveness regarding the federal budget and tax? We certainly hope so, but the environment remains scary.

I am thankful that this committee is asking for input from companies such as ours in order to stem the tide. Small business is the backbone of our economy. We employ the majority of workers, and due to our small size we build close, personal relationships with our employees and take on the responsibility of the welfare of their families. We ask that our government use sound financial justification in every decision, just as we do in our shops and plants across the country. As Americans, we are blessed with that special drive to do things beyond ordinary, and I see that drive in every small business owner I meet.

I am honored to be here today, and many thanks to Chairman Graves and this committee.



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June 17, 2013

US House of Representatives
 Small Business Subcommittee
 2361 Rayburn House Office Building
 Washington, DC 20515

Mr. Chairman and members of the Small Business Subcommittee, Thank you for the opportunity to join you today. My name is Terry Iverson - President & CEO of Iverson & Company (founded in 1931 by my grandfather). We sell machine tools (primarily computer controlled machines- CNC) to the manufacturing communities in IL, WI & IN. I have been involved in the manufacturing industry for the last 33 years, and my family in the same, since 1925. My brother Erik runs our family's manufacturer of indicators founded in 1932. Our companies are about a mile apart in Des Plaines, IL a suburb of Chicago - not far from O'Hare.

This country is in an epidemic crisis at this moment. If we do not find the next generation of engineers, manufacturing workers, programmers, inspectors, machinists, etc., then manufacturing opportunities will diminish not because we do not have the ingenuity or expertise, but because we do not have the persons to fill the positions to carry out our capabilities. I am pleased to hear that there is a buzz on manufacturing in recent months and years around the country, media, and both sides of the political parties.

For my entire career I have called on some of the largest and most well know manufacturing companies in the Midwest. I have also called on the subcontract machine shops, otherwise known as "job shops". Both my uncles each owned their own jobs shops during their careers. Both manufacturers and job shops bring different needs and requirements but all have shared the same problem for over the 3 decades I have called on them - they cannot find enough skilled personnel for their needs. I have been told thousands of times - Terry, I will buy a machine today from you if you will provide an operator with it!

Baby boomers are getting nearer and nearer retirement and because of the misperceived notions of the art & science of manufacturing, young people

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are discouraged by many influencers (relatives, counselors, teachers, the media) to NOT pursue a career path in such. Advanced manufacturing is heavily computerized and automated. The industry is no longer a dark, dirty, dingy and low paying profession. The average manufacturing employee is 56 years of age¹. I believe strongly that manufacturing is what has made this country great and supplied good paying incomes and careers for millions of families. My family has been fortunate in this regard. In Europe not only do they have apprenticeships in manufacturing, but they also have a culture that holds these advanced manufacturing positions in high esteem. Currently neither is the case here in the United States.

I have always felt a need to give back to the young people of our country. They are our future and deserve to be shown what is possible and what opportunities of which they can take advantage. Here is an opportunity to inform, educate and make them aware of the appropriate realities compared to the general public's perception of manufacturing careers in the US.

Our country is naïve as a culture as to how things are made. I am not sure how this came to be, but most of us go about our days taking for granted the iphone or blackberry we use, the computer we rely on, the vehicles that carry us to and from everything we do, the airplanes we fly in, the devices we defend ourselves with – ALL had to be manufactured. Our country has been THE leading manufacturing country in the world. We have ALL benefitted in many ways from this. Our quality of life as we know it has been a direct result of our country's historical prominence in manufacturing.

Much of the public & media are of the opinion that ALL manufacturing has gone overseas to China and India. While some of this notion is true, "Advanced Manufacturing" will & MUST stay in this country. Some of the repetitive rote mechanical low skilled tasks in fact have gone over to the Far East. The decision making, problem solving high skilled positions are still in this country and have over 600,000² positions that cannot be filled, at a time when unemployment hovers around 7.6%³. The Advanced Manufacturing capabilities must be a part of our culture in order for us to enjoy the quality

¹ Bloomberg Business week By Harold L. Sirkin November 12, 2012 & January 14, 2013

² 2011 Skills Gap Report produced by The Manufacturing Institute and Deloitte

³ Bureau of Labor Statistics May 2013



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of life as we know it in the US. Not only does our economic status depend on this, but so do our national defense & our position of strength in the world. Those who possess elite manufacturing capability, will also hold a prominent position in the world order of power.

Too many of our companies in the US compete on an unlevel playing field in their industries. This may be due to the policies of foreign countries, unfriendly manufacturing policies and regulations in our country, and now have the added challenge of not being able to fill positions that require high level problem solving, programming and process related skills. Our country is great and we have the innate ability to rise to excellence. The US manufacturers automate and innovate in order to compete with other countries in now what has long become a global market. We need to encourage manufacturers to invest in the US. We need to also encourage them to Re-shore their products here. (My friend Harry Moser leads this charge nationally). These efforts are all for naught, if as a country we cannot provide the needed personnel and future generation of design or manufacturing engineer, programmer for the robots, or technicians to repair and/or set up the machine tools. It all ties together into a very large dilemma manufacturing companies find themselves in every day.

This is where my vision and organization comes in. After being involved in technical education with several community colleges, high schools in the Midwest, and also serving on some technical education boards around the country I came up with a vision and organization – **CHAMPIONNow!** This organization's name is an acronym for the following: **Change How Advanced Manufacturing's Perceived In Our Nation**. The Now! is the call to action, so that things change for the better. You can see and read more about this at our website which is www.championnow.org. We have a film trailer that explains all about how & why we intend to change these perceptions and why this is so important and critical to our country and the manufacturing sector. This impacts all of us.

Since founding **CHAMPIONNow!** in 2009, I have been involved in many technical education programs in the Midwest and involved in special projects. Currently I am involved in a project that will highlight 3 successful young people's transition into a manufacturing career path and their



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inspirational stories. This fall a producer will be filming these stories so that we can bring their unlikely direction into a manufacturing career to serve as role models to others that may be totally unaware of these successful opportunities offered. Additionally this October 4th is the second annual National MFG Day where many companies will open their doors to allow everyone to see what today's manufacturing companies look like.

STEM – Science, Technology Engineering & Math is a desperately needed focus for our youth. Project Lead the Way gives high school students a way to connect the theoretical knowledge with a way to apply high level concepts. This was something very much missing in my engineering education “back in my day”. After AP Physics and Calculus in high school and 6 years of college, I became disenchanted with the way these concepts were taught and went into the working world. My family's devotion to the art of manufacturing brought me into what has now turned out to be a lifelong relationship.

CHAMPIONNow! is poised & ready to Champion manufacturing careers. We need to educate our country on how exciting, challenging, honorable and financially rewarding these careers can be! Everyone in our industry has “Beat a Dead Horse” by complaining about the void in finding people, and we need to quit complaining and join together and do something about it.

Too many young people go to college and don't find their way to getting the degree they (42%)⁴ are searching for in 4 years. About 53% of college graduates (under 25)⁵ are either unemployed or under employed, many take jobs normally filled by high school graduates. 17 million⁶ workers with college degrees are working jobs that do not require one. When considering supply vs. demand healthcare and legal professions (75-125%⁷ of demand) have saturated markets while precision production, mechanics and repair technology professions hover around 45-49%⁸ of demand.

⁴ U.S. Department of Education, National Center for Education Statistics. (2012). *The Condition of Education 2011* (NCES 2012-045), Indicator 45.

⁵ Susan Adams, Forbes Staff May 28, 2013

⁶ Susan Adams, Forbes Staff May 28, 2013

⁷ Data are drawn from all high school seniors who took the ACT and enrolled in a community college, fall 2010. Cited in ACT (2012).

⁸ Data are drawn from all high school seniors who took the ACT and enrolled in a community college, fall 2010. Cited in ACT (2012).



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College tuitions are higher than ever, and the ability for acceptance in many colleges is harder than ever to get in. Manufacturing needs the brightest and best. Good math and science students that are great with their hands are the perfect storm for these careers. They need to be seen as *Manufacturing CHAMPIONS!*

Some of the best candidates are our Veterans who just need the skills to be able to drop into a career such as these. They have the discipline & decision making skills, but need the particular technical skills that manufacturers need. Women employed in manufacturing careers are at exceeding low numbers (27.1%)⁹. We have a large percentage (47%)¹⁰ of the working population that we are not reaching. We need to change that. I am encouraged with my friends Jennifer McNelly at The Manufacturing Institute and Author Karin Lindner and their roles they can play in this.

I encourage everyone here to do what you can to lead the charge for our cause. We have so many needs in technical education, policies, image, perception and need to bring MADE IN THE USA back as a proud claim and priority when we buy products. This problem is very complex and we need everyone on both sides of the political agenda to agree on this and play a part in the solution.

Thank you again for your time and giving me the opportunity to speak to you today. I hope I have been able to bring to light some things that can make a difference in what I consider a vital topic in the US today.

Terry M. Iverson
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Founder CHAMPIONNow!
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⁹ US NEWS May 2013 -A Manufacturing Recovery. But Not for Women A new report shows that the vast majority of new manufacturing jobs have gone to men By DANIELLE KURTZLEBEN

¹⁰ US NEWS May 2013 -A Manufacturing Recovery. But Not for Women A new report shows that the vast majority of new manufacturing jobs have gone to men By DANIELLE KURTZLEBEN

**“Made In America: Highlighting the Success of Small
American Manufacturers”**

Testimony of:

**Bruce Broxterman
President and CEO
Richards Industries
Cincinnati, Ohio**

**Before the Committee on Small Business
United States House of Representatives**

June 19, 2013

The Honorable Sam Graves, Chairman

Good afternoon, Chairman Graves. Thank you for holding this important hearing today to highlight the value of manufacturing in the United States and thank you for the opportunity to talk briefly about the challenges and opportunities that lie ahead for US manufacturers.

My name is Bruce Broxterman and I am the President and CEO of Richards Industries, a privately-held manufacturer of industrial valves, located in Cincinnati, Ohio.

We have been in business since 1961 and our mission is to provide heavy duty valves to control flow, pressure and temperature for our customers in the process industries such as refining, chemical, petrochemical, pharmaceutical, food processing—just to name a few.

We have six different product families that are made up of highly engineered products that are specifically designed to meet unique, individual requirements.

Richards Industries has been fortunate to experience solid growth over the past six years. After a management buyout in 2007 we have seen unprecedented growth of our revenues and profits. Over those six years our sales grew nearly 45% with net earnings improving at nearly the same rate and employment growing by 12% to just under 150 employees.

The deep recession of 2008 followed by a slow and uncertain economic recovery has resulted in a challenging business environment that even now is proving to be difficult.

Richards has grown by staying focused on the niche markets and taking care of our key financial fundamentals.

Staying Focused: Richards Industries continues to thrive as a manufacturer here in the US because of our single-minded philosophy of providing products to meet the “special” requirements of our customers around the world. These products are highly engineered solutions to difficult customer process problems. Manufacturing run quantities are low and precision is high.

Agility & Flexibility: Being a small manufacturer can be challenging but it provides the opportunity for us to be agile and flexible as we work to provide our customers with the fast response and product delivery that they need to be effective and successful in their operations. We are often asked to build an engineered custom product and ship it in less than two days and our Lean process structure and flexible approach enables us to consistently do it.

International Reach: Our products are used in every corner of the world. Despite our size, you will find Richards Industries products on drilling platforms off the coast of Brazil, in pharmaceutical plants in the heart of Europe, on gas pipelines in Central China, and in chemical plants in Kazakhstan.

In 2007, International sales represented just 19% of Richards Industries revenues. In 2012, international sales were 45% of the shipment total.

Richards Industries were among the winners of the Governor’s Export Award in 2010.

Financially Sound: Along with increased revenues, Richards Industries has been able to achieve healthy levels of net income and cash flow, thus enabling the company to repay the debt taken on at the time of the acquisition while simultaneously reinvesting significant amounts of capital in the company. This reinvested capital has been used to generate further company growth and job creation.

Talented Workforce/Special Culture: At the heart of our success are the employees at Richards Industries. Our team is talented, experienced and creative but, most importantly, they are committed to excellence and performance bringing a “Consider It Done” attitude to work every day. Additionally, the family culture that runs through our company helps set up our team for success and has resulted in Richards Industries being chosen as the “Best Place to Work” five out of the last six years by a local Cincinnati business publication.

There are immediate and future challenges that threaten our ability to maintain our pattern of success as a manufacturer in the US. First among them is the structural cost of US manufacturing imposed by government tax policy, regulatory policies, and legislative initiatives. Richards Industries is structured as an S-Corporation and, therefore, the taxable income generated by the enterprise flows directly through to the personal tax returns of the owners of the company. High individual federal tax rates imposed on the owners siphon off precious capital that, but for the higher taxes, would be reinvested back into the company to purchase capital assets, grow the company, and create new jobs. High federal corporate tax rates have the same effect on entities structured as traditional C-Corporations.

The Manufacturing Institute estimates that these structural costs add a full 20% to manufacturer’s costs of doing business relative to our major trading partners.

US health care costs have increased 80% in the last decade and we believe that much of this cost increase is attributable to government involvement in the insurance marketplace via coverage mandates. We believe that the expansion of government involvement in health care brought on by the implementation of the Affordable Care Act will put further upward pressure on health care costs. Indeed, just last week the Ohio Department of Insurance announced that preliminary indications point to individual health insurance premiums increasing 88% in 2014 relative to 2013 rates. We anticipate similar premium increases for the plans we offer to our employees. Cost increases of this magnitude will in part be passed on to our employees and in part borne by Richards Industries, again diverting capital that would otherwise be deployed to grow the company and increase jobs.

Of equal concern is the shrinking supply of qualified workers. The manufacturing workforce is moving toward retirement at a faster rate than the rest of the economy and we cannot find qualified workers to fill positions as machinists, operators, and skilled assemblers. The US education system is not equipping American students with the right skills and in the right disciplines to support

the manufacturing economy. This lack of qualified workers will impact US manufacturer's ability to compete in the global market while manufacturing products in the US.

I encourage this committee to continue to explore these growing challenges and to act to alleviate these accelerating headwinds.

I am very proud of the small part that Richards Industries plays in the nearly \$2 trillion US manufacturing sector and I am excited about the opportunities that lie ahead.

Thank you for your support as we move forward through these challenging times and thank you for the opportunity to provide testimony today.

I look forward to your questions.

Written Testimony
of
Mike Mittler
President & Co-Founder, Mittler Brothers Machine Tool
Before the
U.S. House of Representatives Committee on Small Business
Wednesday, June 19, 2013

My name is Mike Mittler, President and Co-Founder with my brother Paul of Mittler Brothers Machine and Tools, a manufacturing company located in Wright City, Missouri. We are the classic example of a small business. We founded our company around the kitchen table at my mom and dad's house Super Bowl Sunday of 1980. The following Monday, we rented a 2,500 square foot building for \$00 and a hand shake with the owner. How little did we know.

Paul and I worked many long days and nights as the only employees of the company to build our reputation of quality work and great customer service. We honed our basic customer service skills with the first Mittler Brothers—cutting grass, raking lots of leaves, painting houses and many other odd jobs while in high school. With me the oldest of eight children and Paul the youngest, if we wanted to have any fun money, we had to earn it.

Mom and dad were great role models and while providing the initial startup money, they quickly said you boys are on your own and you have to make it. Always glad to offer advice, they did not meddle in the business and knew we had to make our own mistakes so we would really learn the hard way.

In 1984, we moved to our second location in a 7,500 square foot building we helped build with a lot of sweat equity. We added both customers and employees slow but sure over the years and moved to our current location the 50,000 square foot building in Wright City in 2004. I am a member of the National Tooling and Machining Association and there are thousands of companies like ours manufacturing in America, but together it is these small businesses who employ the majority of Americans.

Our most important asset is our people and we are proud to have 10 with over twenty years of service with us. Two of whom started right out of high school and who are now grandfathers! We currently have 60 employees and last year we paid out over \$2.5 million in payroll to our people. I am very proud to currently have five military veterans as part of our team and feel these are the real heroes of this country. We have always given young people a chance to work for us and currently have several moving up thru

the ranks including one still in high school working part time for us.

Our people are all highly skilled and we employ: welders, machinists, tool makers, engineers, painters and assembly technicians. Our people are guided by just three basic rules; SAFETY, QUALITY, PRODUCTIVITY. We provide a quality benefit package including health care, more on this later, a 401K gain sharing program that last year paid over \$200,000 to our employees and a flex work schedule to allow our people to deal with their family and job.

We utilize the latest technology in our manufacturing process including 3D solid model design software and computer controlled machines.

Our company has two main areas of focus, one is our own product line of special machines and components for the racing, hot rodding, restoration, aircraft and bike building industry. And the other is design and building of special equipment for industrial automation.

Our standard products serve both the professional racer, fabricator, and the do it yourself who has our products in is home workshop. We are proud to be able to sell our products globally with customers in much of Europe, Russia, Japan, Australia, New Zealand, Canada, and Mexico. Our products have been featured in the hit TV series American Chopper and several other "how to" shows. Numerous trade publications and many online videos have also featured our products. We maintain a dynamic web site, publish a 90-page catalog and exhibit in several trade shows to promote and sell our product.

In our design build area, we manufacture custom machine and systems for large industrial companies helping compete in the global economy. Our customers include companies in the medical, building products, energy, heavy truck general industrial area.

While we have been successful over the years, many things I currently see really bother me and give cause for great concern. I often wonder would I do it all again? In today's climate, could my brother and I succeed and create these jobs in Missouri? Unfortunately, I think the answer is no.

There is too much uncertainty out there right now and the costs of manufacturing in America are rising, making us less globally competitive. Uncertainty over the health care law, instability in the tax code, ineffective and costly regulations are the biggest problems I face. It seems most of our obstacles come from Washington. Small businesses don't need a helping hand, they need a sensible partner in government which allows entrepreneurs to build a business and create jobs.

In closing, I am proud and thankful to live in the greatest country in the world and proud to have the opportunity to contribute in a very small way to that greatness. May God continue to bless America!



SHAPEWAYS, INC. | 419 PARK AVENUE SOUTH, SUITE 900 | NEW YORK, NY 10016

**TESTIMONY OF JIM ALLEN, DIRECTOR-ECONOMIC PROGRAMS, SHAPEWAYS, INC. BEFORE THE
COMMITTEE ON SMALL BUSINESS, UNITED STATES HOUSE OF REPRESENTATIVES
JUNE 19, 2013**

Good afternoon Chairman Graves, Ranking Member Velázquez and members of the Committee. Thank you Congresswoman Meng for your kind invitation to speak before this committee today.

My name is Jim Allen and I am the Director of Economic Programs for Shapeways, Inc., the world's leading 3D printing marketplace and community. We harness 3D printing by providing access to industrial and commercial grade 3D printers in our "Factories of the Future" to anyone via our website. This enables anyone to make and share designs with the world; we make product design more accessible, personal, and inspiring. I have worked closely for the past two years with the company's management team to maintain good relationships with local, state and federal government agencies and the economic development community. I have also been involved in creating the Shapeways "Factory of the Future" in Long Island City, NY; leveraging my experience in manufacturing and economic development.

The Shapeways story reads like a new-age American dream. Shapeways was founded in 2007 by Peter Weijmarshausen and Marleen Vogelaar within the Lifestyle Incubator of Royal Philips Electronics in Eindhoven, the Netherlands. At the time, 3D printing was still very expensive and virtually unknown. It was the domain of large corporations, prototyping service bureaus and architects for rapid prototyping and building renderings, but not for creating real products for people. Consumers were using 3D software but thought it was impossible to hold their designs in their hands. The founders pushed and said "Let's assume it is possible."

By 2008, the company launched the Shapeways.com website and started 3D printing - achieving the impossible. In 2010, the company spun out of Philips and the Dutch founders packed their bags and families and moved to New York. They moved their operations to America for the same reasons many firms do: direct access to the world's largest consumer market and access to capital. But the founders also realized that with New York City as the epicenter of creativity and design, they could tap into this well-educated and creative American workforce. Since late 2010, Shapeways has created over 70 well-paying jobs in the United States in the fields of manufacturing, software and web design, marketing, product design, finance and customer service. And we still continue to grow. When at full capacity, the Long Island City "Factory of the Future" will employ 50 people, leading to additional hires at the corporate office to support this growth.

I want to highlight Shapeways' growth from the perspective of the community and marketplace. We have a diverse, global community comprised of designers, shoppers, and creators of all kinds turning their ideas into reality on a daily basis. Many of those with 3D

modeling experience are industrial designers, programmers, architects, animators, jewelers, or traditional artists. We also have thousands of members with no 3D modeling experience who want to be more involved in creating the objects that populate their lives, whether it's a custom gift or a tool for their hobby. This community has doubled to over 300,000 people since 2011.

At the same time, the Shapeways website hosts the creations of over 10,000 "shop owners" whose designs are purchased by our community members. These shop owners are able set pricing and profit from their designs while Shapeways manages the transactions end-to-end for a small percentage fee. The 8,000-plus shop owners in 2012 received over \$500,000 in payments. We have anecdotal evidence that there are shop owners who are making their entire living off of objects printed by Shapeways.

The founders and management team have also been fortunate in raising capital. Starting with an initial round of \$6.0 million in 2010, Shapeways has raised an additional \$41.3 million, including the most recent round of \$30 million, led by venture capital firm Andreessen-Horowitz and supported by Union Square Ventures, Index Ventures and Lux Capital. This is a testament not only to the Shapeways concept and business model, but also is indicative of the game-changing potential of 3D printing. Going forward, the company continues to roll out new material options, invest in the latest 3D printing technologies and is well on its way to 100% local production, with nearly 90% of products sold in the US are made in the US.

This is just the tip of the iceberg not only for 3D printing but US manufacturing in general. In a talk I gave at the Leadership Summit of the International Economic Development Council last January, I noted that there has been a significant uptick in venture capital-backed manufacturing and hardware companies. It's not just the latest social media fads or sites getting funded these days. This, coupled with improvements proposed in the JOBS Act to ease restrictions on crowdfunding, may help spark a renaissance in US manufacturing.

One of the challenges Shapeways faces is continuing to attract the best and brightest talent. In order for us to run and expand these Factories of the Future, we need to have people with STEM educational backgrounds interested in manufacturing as a career choice. In my 20-plus years of manufacturing experience and heading a manufacturing outreach program at an economic development organization outside of Chicago, I have noticed a perception problem that manufacturing is neither a desirable industry nor career. I believe this starts at an early age for children both at home and school. Programs that encourage STEM education and encourage exploration and exposure to the career possibilities need to continue.

Before I finish, I would like to acknowledge the warm welcome and assistance Shapeways has received in Queens, Manhattan and the state of New York. From Governor Coumo and Mayor Bloomberg, to Congresswomen Carolyn Maloney and Grace Meng we have been welcomed with open arms. Queens may not be known for its manufacturing industry, but in the past few years Shapeways has realized how great a community this can be for business with the right investments and strategy. We hope that Shapeways can be both a hub and catalyst for a resurgence of manufacturing activity in the area.

Thank you again for this opportunity to speak.

2 SHAPEWAYS, INC

**Statement for the House Committee on Small Business
Committee Hearing**

Mr. Chairman, Rep. Sam Graves, and Rep. Nydia Velázquez, Ranking Member, and Members of the House Committee on Small Business.

On behalf of the Institute for Entrepreneurial Leadership, the Workshop In Business Opportunities and the thousands of people who pursue entrepreneurship and small business ownership as their path to the American dream, I thank you for the opportunity to address this Committee today.

I am here to share our view of the challenges that exist for the women, minority and low income entrepreneurs that we serve and to offer potential solutions to help them contribute to economic recovery and stability that never seems to make it to America's most distressed neighborhoods.

Our entrepreneurs are mostly people who see starting a business as an avenue to a better life. They have an idea, a vision and a lot of passion. The resilience of small business owners and aspiring entrepreneurs never ceases to amaze me, particularly those whom we support. On a daily basis, they continue to push forward and succeed against considerable odds.

IFEL is focused not on the entrepreneurs who start businesses with loans from their parents or SBA, corporate buyout packages or by raising money on Wall Street. Our focus is not on the high tech, high growth businesses that grab the attention of wealthy angel investors. Our clients are regular people who aspire to live a better life, people for whom the American Dream is a concept worthy of pursuit.

For over ten years from our base in Newark, NJ, the Institute for Entrepreneurial Leadership has provided one-on-one mentoring to women, minority and inner city businesses with revenues less than \$250,000. While these types of enterprises are often demeaned as "mom and pop" businesses not worthy of government or private sector investment, we celebrate these entrepreneurs as the agents of change in communities where change is most needed. If we can help these businesses grow, we can make a difference for the people they employ, the customers that they serve and the communities in which they exist.

In 2011, we joined forces with Workshop In Business Opportunities (WIBO), an amazing organization that has trained over 15,000 entrepreneurs over 47 years in the areas of New York City where the angel investment dollars do not flow—communities like Harlem, South Bronx, Washington Heights, and Bedford Stuyvesant. Since joining forces, we have created an end-to-end training, mentoring and a support continuum for the entrepreneurs that are all too often left out of the mainstream small business ecosystem. Last year we served close to 1800 existing and aspiring entrepreneurs through our trainings, one-on-one business mentoring, clinics,

webinars and other resources. I come before you today to speak on their behalf. Our clients are 73% women, 70% with household income below \$60K (36% below \$20K), and 74% black and Hispanic. The challenges that our clients face in starting and growing businesses revolve around two primary issues: the Capital Gap and the Talent Gap. I would like to take a few minutes to discuss each and then propose some solutions for consideration.

The Capital Gap

A study released by The Urban Institute in April 2013, details the increasing gap in the wealth between white Americans and nonwhite Americans. The study discussed that with the 2-to-1 earnings differential has remained relatively constant for the last 30 years, the gap in wealth has increased substantially from pre- to post-recession. The study, summarizing Federal Reserve data, indicates that before the recession, non-Hispanic white families, on average, were about four times as wealthy as nonwhite families and by 2010, were about six times as wealthy. In dollars and cents, this translates to the average white family having about \$632,000 in wealth, versus \$110,000 for Hispanic families and \$98,000 for black families.

The Minority Business Challenge, a report published by the Milken Institute and the Minority Business Development Agency in 2000, revealed that capital gaps exist at very level for financing the capital structure of minority businesses: equity, mezzanine and senior debt. It went on to say that the fact that minority-owned businesses tend to be more prevalent in industries with lower entry costs may—at least in part—reflect more binding liquidity constraints and generally less access to startup capital among prospective minority business owners.¹

While capital access is often viewed as best addressed through the private sector, private sector solutions are generally not interested in low return, non-scalable ventures. Initiatives like the highly touted Startup America Partnership and the resources available in Silicon Valley and Silicon Alley and other high tech regions do a great job at supporting the development of the entrepreneurial ecosystem for high tech, high growth businesses—there is not, however, a place at the table for those businesses that do not fit this mold. And while the SBA does what it can through the limited resources that it has, the truth is that the SBA as its capital resources as currently structured cannot replace the type of business startup and growth capital offered through personal wealth and “friends and family” investment. Black businesses are particularly affected due to the lack of intergenerational wealth transfer that has occurred historically due to the fact that blacks in America were for so long denied the opportunity to own and build. In a community of “have nots”, financial support from friends and family is not an option. To date, there have been few options to address lack of access to capital, which is inextricably linked to lack of collateral which can be linked to the lack of familial wealth and poor personal credit which often stems from trying to start or run a busi-

¹*Minorities in Business, 2001*, Published by the SBA Office of Advocacy, p. 22

ness without capital—a vicious cycle. We need to find solutions to the access to capital problem created by the wealth gap.

The Talent Gap

In addition to capital constraints, many entrepreneurs rank lack of business training as high among the challenges they face. Increasingly, financial institutions see training and mentoring as a risk mitigator, increasing a business's likelihood of success and repayment.² While most small business and entrepreneurial experts agree that money can't fix a business without a fundamentally sound business model, it is a simple truth that money can buy expertise and can enable a small business to stay afloat long enough to figure things out and adjust. Access to capital makes the pivot to profitability possible. Access to capital enables entrepreneurs to bolster their own skill sets, hire experts and build a capable employee base. Undercapitalized businesses have no room for error and little capacity for weathering a storm.

Again, this is where we see a divergence in what exists for high tech, high growth businesses and for the community based businesses that we serve. In New Jersey and across the nation, there is a strong effort to support incubators and accelerators for tech companies that have the potential to attract significant private sector investment dollars as well as government and institutional research grants. The NJIT Enterprise Development Center, which has collaborated with us since our inception, supports high tech companies and the Entrepreneur Center in Nashville, which I visited through a Startup America conference, which accelerates the development of high growth companies, are two such examples that do a great job at their intended purpose. The NJITEDC has university support and the Entrepreneur Center has the support of the entire Nashville entrepreneurial and business communities. There are many, many examples of similar facilities and resources across the country and around the world for high tech, high growth businesses—and this is a good thing. Most of the value proposition of these incubators and accelerators is in having access to the talent and expertise that they could not otherwise afford during the early years in the development of the business. These incubators and accelerators stimulate innovation, provide support and connect capital to projects that can change the world. What we are missing is the same level of resource for entrepreneurs who can change communities.

By helping community based entrepreneurs and small business owners gain access to talent, we can help them navigate their way to success. Their success can provide economic stimulus at a local level and sets the stage for healthy functioning communities with strong families, motivated youth, safe streets, arts and culture, and more. If we are able to help more community based entrepreneurs realize their potential, we can create jobs for those who are often difficult to employ and ultimately expensive to house, feed and clothe through other government channels. We need to find solu-

² *Creating Capital, Jobs and Wealth in Emerging Domestic Markets*, p. 64

tions to the talent gap that exists for community based entrepreneurs.

Solutions

So what are the solutions to these challenges that have plagued the micro-enterprise landscape for years? While there are no magic bullets, a renewed commitment to community based entrepreneurs and small business owners as the engine of revitalization in our most distressed regions can lead us to solutions that require relatively limited financial stimulus from the federal government. Here are a few solutions that we propose:

Access to Capital:

1. Provide incentives for private debt investment in micro-businesses. These businesses are not great candidates for equity investment for many reasons. A loan of \$20–100K is often what they need and could be provided by friends and family, except this target population doesn't have friends and family with these resources. For loans with principal payments deferred 3+ years, interest paid could be tax free or at a reduced tax rate.
2. Encourage the SBA to work with its micro-lending partners to relax the credit and collateral requirement for loans up to \$10K.
3. Include incentives for investors in businesses in distressed communities in the crowdfunding legislation being considered.

Eco-system:

1. Motivate banks to support entrepreneurial training and ongoing support (with evidence of results) through stronger CRA requirements; give additional credit for banks that demonstrate results in historically redlined communities
2. Include small business development as a component of Community Block Grant funding
3. Require that federally funded projects not just have minority subcontractor targets, but also include targets for ancillary services like catering, photography, and printing. This could provide a boost to local businesses in the area around federally funding projects.
4. Require SBA funded programs like SBDC, SCORE, WBC to demonstrate evidence of partnership with community based organizations.

“Government must be a key partner in creating a favorable environment for business to flourish in integrating these communities into a regional, national, and global economy. The nonprofit sector also must continue to be a partner.

Community-based organizations and other nonprofit entities have a critical role to play in linking investment with community resources so that partnerships can create a fertile environment for community capitalism. They are a critical component to the success of economic growth in distressed areas by identifying market op-

portunities, leveraging public and philanthropic dollars, creating healthy communities, and facilitating business investment.

Community capitalism's goal must be to create healthy economies that produce jobs, income, and wealth for community residents at rates that are at or near national norms. This will provide the economic foundation on which business, government, nonprofit organizations, and individual residents can join together to build decent homes, good schools, cultural and recreational opportunities—all the ingredients of livable, sustainable communities.”³

After our years of work with thousands of aspiring and existing entrepreneurs, I have come to believe with all my heart that solutions are possible if we believe that entrepreneurship is truly the way to the American Dream. It is not enough to just focus on those who have been blessed with the benefits and privilege of history, we must also empower those individuals who have not, but aspire for more and whose spirits are still open to dreaming. On behalf of the thousands of people who pursue entrepreneurship and small business ownership as their path to the American dream, I ask that you commit yourself to inclusion of the community entrepreneurs whose success creates a better way of life for us all.

Respectfully Submitted,

Jill Johnson
Chief Executive Officer
Institute for Entrepreneurial Leadership/Workshop In Business
Opportunities
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www.ifelnj.org / www.wibo.org

³Excerpts from *Community Capitalism: Rediscovering the Markets of America's Urban Neighborhoods*, The Ninety-first American Assembly, April 1997, The American Assembly, Columbia University.



Statement of Anthony Wanger, President IO Data Centers, LLC
House Subcommittee on Small Business
Hearing Date June 19, 2013

About Anthony Wanger: Anthony Wanger is President and Founder of IO. In this capacity, Mr. Wanger directs the Company's expansion and acquisition activities, conducts key transactions and manages the Company's Legal, HR, Security, and Risk Management functions. Mr. Wanger has led IO's expansion and development across the world. Prior to his involvement with IO, Mr. Wanger co-founded and managed Sterling Network Services, LLC ("SNS"), a leading enterprise data center services provider. Earlier in his career, Mr. Wanger was a private equity investor and served as Senior Vice President at Sterling Partners where he directed a variety of investments and transactions for the firm. Mr. Wanger graduated with a Bachelor of Arts degree in Political Science from Emory University and a Juris Doctor degree from the Boston University School of Law.

Anthony Wanger's Personal Story: Mr. Wanger was born and raised in the Chicago area. He comes from several generations of American small business entrepreneurs. On his father's side, his father and grandfather ran a retail apparel business. Mr. Wanger's mother created and ran a successful personnel recruiting firm. Mr. Wanger's father-in-law spent his life as a manufacturer. Mr. Wanger operated a tropical fish business before he was twelve and ran an "odd jobs" business on weekends during high school. After college, Mr. Wanger went to law school but after a couple of years of corporate legal practice, he determined that he wanted to build businesses and left the practice of law for the world of private company finance and creation.

Prior to IO: In 2002, Mr. Wanger secured an opportunity to fix a broken business. Mr. Wanger, his wife and two year old daughter moved to Arizona to execute a "workout" plan he had written for a real estate development with financial challenges. Mr. Wanger wrote a business plan to convert the building into the operating asset of an enterprise data center services business. Mr. Wanger identified two great partners – George and Bill Slessman – with whom he formed and ran the SNS business. The SNS business scaled rapidly, employed almost two dozen people and created substantial value for its investors. In mid-2006, the SNS business was sold to a public company for \$178 MM, representing a successful exit for the original owners; this afforded Mr. Wanger and his partners the working capital to start IO.

Founding IO: After the sale of SNS, Messrs. Wanger, Slessman and Slessman decided to launch a new entrant in the data center industry – but were committed to doing things differently. Having identified a lack of innovation in the industry, the team determined to use technology, mass production and software to improve the data center solutions available to enterprise customers. To get started, the team bought a folding table from Costco, three laptop computers (on sale) and some used office chairs. In six years, they created an industry leader with hundreds of employees, manufacturing and service operations throughout the USA, and expansion activities in Singapore and London. A thought leader and a technology innovator, IO has received numerous industry awards and had 3 patents issued in the USA -- with 22 additional patent applications filed or pending.

About IO Technology: IO is a global leader in software-defined data centers and pioneered the next generation of data center infrastructure technology. IO's technology is used by small and large



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businesses to deploy, provision and optimize public and private “cloud” capacity. Such capacity is the lifeblood of the digital economy and is used to provide key services to industries including financial services, education, entertainment, healthcare, retailing and more. Additional information on IO can be found at www.io.com.

Made in the USA: IO is proud to say that our products and technology are “Made in the USA”. We manufacture our data center modules exclusively in Chandler, AZ and we utilize a domestic workforce to write the software that operates our great products. IO views its manufacturing operation as a key strategic asset. The Company has been recognized by several industry associations as a leader in the data center industry and is one of the fastest growing technology companies in its market. IO believes that its great workforce and culture of relentless innovation and service are keys to its success.

What We Do: IO developed an integrated hardware and software data center technology platform, which we refer to as IO Intelligent Control. This platform offers enterprises, governments and service providers an innovative way to deploy, provision and optimize data center capacity anywhere in the world. Data center capacity is used to create public and private “clouds”. Our technology lowers the total cost of data center ownership compared to traditional data centers and enables data center capacity to be dynamically deployed and managed based on the needs of the equipment and applications used in the data center.

The Problems We Solve: The traditional approach to building and operating a data center is expensive and inflexible. Without utilizing IO’s modular and pre-fabricated approach, the planning, building and deployment of traditional data centers is engaged as a real-estate construction project. That approach requires large upfront capital requirements, extended delivery times, cost overrun risks, limited scalability and operating inefficiencies. Further, the lack of software integration and control limits the ability of data center operators and users to monitor, analyze and optimize the data center and the IT equipment and applications that it contains. This traditional approach is not aligned with the rapidly evolving attributes of, and innovation in, modern IT.

To solve these challenges, IO developed a next generation data center infrastructure technology platform. The key elements of our IO Intelligent Control platform, which we offer to our customers as a product or as a service, are:

- **IO.Anywhere:** A family of standardized, manufactured, factory-tested, UL-listed data center infrastructure modules, available in standard increments of power, cooling and IT capacity, that can be deployed on a just-in-time basis globally.
- **IO.OS:** The first complete data center operating system that manages both IO.Anywhere and legacy data center infrastructure and provides integrated visibility across data center infrastructure, IT equipment, applications and users of the data center, providing real-time control, optimization and automation of the data center.



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The IO Intelligent Control platform can be purchased as a product or as a service, and can be deployed at a customer's primary data center, at a remote location, or at a data center hosting site owned by IO or one of our partners.

Our Services: In addition to manufacturing and selling our platform to customers, we often host and run that data center infrastructure on their behalf. Our services offering, which we refer to as DCaaS, allows customers to deploy their IT equipment in one of our data center locations in Phoenix, Scottsdale, Ohio or New Jersey. Customers can deploy IT in a single cabinet in a shared module or deploy it in one or more dedicated modules. Since 2011, we have delivered this service leveraging our Intelligent Control platform, which enables our customers to deploy and provision capacity based on their needs and pursuant to long-term agreements.

Our Workforce: IO employs a workforce of approximately 385 people. We operate a 160,000 square foot factory in Chandler, AZ. In addition we run 4 IO Data Centers (2 in AZ and 1 each in NJ and OH). Our headquarters are located in Phoenix, AZ. In addition, we generate significant employment via our IO Ecosystem of strategic partners. Our existing operations, distributed sales force and ongoing expansion activities give IO a front row view of the interplay between small business and global markets, and the associated impact on local communities across the USA.

The IO Factory: The IO Factory in Chandler, Arizona employs over 100 highly skilled workers, with more hires this year than any other IO department (31 YTD). Key roles at the Factory include Quality Assurance, electric technicians, assembly technicians, controls technicians, buyers and manufacturing and platform engineers. In addition, a variety of other IO headquarters employees support the IO Factory, including engineers, software developers, product specialists, integrators and others.

We chose to locate our manufacturing capabilities in the USA for two reasons:

1. Highest quality production and stringent quality control are essential to our business model. We believe we build the best data centers in the world for the most demanding customers. The IO.Anywhere data center module was the first module ever to receive the validation of UL-listing. Because every data center deployed by IO and our customers is made in the USA, we have confidence that our technology is ready for the demanding and "always on" requirements of our customers.
2. IO wants to be part of the solution. Our people are our lifeblood, and we are hiring at the rate of 1 employee per workday. Without the best talent, no one in this room will win the day. We want people who are skilled in math and science and who want to change an industry. We work with outstanding American university partners including Michigan, ASU and MIT on our hardware and manufacturing processes, and have plans to expand our innovation and research activities.



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The United States is the global leader in technology and IO is pleased to join a great legacy of American innovation and achievement as we help our customers build out the global internet. IO technology is used every day to improve the security, performance and affordability of enterprise data centers.



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Supporting Data Regarding IO

- Number of Employees: As of June 10, 2013, IO had 366 US employees (385 global).
- Number of Customers: As of March 31, 2013, IO had over 600 customers.
- 2007-2013 Headcount Snapshot (see attached chart):

IO Employee Count at 1/1/07	4
IO Employee Count at 1/1/08	16
IO Employee Count at 1/1/09	26
IO Employee Count at 1/1/10	49
IO Employee Count at 1/1/11	76
IO Employee Count at 1/1/12	181
IO Employee Count at 1/1/13	266
IO Employee Count at 6/10/13	385

- List of states with IO Full Time Employees:
 - Arizona
 - California
 - Connecticut
 - Colorado
 - Ohio
 - New Jersey
 - Texas
 - Illinois
 - Georgia
 - Nevada
 - South Carolina
 - Wisconsin
 - Virginia
 - Washington



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- Dollars raised in Equity and Debt since inception of business:
 - **May 2013:** \$260 MM in multi-year credit facility
 - **Oct 2012:** \$90 MM in equity
 - **Summer 2012:** \$85 MM in growth capital
 - **April 2011:** \$105 MM in growth capital
 - **October 2010:** \$150 MM senior long term credit facility; and
\$70 MM secured facility
 - **December 2008:** \$56 MM growth equity investment
 - **October 2006:** Founders Investment (undisclosed)

- Growth trajectory:
 - **2007:** Commenced operations in Scottsdale, AZ
 - **2009:** Opened a second data center in Phoenix, AZ
 - **2011:** Opened Edison, NJ data center
 - **2011:** Began selling our IO.Anywhere hardware and IO.OS software.
 - **2012:** Opened Springboro, OH data center
 - **Q3 2012:** Executed a major 10-year contract for our technology platform
 - **Q3 2012:** Announced our global expansion roadmap

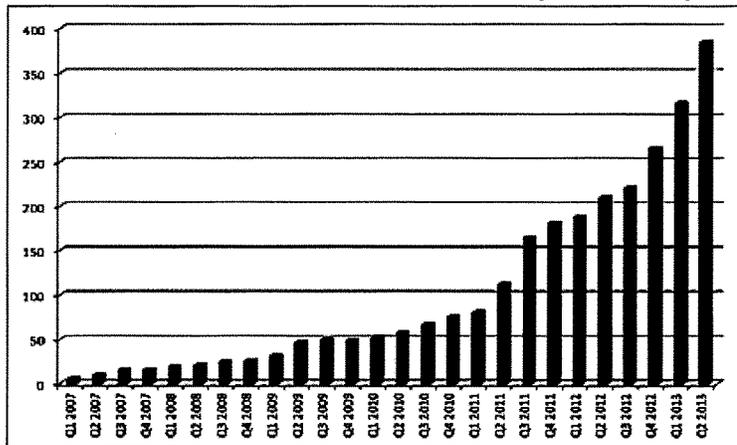


Statement of Anthony Wanger, President IO Data Centers, LLC
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Exhibit A – Headcount Growth



IO Headcount Growth ('07-'13)



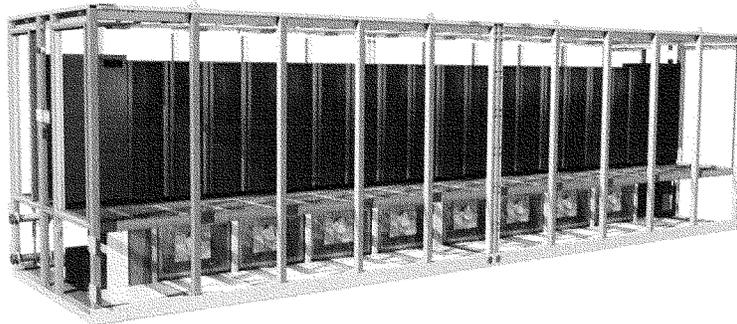


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Exhibit B - IO Factory Image



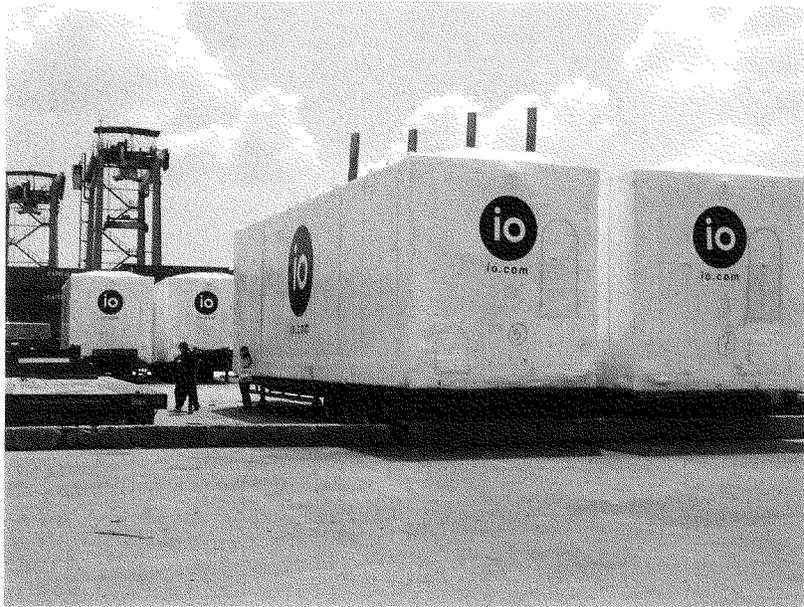
Exhibit C - Cut Away Image of an IO.Anywhere Module





Statement of Anthony Wanger, President IO Data Centers, LLC
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Exhibit D - IO Modules Landed in Singapore



Made in the USA: Stories of American Manufacturers

Testimony of:

Barbara J. Schindler

President and COO

Golden Artist Colors, Inc.

New Berlin, NY

Before the Committee on Small Business

United States House of Representatives

June 19, 2013

Good afternoon Chairman Graves, Ranking Member Velázquez and members of the Committee. Thank you to Congressman Hanna for inviting me to be here today.

My name is Barbara Schindler, President and COO of Golden Artist Colors, Inc. Thank you for the opportunity to provide testimony on manufacturing in America. GOLDEN manufactures acrylic and oil paints for professional artists. As a global company, we export our products to 60 countries around the world. Currently, our international sales make up 25% of our business.

Our mission is to grow a sustainable company dedicated to creating and sharing the most imaginative and innovative tools of color, line and texture for inspiring those who turn their vision into reality.

To achieve that mission, we operate on three principles: 1) make the best products, 2) provide customers with the best service and 3) find people who can make the first two happen. Our products are intended to preserve the artistic legacy of our times for hundreds of years. This is a unique responsibility and privilege we take very seriously. In 2002, GOLDEN became an employee owned company. We have 157 owners coming to work each day, know that their contribution will have a direct impact on their investment and retirement!

What makes GOLDEN a successful manufacturer in America?

The Arts Materials Industry is one which grows a meager 2% per year. Despite that reality, GOLDEN has grown its business 21% since 2009. Many of our competitors have moved a portion of their manufacturing to emerging markets, predominantly China. We choose to remain here, as we recognize we can protect our product quality and intellectual property in the United States. Our continuous efforts to drive manufacturing efficiencies improve our ability to remain competitive; however our commitment to new product development and consumer relationships is essential for continued growth. Many product concepts come from artists/consumers who use our brand. Our five-member technical support team responds to 13,000 phone calls and emails annually. We also contract with over 40 teachers in North America who provide art education for over 15,000 people per year.

GOLDEN believes in giving back to our local community and the global arts community as well. Each year the company has contributed 10% of its net profit to the many non-profit organizations that make a difference in our world. Business is an ecology of interconnected resources, human and environmental. Each business needs to find its own way in nourishing these resources to remain sustainable.

What obstacles do we face on a federal level?

Most of the issues we face are local and industry related, yet there are three significant issues where the Federal Government

can provide leadership and assistance. They are health care, education and specific to our industry, harmonized labeling standards.

We remain optimistic that the Affordable Care Act will meet its goal of creating affordable health insurance to all Americans. As we prepare for this future, however, it is our approach to ready our employees and our business for every aspect of health care, and not simply the ACA impact alone.

At GOLDEN we have been managing affordability via fierce staff education and wellness. Yet, a consumer mind set can only go so far in an opaque market such as health care. As health care services remain rationed, especially in rural areas of our State, and with medical inflation outpacing the cost of living in multiples, we need your continued efforts to address the entire health care system. Americans must embrace wellness and health care providers must place the patient in the center of all they do so we may once again enjoy the highest quality health care in the world and not simply the highest costs.

Secondly, an educated and creative workforce is critical to sustain success in any business. Unfortunately, due to federal mandates and budget shortfalls, art teachers are being lost in almost every district. We are troubled by the lack of arts education in our schools and believe this is a serious situation that will in the long run, shrink one of the most significant drivers of American ingenuity and leadership.

Finally, we need a truly harmonized regulatory framework for health and safety labeling of art materials. Applying State of California mandated health warnings to our products, warnings that are deemed appropriate by no other jurisdiction in the world, causes confusion and lost sales not only in other States of the U.S., but in our foreign markets as well. Adoption of the United Nations' Globally Harmonized System of Classification and Labeling of Chemicals, as the preemptive standard for consumer products, would eliminate these burdensome domestic and international inconsistencies.

What does the future look like for GOLDEN?

GOLDEN's future is positive and sustainable. With the help of NYS and Chenango County, GOLDEN just began a capital project to prepare us for future growth.

We will be successful if we are able to maintain and hire an educated and enthusiastic staff. Employee ownership has been a point of difference between us and other employers. At the 2011 *Inc* Magazine Awards for the 50 Top Small Companies to work for, at which GOLDEN was one of the recipients, 12 of the 50 companies recognized were ESOP companies. Federal support for ESOPs is invaluable for creating workplaces which honor and celebrate its staff. ESOPs are not a cure-all for business success, yet it provides another level of security for employees trying to navigate their future. When employees are treated like owners, they tend to act like owners.

Thank you again for the privilege to address this committee.



FOOD STORES, INC.

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June 16, 2013

My name is Shelly Little-Gibbons, my family owns Quik Mart Stores, Inc. in Tucson, Arizona. My Father, Wes Little, started Quik Mart in 1965, when he opened three (3) stores. My mother and father chose the colors (fire engine red and sunshine yellow), our logo, and the name Quik Mart. After these three stores opened, mom and dad would scrap and save until they had enough money to buy another corner or build another store. They did not borrow from the bank to expand the business.

Growing up, there are a few memories I remember clearly. One is Dad working extremely hard to keep the business running, but also being home every night for family dinner. Another is how we would take "Sunday drives". Mom and Dad would pack us three kids in the car and we would drive around the streets of Tucson. As I got older, I realized our family drives were to look at different street corners where dad was contemplating building another store. Another family tradition was after a new store opened, in the evenings, we would all drive out to the new location to "visit" and check out how it looked at night.

Quik Mart slowly grew from the three (3) stores in 1965 to the twenty-seven (27) stores we have today all in Pima County. The 27 stores we have today are not all the original stores. We have opened and closed and renamed many a store. Since all stores are family owned and not franchised, if one is not doing well and hurting the company's bottom line, we will close it. Sometimes the city/county help with that by changing traffic flow, so it is not convenient to get to us anymore or sometimes it just turns out not to be a great corner.

Owning convenience stores is a hard business. Especially after 2008, it has become harder and tougher. Our vendors now charge us a fuel surcharge when they deliver product. Unemployment tax, workman comp premiums, payroll tax, health insurance, everything, every year keeps going up while business, with so many people unemployed keeps going down or is staying the same. Also, we are experiencing more shoplifting, beer skips and robberies with people out of work and

desperate. Our next big expense is the new "Affordable Healthcare Act". We employ over 170 people, so either way we go, providing health insurance for our employees through the company or paying the penalty and sending our employees to the exchange, will be a huge expense for us.

But, with all that I have mentioned, we are proud that we, Quik Mart Stores, Inc. and the Little Family have been open and around for almost fifty(50) years. You do not see too many "family" businesses that have grown and have had such an impact on a community such as ours. We have kept many people employed throughout the years. We have even had many generations of family members work for Quik Mart. People like working for us because we are local. Our corporate office is right here in Tucson - Any of our customer and employees can come by at any time to see us. We have had a lot of loyal employees that have been around for over 30 years and a majority of our employees stay five years or longer. Quik Mart - We're Tucsonans.

I would like to thank Congressman Ron Barber for inviting me to testify about our business that we are so proud.



Shelly Little-Gibbons
Vice President
Quik Mart Stores, Inc.

My name is Mike Bergmeier. My wife, Angie, and I live in rural Hutchinson, KS and we own Shield Agricultural Equipment in South Hutchinson, KS. ShieldAg is the definition of small manufacturing, with 44 full-time employees, designing and manufacturing sustainable agriculture tools for Ag Equipment dealers and distributors.

I am not here today for me. I am here today for my children, and, eventually, my grand-children.

We live and work in the greatest nation in the world. The economy of the United States was built on the THREE super-sectors that “create wealth” in the world:

Economists and the Bureau of Labor Statistics call these sectors THE BIG THREE:

- **Mining** includes coal/iron ore/gold/rare earth elements extraction, timber, oil/gas/coal/wind/solar/water and quarrying
- **Agriculture** includes “what we think it does (farming)” and also fishing, vegetables and hunting and the direct support industries to agricultural practice
- **Manufacturing** is adding labor, energy and technology to natural resources and agricultural products, and also includes construction activities—MAKING SOMETHING.

I am proud to own a business within one of the Big Three, in direct service to another wealth-creation sector, Agriculture.

SO WHAT IS THE POINT?

Everything else out there, EVERYTHING that is NOT part of the big three, does NOT create wealth. EVER. All it does is re-distribute the wealth and “move it around”. Government spending NEVER creates wealth, EVER. **The service sector creates NO NET WEALTH, EVER.** The only way to CREATE wealth is to create it out of something tangible, hard, grow-able and renewable.

When a president or politician from either party talks about CREATING JOBS, I worry. Because Government/service/retail sector jobs (and spending) do NOT create wealth for the human race. And the more the “jobs” balance shifts in that direction, the poorer we become as a nation.

That is why I am here for my children. I am here to testify on their behalf. I am not here for me. I grew up working for a living. No matter how much you tax me or my business, or try to regulate me out of business, I will continue to work for a living and own a business. I’m used to over-regulation, taxation without representation and burgeoning social welfare programs. I’m here to tell you why my children might not have the same opportunities to own a business and employ people. I’m here to tell you why my employees might not have that same opportunity, or even the opportunity to work in manufacturing in the future.

At Shield Ag, we are proud of our employees that trade their skills and labor for a paycheck. I work FOR my employees, and we think of that every day. I work FOR my customers and suppliers, and we are proud of our Made in USA label and our USA and North American supply chain.

In the past 15-years, ShieldAg has purchased two other Kansas-based small manufacturers with complementary products, as the owners of those businesses retired or discontinued operations. We, of course, focus on profitability, but we also desire to retain those manufacturing jobs in Kansas. ShieldAg also has a partnering private-label agreement with another manufacturer based in Iowa, so that we can assemble, market and service a portable grain handling product line Made in USA.

www.farmtime.com is an agricultural social network that Shield supports and incubates, to bring farmers together on a website and keep each other up-to-date on issues related to agriculture.

You can read into this that our focus is on growing and supporting manufacturing jobs related to modern, sustainable agriculture.

With all respect, please allow me the time to discuss those governmental functions that inhibit the ability for me to grow my business, and you will see the danger down the road for my children. When I hear politicians ranting about over-regulation, I get it, but it is difficult for most politicians and business leaders to “pin it down”. What is “IT”? I hear politicians talk about over-regulation, but it seems that there are no specifics, just talk about having too many of them.

I liken these government regulations to the Easter Red Cedar (a species of tree).



Cedar trees supply wind breaks and shelter for farms and domestic and wild animals where I live in South Central Kansas. Having more of them seems to be a good thing. More protection from the elements, more places for poor little animals to inhabit. I have plenty of Cedar trees on my rural homestead in Eastern Reno County Kansas. The problem is that one Cedar tree, left unattended, becomes about a dozen within a year, and then 100 within a few years and thousands of them within a decade. And you get to the point that you cannot maintain your farm or ranch and your livestock, and the predators have a field day with your game animals. The bluestem grass quits growing because the Cedar trees suck up all of the resources needed for your hay crop to flourish. You have to spray more invasive weeds, because they will grow where the grass won't. And you look back on it and you say “where did all of these Cedar trees come from?” And you cannot pick out any ONE Cedar tree that is the culprit. The only real option is to get out the chain saw and cut down as many as you can, without much regard for “good trees” or “bad trees”. People will ask me in church, “why are you out there cutting down all those trees, aren't they good wind breaks and protection?”. It's because my quarter of grassland became dysfunctional and I had to “Do Something” to bring it back to the point where it served the original purposes.

A sampling of the forest of laws and regulations that keep me from expanding my business:

Patient Protection & Affordable Care Act of 2010:

If you think “for a New York Minute” that I will ever expand my small business to have 50 or more full-time employees, you would be wrong. My peers in small business tell me the exact same thing. Any benefits to PPACA aside, this is the real issue. ShieldAg will have 45 full-time employees and 4–15 part time men and women that work for an employment service and make a good wage building our products. Recall that I feel that my wife and I work FOR our employees. I pay for my health insurance right out of my own pocket, just like my employees, so that Angie and I “feel the pain” of rising health care premiums and reduced services. This helps us make better decisions on behalf of all of our employees. So here is the real problem with PPACA:

1. It hurts the people you are trying to help the most, folks in the lower and middle income classes. Like most social welfare programs, you enslave the future generations of the very people you are trying to help. Those 4–15 part time men and women will not have access to our very good company-sponsored health care insurance. Because we won't hire them on full-time.
2. I won't expand beyond a certain size, and I make decisions based on the impact of government regulation rather than what is best for my employees, customers, suppliers and family.

That is REAL and it is happening all across the spectrum of small business in the USA. The other negative impact of PPACA is the additional costs a small business will bear at full effect. As my company-paid total health care insurance premiums increase by the estimated \$45,000 per year, that is one person I cannot hire. It is that simple. I have to make payroll every Friday and pay my suppliers on time.

Now, let's discuss the good old Eastern Red Cedar again.

The following is a list of just a few of the new forest of regulations and interpretations of regulations that, even if PPACA did not keep me from expanding and adding employees, are impediments to growth. They are not in any particular order, as all have potentially onerous effects on any future expansion:

1. EPA RIN 2040-AF13: Storm Water Runoff revisions of Section 402(p) of the Clean Water Act. I guess that as a business owner, I am now seen to be even more in charge of the weather.
2. EPA RIN 2040-AF25: National Pollution Discharge Elimination System
3. EPA RIN 2050-AG52: Revisions to Hazardous Chemical Reporting
4. EPA RIN 2060-AQ11: Risk and Technology review for foundries
5. DOL/OSHA RIN 1218-AB67: Electrical Power and Distribution Protection
6. DOL/OSHA RIN 1218-AB80: Trip, Slip and Fall Safety Systems Improvement
7. Revisions to the National Ambient Air Quality Standards for Particulate Matter (Dust), under Title I of the Clean Air Act. By the way, it is 522 pages long and impossible to interpret.

Large companies will complain about a lot of this stuff too. The difference is that a small company does not have lawyers on retainer, direct lobbyists in Topeka, KS and Washington, DC, an environmental engineer on staff, or a department full of safety inspectors. It's just me and my team of very good managers working every day to build quality products and make payroll every Friday. There are at least 200 rules, laws and regulations "out there" that my business falls under. If I were to overcome the cost issues with PPACA and had the opportunity to expand my plant, property and equipment, I would end up spending my time and considerable funding (true opportunity costs) to comply with OSHA, EPA, DOL, and even Health and Human Services regulations as I attempted to expand. The permits, government scrutiny and costs are just not worth the trouble.

If my growth opportunity overcomes PPACA and the expansion would be large enough to afford the issues with government regulation directed at my business, I have to line up the financing. After the meltdown of 2008, my bankers spend more time on the banking regulations that regulate regulations (not a grammatical error) than they do in processing business loans. The process has slowed significantly in the last 5 years, and that has to hurt the overall expansion of business in the macro-economic sense.

And it's not just with business expansion opportunities, new (and existing) laws and regulations affect my everyday operations. In the addendum to this testimony, you will find a letter (redacted to protect my customer) my company received from one of my customers. Within that letter, I am directed to report the use of "conflict materials" in accordance with Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. What? I'm just a blacksmith. How can a law intended to reform Wall Street Practices affect me. I won't bore you with the details; you can read in the addendum how I have a legal responsibility as a small manufacturer to protect the Democratic Republic of the Congo. And, yes, I complied, and yes, I reported appropriately.

No big deal, right? I just have to report that I don't use any of the "conflict materials".

It is another Cedar tree. The affect is widespread. It means that my customer has to gather a lot of information from 1000's of suppliers (someone has to do it), and they are a paid employee of my customer. I have to report it, which is a true opportunity cost; I cannot work on something useful and beneficial to my company while I'm trying to figure out what to report and to whom. And I have plenty more Cedar trees to cut down.

The Federal Tax Code (Title 26) is incomprehensible and nearly impossible to comply with unless a small business owner makes sure that we "overpay" as protection. If my tax money was being used to improve real infrastructure, help people completely incapable of helping themselves, really improve safety and security of this United States, or invest in technology that improves the lives of my children, I would pay more, with cheer. This forest of Cedar trees is just too thick, I cannot pick out the one rogue tree that started it all. When you increase my taxes, I just react, by NOT hiring the next person, by NOT purchasing a new piece of equipment to improve my operations and by NOT expanding into new opportunities. Because, I have to make payroll every Friday and I have to pay my suppliers on time.

As I fear that my kids won't have an opportunity to own a small business or work in one of the "big-three" wealth creation industries, due to burdensome government regulation and law, I also worry that their education will not position them to be future leaders.

The education system in the USA is broken. We spend more money per capita on education than ANY of the other 11 most-developed countries of the world, with lesser outcomes than most of the other 11.

I sat on a local school board for 8-years and lead the board (as president) for 4-years of budget-cutting crisis. The most frightening part of my 8-year tenure was the consistent "socialization of learning" due to No Child Left Behind and Adequate Yearly Progress laws (and regulations). These unfunded Federal mandates have had the opposite of their intended effect. Frustrated teachers can no longer create the optimum learning environment in their classrooms. Inordinate amounts of time are spent "teaching to the test" so that the district is not penalized for poor test scores. Children are really being taught to "all be the same", measured to the same standards while us grownups try to negotiate the standards downwards so that all children can pass them. Equal opportunity means just that. It is NOT intended to mean "equal outcomes guaranteed". Where are the future business leaders in that equation?

Throughout my testimony, you did not read (or hear me) make any demands of my Representation in Congress. Except for this one. I implore you to completely gut NCLB and AYP standards. They are dangerous to the future of the USA as a world leader. No Federal standards for education. Allow the States and the locals to determine what is best for the life-long learners we are trying to raise.

In closing, I gotta' tell you the truth: **You don't owe me nothin'.**

I was born with nothing, raised in a great family environment, educated at a small rural school, and I graduated from the finest Land-Grant University in the USA in 1983 and moved to Hutchinson, KS with nothing but a college degree from Kansas State and a used pickup truck. You can over-tax and under-serve me, I really don't care. Because I love my family and I love my employees and other stakeholders, and I will continue to work and make a living because that is what I do. And the USA continues to be the greatest country in the world in which to own and operate a small business.

I will leave this life someday and report to God with nothing, and that is fine by me.

What I'm asking you to consider is making sure that my children, grand-children and future generations of Americans have the same opportunities that I have, and that you don't over-tax and regulate business to the extent that nobody wants to take the risk in the future to join in the Great Triangle of wealth-producing industry.

We all owe that to our children.

Testimony of Aaron Bagshaw, President of the W.H. Bagshaw
Company

Before the U.S. House of Representatives Committee on Small
Business

“Made in the USA: Stories of American Manufacturers”

June 19, 2013

Good afternoon. I first want to thank Representative Kuster for the invitation to speak to you all today. As a small business owner, it is so encouraging to know that our voices are being heard and that small business, and manufacturing in particular, is such a priority to our delegation. Representative Kuster has been to our factory for two visits now, once as a candidate and more recently with Representative Steny Hoyer.

I am Aaron Bagshaw, President of the W.H. Bagshaw Company in Nashua, NH, a fifth generation pin manufacturing business. After combing through records, I have discovered that we have manufactured and shipped, since our inception 143 years ago, almost 42 million lbs. of pins to happy customers all over the world. Amazingly, this would be enough steel to build the Chrysler Building in New York City.

My Great Great Grandfather started manufacturing pointed pins for the textile industry in 1870. In the 1920's, we were the only and original manufacturer of the Brilliantone Phonograph needles. We still manufacture textile and phonograph pins today, as well as more modern products that are in higher demand. The lifecycle of the pin is baffling. If any engineers are listening I would like to share this information with you. We still manufacture and sell the same product we manufactured 143 years ago. However, over the years we have had to adapt, update and change not only what we sell but how we manufacture it. We're now making complex machined components for high tech applications using advanced machinery.

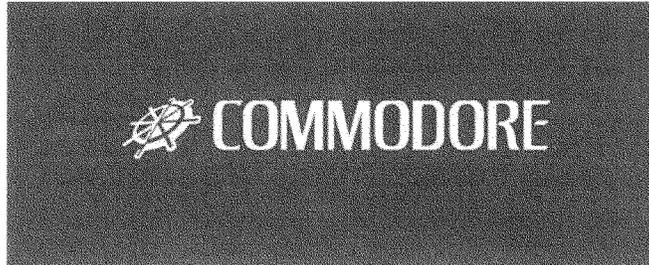
Our pin making machines are modeled after Leonardo Da Vinci's grinding concept. We are a living, breathing showcase of where the Industrial Revolution meets the Digital Revolution. We have machines that can make millions of pins per week and we have state of the art machines that can make incredibly complex parts. Often in my tours of our facility I will say that our "older" machines can make a lot of pins fast. I liken our story to what Henry Ford described as "you can have any color you want as long as it's black". You can have any pin you want, as long as it looks like one we have manufactured. Textbook Industrial Revolution. Next on our tour, I would show you our computer controlled machines that are making parts unattended. We download a computer program into the machine wirelessly or directly from a laptop. With the setup assistance of an operator, the machine manufactures complex components. Textbook Digital Revolution. All under one roof.

When people learn about our business, after the obvious question “What do you mean, PINS?”, we are asked “How have you managed to stay in business so many years?” Our magic formula seems to be having this incredible legacy and foundation partnered with lots of mojo and a fresh approach to marketing and management. As we like to say, we’re a 143 year old startup. Our core values are: Family, a “Make it Happen” approach, Empowerment, Courage and Perseverance.

The story of our family business truly is one of courage and perseverance. Through the years, we have weathered several wars, a Depression, and the recent Recession. Ten years ago we made the courageous decision to branch out into a new market, investing in CNC machines. CNC stands for Computer Numeric Controls, which means that they’re programmable machines. One operator can run several machines at one time. These machines have allowed us to produce pins that are much more complex for the aerospace and high tech industries. Several years ago, my wife and I made another courageous decision—we purchased a controlling interest in the business to secure the business for future generations.

As with most businesses, we’re concerned about the economy, healthcare and energy costs. But our most important resource is our labor force, and a big challenge for us is access to skilled labor. There is a shortage in our area of machinists who are skilled at running the types of CNC machines that we have in our factory. In some cases, we have been able to bring in entry level employees and train them. We’re working with our local community college to bridge some of the gaps in their skills so we can accelerate their learning. We were excited to learn that a federal grant allowed for a major upgrade to the equipment in their machining lab. Having these partnerships with community colleges will be effective for the continual development of our workforce. While a large corporation can hire someone to focus on workforce development and educational outreach, a small business like ours cannot—tax incentives for these types of partnerships would be quite welcome. We have a huge slate of process improvements we would like to tackle and are always interested in tax incentives that support these measures. We have taken advantage of Lean Manufacturing courses in our state, NETAAC programs, export assistance through the US Dept of Commerce, and business advising from our NH Small Business Development Center. The Trade Adjustment Assistance for FIRMS has also been very beneficial. Support like this is critical to small businesses like ours.

We often say, “If you think a pin is just a pin, then you don’t get the point.” We have survived for 143 years on grit, determination, fortitude and a bit of luck. From Da Vinci to Ford to the Digital Revolution we, as a company, need and will continue to need the skills that stem directly from the fields of Science, Technology, Engineering and Math. Our story does not end here. Our continued growth and evolution will rely heavily on the ability of our employees to adapt and grow, and use these technology skills.



Made in the USA: Our story as an American Manufacturer
June 19, 2013

CP Holdings LLC
Commodore Plastics LLC
Commodore Technology LLC
Ontario Holdings LLC

George (Brad) D. Braddon III

Commodore - A Small Manufacturing Business

Our Story

Commodore is a small manufacturing business located in Bloomfield NY. We make polystyrene foam meat trays and the equipment to make foam products. Commodore Technology LLC makes the machines and the molds for Commodore Plastics LLC and also sells equipment for export. Commodore Plastics makes and sells mostly meat trays for the domestic market. We started as a foam packaging business in 1981 and added machinery sales around 1990 when we learned that there is a market for equipment designed like ours.

My father, George, decided to start a foam business in 1981 when the industry was in a high growth period. He was able to pull some people together and buy some used equipment. His plan was to offer a few items with some unique features added to the current offering. Right away this idea didn't work. The customers required that he be able to offer all of the sizes. He could not afford the molds for all of the sizes using the current processing technology so he developed and patented a new method of trimming the parts from the web. He was later able to offer more sizes, but still had trouble with sales. So George started offering colored trays (rose, blue, charcoal) instead of just the offering at the time of white and yellow. The developments came as a result of necessity and are part of our continuous improvement.

It was much more difficult than my father imagined, but he had some lucky breaks too. At one point, he learned that Pepperidge Farms had decided that they would rather buy their trays instead of making their own. As a result, he was able to get some equipment and a new customer at the same time. This led to a discovery that the smaller equipment that Pepperidge Farms had been using was more efficient with material than what he had been doing. Because we are small relative to our competitors, we needed a different manufacturing footprint in order to be competitive. With the addition of this new equipment, he could see what previously had not been known to him.

From this knowledge, we developed a system that incorporates many of the ideas behind Lean Manufacturing. We need to make shorter runs of different sheet types and colors and this change allows for us to do it efficiently. This turned out to be a big advantage when it came to selling equipment and molds. Many of the worlds markets are smaller and a producer might make trays, hinge lid containers, and plates all in the same plant. Our footprint works well for this so we have been able to design, manufacture, and sell equipment and molds to companies in Central and South American. Today the area where we are most active selling equipment is in Russia and the former Soviet Republics.

Our company's biggest setback occurred on May 19, 1991. The entire business burned to the ground. There was almost nothing of value remaining. Insurance was expensive so we were underinsured leaving us few options. We focused exclusively on making machines and molds. We found this to be very difficult and we

were determined to get back into the foam business. Then in 1995, we found a way and found it to be even harder the second time. Things started out very slowly and 10 years after the fire, we were still well below our pre-fire revenue levels.

I have always been impressed with my father's optimism. For the first 20 years, we struggled. We reinvested every penny that we earned back into the business. He had everything that he owned on the line.

Things have improved. The last 10 years have seen 8 that were profitable and a few good years where we earned more than a normal return. We have a strong balance sheet and currently meet all of our bank covenants. Commodore is now 175 employees strong and offer competitive compensation packages. We are able to attract some great people to come and work with us. We are the largest private employer in the Village of Bloomfield and an important part of our community. We contribute to many great causes from kid's baseball to the school yearbook. We are very happy where we are now with the business and very hopeful that we can continue to grow and prosper.

Commodore and Government

Our Company and the Government are sort of like partners with the Government having the final word in many areas. The Government has a set of rules that we live by called regulations and we pay taxes on our profits. The government does what they can to ensure the market place is fair for all competitors and also does what they can to help us to be successful through Government programs.

Over time we have found our way through the maze of laws and regulations. We have great products so we are competitive in a mature market. We know that we need to get all of the details just about perfect or there will be no profits for a given period. We are most concerned about things that we can't control. One of things where we have the least control is with the most recent government intervention on the part of Mayor Michael Bloomberg in the form of product bans.

Regulations

Regulations can be a very real barrier to entry. There are so many different regulations that can be very complicated and also costly. Over time, the regulation become less onerous and if done right can be a guide to best practices. Listed below are some of the regulations that we follow. An unfortunate aspect of regulations is that they don't always change as fast as new technologies become available.

OSHA

We want a safe work place and feel this is one of our most important responsibilities to our employees. The last thing that we want to see is a person getting hurt on our watch; this is the same as what OSHA wants. We meet or exceed the regulations and as a result, have a safe work place.

Chemical bulk storage

We are regulated by the EPA for chemical bulk storage. The butane is used to foam the plastic and we buy it by the tanker load. The tank needs to be big enough to fully unload the truck. We had a case where we did not know a law existed regarding the storage. We found out about the law after we had been using the tank and were in the process of creating a safety program to meet the regulation when we had an EPA visit. We were given a chance to submit the program that we were working on and when we did so at the wrong program level, we were subject to a fine.

Building codes

The codes for buildings and fire systems can be confusing. We have an older building that was built around 1900. At one point we had a very difficult time with the fire inspection process. We were very fortunate to find an architectural firm with the necessary expertise to move us forward.

AIB

We are self regulated by The American Institute of Bakery. We hire AIB to do an annual inspection of our manufacturing facility. AIB publishes a guideline for facilities making packaging for food. We develop processes that follow the guideline and they assign us a number grade for our performance against the standard. Because of this, our customers do not need to inspect our facility to know that we are delivering safe and sanitary packaging. Our December 2012 score is 940 out of a possible 1000 points.

The Affordable Care Act

We offer a group health care option to our employees. We pay for about half of the cost. We have about 90 of our 175 full time employees that participate. We purchase our coverage from a brokerage company and they spend time with management to help us decide what package is the best fit for our employees. They also explain the benefits to our employees and they are our primary source of information. We have been in constant contact with them since The Affordable Care Act passed, but we still do not understand how much our costs are going to change. We assume that some of the people who do not get insurance through the company get it from other places including their parents or spouse. We also assume that some do not have insurance. How many will join our plan is unknown and this is concerning. We think that our plan meets the affordability requirements this year, but the regulation changes and our current plan may not meet the requirements next year.

I have concerns that the legislation will decrease the employment for the entry level worker. At Commodore Plastics, we have chosen to do a lot of work in our plant manually as opposed to automatic packing machines. We feel the added complexity of having more equipment and the setup associated will

limit flexibility. With the upcoming changes, I can see companies choosing automation over hiring more people.

401K

We offer our employees a defined contribution retirement plan. Since we have more than 100 participants, we are required to do an annual audit. The cost of the audit is about \$10,000 not including the time spent by our employees.

GAAP Accounting

We are required to follow GAAP accounting. The banks that we work with insist that we follow the rules so they can understand the financial health of a business before loaning the business money. We understand the rules and do the accounting ourselves and then have them reviewed by an accounting firm that specializes in reviews and audits.

Taxes laws

The tax laws are very complicated so we hire an accounting firm to prepare our taxes. We have been through an IRS audit of our business and personally.

Workman's Comp.

We purchased workman's compensation insurance through a pool regulated by New York State. We were members of the pool for one year and then moved to a different carrier. Years later when the fund was empty and still had claims to pay; the attorney general of NYS sued the past and present members of the pool. We spent a significant amount of money on attorneys and eventually paid a settlement of about \$250,000.

Visas for Visitors

Because we make equipment and also run a manufacturing plant, we can offer training to our Technology customers by having them spend time in our plant. We have been having trouble getting the necessary travel visas for them to come and visit.

Taxes

We are an S corporation so we pay our income taxes through the owner's tax return and do not file a separate corporate return. The negative impact is that individuals pay a higher tax rate than C corporations leaving us at a competitive disadvantage.

Loop holes

I have heard of these, but don't know of any. These must apply to some other type of company or product because we pay almost 50% of our income in taxes.

Reinvesting in the company

High income tax rates hinder growth. Our owners work for the business. We pay money to our owners for living expenses;

we pay our taxes and reinvest the rest. With the tax amount being high, the reinvestment is low. Successful manufacturing businesses constantly reinvest just to stand still and more investment is required to grow. Alternatively, we borrow money to grow, but banks will not lend to a company that is not reinvesting as it will not have the proper debt to equity ratios. Lower rates would increase growth. Perhaps a reduced rate for money that remains inside the company would do the same thing for an S corp.

Financial assistance

We have taken part in a few different government loan programs. The loans were a very important part of our past. The loan guarantees that we were able to get from SBA and USDA allowed us to borrow money and grow our business.

EXIM Bank

We have an ExIm line of credit that we use to finance our work in progress for exporting machinery and tooling. The program also allows us to write a standby letter of credit. The program has worked well for us in the past. We have customers that use the ExIm bank to finance their projects. We are currently working on an order that will ship to Paraguay. This will be their second project using an ExIm loan guarantee.

Product bans

We are most concerned about PS foam packaging bans. We believe that the bans are based on people's negative reaction to litter and not based on scientific fact. There are many people who think that ps foam is bad for the environment. They base their opinion on emotion and avoid understanding the facts about foam packaging. Foam packaging is polystyrene that is foamed to stretch the natural resources to make more product using less material. People don't seem to have a problem with the unfoamed version of the exact same material. There are many positive attributes of foam packaging. The process to produce foam uses little energy and there is no water waste. Foam packaging is thought to be non recyclable but that is not the case. It is being recycled and turned into many household products. All of the internal scrap in our plant is recycled and put back into the products that we make.

Mayor Michael Bloomberg has proposed a law that would ban polystyrene take out containers in New York City. This ban will have little to no impact on litter or the amount sent to landfill. This ban is bad for New York State and it is bad for Commodore. It is very difficult for us to understand how a government can pick the winners and losers without considering all of the other products in a category and without having the science on their side. I have invited Mayor Bloomberg to visit our plant and have had no response. It seems to me that he should see the material being made before taking such consequential actions.

Made in USA

Most of the foam used in the US is produced in the US. The substitutes that are being pushed by the bans are often made abroad. In many cases, these products are made in China and often are made from recycled paper. Paper is made from wood and contains many naturally occurring but potentially dangerous chemicals. The substitute products are less environmentally friendly when looking at the entire life cycle of the product.

Waste to Energy

We expect in the future that waste to energy will become more popular. Plastic packaging is generally non absorbent and also has high BTU content. Instead of using petroleum to make electricity, use is to make packaging and then use the packaging to make electricity.

Conclusion

Commodore is a small, privately held company operating in Bloomfield, New York which is located in the Finger Lakes Region. We have been in business for since 1981 and employ 175 people. While our company has had its' share of challenges through the years, (fire disaster, market driven, regulations), we are healthy with a bright future. We believe in reasonable and fairly administered government oversight; one that allows privately held companies to compete effectively domestically and abroad.

Our biggest concern is that Government will ban our products.

I appreciate the opportunity to have Commodore's story heard in front of the Committee on Small Business.

Florida Turbine Technologies, Inc. Testimony of Shirley
Brostmeyer, Chief Executive Officer Before the Committee on
Small Business U.S. House of Representatives June 19, 2013

Prepared Testimony and
Statement for the Record of
Shirley Brostmeyer, Chief Executive Officer
On Behalf of
Florida Turbine Technologies, Inc.
Before
The Committee on Small Business
U.S. House of Representatives
Hearing on
Made in the USA: Stories of American Manufacturers
Wednesday, June 19, 2013 - 1:00 p.m. 2360 Rayburn House Office
Building

Good afternoon. Chairman Graves, Ranking Member Velázquez and Members of the Committee. I am Shirley Brostmeyer, Chief Executive Officer of Florida Turbine Technologies, Inc., a leading provider of engineering, development, and testing of turbomachinery for military and commercial aircraft, space propulsion, and industrial power. Florida Turbine Technologies, Inc. began in 1998 in Palm Beach County, Florida, and has grown to supply research and development activity worldwide with over 200 employees. FTT is a leader in innovative turbomachinery improvements. In fact, we lead the nation in patents per employee. Many of FTT's patents are recognized by the Air Force, who actively reviews these patents, as extremely innovative ideas.

Thank you for the privilege of speaking with you today. I would like to encourage the creation of a new Federal Acquisition Regulation for government research and development projects. Currently, whether or not a company has production products is being used as a selection criterion. This should not be allowed.

We at FTT feel that better utilization of small business for government contracts would provide more innovative and affordable solutions—saving money to the taxpayer, and creating exports that will boost our economy. I would like to quote a March, 2010 House Armed Services Committee report regarding the current defense acquisition process, “Small businesses are largely locked out of the process or accorded contracts only on the goodwill of one of the larger firms...(we are) concerned that the end result of this process is the gradual erosion of competition and innovation in the defense industrial base.”¹

Only 2.5% of Research and Development funds are allocated to Small Business Innovative Research programs (SBIRs). And yet small businesses provide the most innovative and agile workforce available, without the large overhead costs of large companies. For the other 98% of government R&D acquisitions, government decision makers actively use a selection criterion which puts small business at a significant disadvantage. This criterion is that a company must have at least one active production program to be a serious competitor for R&D funds. This is true because of historical close ties between the government and its large production suppliers. But this is also true because government employees prefer to work with a “proven entity”, albeit expensive and less innovative. They feel comfortable that the technology will be taken to market and not left on a shelf after their investment. But there are many contractual ways to deal with product transition into production. And once a development prototype from a small business has been proven, larger businesses will often compete to license the available technology.

FTT has developed small engines that address future DOD needs for small UAV and missile platforms. We have developed our most recent engine on SBIR funds, and have matched the funds dollar-for-dollar with profits from our commercial business. This small engine would serve as an ideal platform to affordably demonstrate ad-

¹House Armed Services Committee Panel on Defense Acquisition Reform Findings and Recommendations, March 23, 2010, pg 7.

vanced aircraft engine technologies. However, we are discouraged from competing for R&D contracts because our small engine is not currently in production. This issue is certainly not limited to the turbine engine community. The findings in the 2010 House Armed Services Report confirm that this is a pervasive issue.

Thus, I have a recommendation which would increase small business participation in R&D programs: create a Federal Acquisition Regulation that R&D contract decision makers may not use the existence of production programs as a selection criterion. I thank you for your time and I hope that you consider this change to the existing acquisition philosophy.

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Testimony of Richard T. Najarian

President of Precision Global Systems (PGS Inc)

Before the

Committee on Small Business

United States House of Representatives

On June 19, 2013

Good afternoon Chairman Graves, Ranking Member Velazquez and members of the Committee. Thank you for extending an invitation to provide testimony on behalf of President Global Systems and the many manufacturers throughout the country who would otherwise love to have this opportunity. I respectfully submit this testimony not only on behalf of Precision Global Systems, but also as a member of the Board of Directors, Chief Investment Officer, and Vice President of Premier Biomedical Inc., a company developing cures for Cancer, Traumatic Brain Injury, and Suicide Ideation. We are working with the University of Texas and El Paso and last week signed a Cooperative Research and Development Agreement (CRADA) with the U.S. Army. We hope to be manufacturing modules that will be used in the treatment and cure of many of the most debilitating and life-threatening diseases known to mankind.

Beginning in 1983, PGS has been providing products and services for some of the world's largest corporations in the automotive and defense industries. Since surviving the dramatic downturn which began in 2007, we have diligently helped support our customers' increased production volumes through creative cost savings programs by implementing high quality and environmentally responsible innovative manufacturing processes. Our capabilities are in component recertification, value add sub-assembly, as well as complete production assembly. The PGS team implements these processes at one of its three manufacturing sites, occupying nearly 200,000 sq. ft. located in S.E. Michigan. We ship over 3 million parts each month to customer locations throughout North America and beyond.

In order to survive during this difficult period, we like so many companies aggressively addressed every opportunity we faced with a sense of urgency and resolve that helped us survive and ultimately thrive in this newly defined manufacturing environment. I strongly believe there is no greater place to manufacturer a product than in the United States for several reasons. First is the challenge. We are challenged everyday for process improvements, process capability, and process repeatability. The test of our group is the laser like focus of those in the positions of responsibility and authority. While added-value is created on the plant floor, it is the resilience and dedication of the entire team from the front office to the shipping clerk that keeps us on track. Second is the satisfaction. All passionate manufacturers truly care about what they provide, whether a product or a service. There is an absolute satisfaction when the parts going out of your plant meet or exceed your customer's expectations. We all revel in the knowledge that there is a PGS part on a car or a military vehicle.

Several years ago I wrote a letter to the employees of PGS to note some of the trends I was witnessing. As you well know, we were already in the midst of the recessionary events that created such turmoil in our economy. To be optimistic and energized with the economy falling fast is not an easy notion to grasp. I don't want to dwell on what was, but I do want to share a couple of paragraphs from that letter.

Excerpt from Letter to the Employees of PGS - March 5, 2007:

Mexico, Asia, and the Eastern Bloc have reined in companies willing to expose themselves to cultures as a way to survive, not necessarily a way to prosper. We may relish the thought of potential growth outside of our borders, but the answers to our current issues are in our backyards. Over time the same concerns and difficult questions will be asked, even if we buy a new chalkboard today. The capability of an organization is only as strong as its weakest member. Whether it is a person, a factory, a division, or a technology. We are all subject to the same scrutiny by our customers, and therefore are subject to the criticism that may follow in our wake. The recipe for success lies in the ability to fix the ineffectiveness and inefficiencies wreaking havoc on your core business.

The tides change. The wind shifts. The water ebbs and flows. And the sun sets only to rise again. PGS has had wonderful days, and yet these recent days have been exceptionally slow. We will soon find growth and opportunity at our doorsteps, and with the systems recently implemented, we will have no hesitation to open the door and let it in.

We arrived at our place within the automotive industry by design. We do great things for great companies. We work behind the scenes of our customers who continue to waste millions of dollars in scrap, rejects, and wasteful processes. We have tasked ourselves to help them stop this absurdity. Our ideas will help reinvent their successes as well as ours.

Then in 2010, I issued yet another letter, but this time the ebb had receded and flow had begun for PGS. To share how we accepted nearly every job, project, or opportunity that was presented to us would seem boring to those that read this testimony. However, I can tell you this, we worked hard, maintained our sense of direction, responded with responsibility and integrity and showed up every day to do it again, and again, and again, and again....

There is an air of nostalgia when I think back on those days. Please take a second to read these three paragraphs from that letter.

Excerpt from Letter to the Employees of PGS - April 22, 2010:

Six months ago I began writing this letter, only to see more revisions than the weeks that passed. I only say this because you should know that the future of PGS was uncertain and that caused a multiplicity of indistinguishable rants on this keyboard. And so I start with the past and then move us to the future....The year was 2008 and the economy was on the brink of disaster. In many ways it provided a test of our resolve. How hard could our group be tested—and we were tested unlike any time in our 27-year history. The entire automotive manufacturing industry lay in ruin as Congress and the American public questioned our intelligence, our ingenuity, and our integrity.

Appropriate manufacturing techniques will need to be employed by every player in this industry. Strategy is not just doing it in-house or outsourcing specific processes. The industry needs to challenge not only what, but how they manufacture. Designing for the manufacturing process and working with the Tier I companies to think similarly is not just a desire but a prerequisite. They cannot merely react to a print or spec, but actually suggest and participate in the process. A rebirth of what's appropriate will surely find its way to the engineering and product development tables throughout Detroit.

So how will we all help? Cast no shadow on the questions each of us asks for they are the power of our future. Harnessing the power of success with innovation and determination will lead our company and our team into a very bright future and only we determine how our future shall unfold by the course of our actions and the strength of our spirit.

So here I am, writing to you as a Small Business Corporation from the great State of Michigan through an invitation that was started by our dear friends and colleagues at Automation Alley in the city of Troy. They have certainly found the recipe for networking companies to do business together for all the right reasons.

I was asked what I thought may be an obstacle in my growing manufacturing business in the coming months and years. What is it that I think would help if the SBA could somehow assist. Well, to be honest, it is a very deep and troubling question. Is it the tax code or a specific request to repeal a new tax on my company? Is it how we set-up our organization as an L.L.C., an S-Corp, or a C-Corp? Is it universal health care or the bureaucracy in permitting and expansion projects? Should I ask you to lift a regulation, or increase the Section 179 Expense Election? There are a number of tedious and cumbersome personal and corporate objectives that are laid out every day to your group and other groups just like you. Indeed these are all great questions and issues that you have no doubt taken up the cause to either settle or fix.

At dinner parties or with friends and family at the backyard BBQ, I find my thoughts and comments invariably gravitating to two fundamental ideas—**how do we incentivize a US manufacturer to do business with other US manufacturers AND how do we monitor and account for the waste that is the by-product of every manufacturing site?**

Idea #1:

Incentivizing one company to do business with another could be one of the most intriguing demonstrations of U.S. policy in years. Small Business Manufacturers based in the U.S. shall be granted Certification as such. Customers willing to use these companies as suppliers to their enterprise will be given a tax abatement against their building taxes, because it is the manufacturing building that houses the equipment and people that produce the product. Although there is a specific and unique formula that each city

charges, their replacement funds would come from the U.S. Government.

Giving federal tax incentive for work provided to a small business manufacturer would stimulate the economy, continue to assist more small businesses in gaining a better foothold on their specific product/service, and keep these factors still active and in the market. Market forces don't always favor the Small Businesses. While I believe in the free market as much as the next, there are times when assistance becomes not necessary, but imperative. Tax incentives can create a call to arms by even the largest of purchasing departments to focus more attention on U.S. based Small Business Manufacturers.

Front line buyers are typically unaware how their purchasing power can affect their community. Upper management may consider how they save money through supplier consolidation or shared product/material purchases. They may consider how they better brand their product or push themselves into new markets. Similar efforts are made on behalf of companies certified as minority, women owned, veteran, disabled veteran, 8a, etc. So why not extend the same opportunity to U.S. based Small Business Manufacturers (USSBM's)? Naturally, this would be a short-term program that would create a heightened awareness by purchasing departments of every large OE (original equipment) Manufacturer because it would put money back into their pockets through tax-based incentives and grow the very core of the companies this Congressional committee represents.

Idea #2:

I cannot tell you how many manufacturing plants are self-proclaimed zero-landfill facilities. My regular routine involves the touring of some of the largest manufacturing facilities in the world - some exceeding 2 million square feet. One of the services PGS provides is the recertification of components that would have otherwise been scrapped during the manufacturing process. While touring these manufacturing facilities I observe the thousands of plastic caps and plugs that are collected and regularly sent to solid waste sites.

Plastic cups and plugs are utilized either for shipping from plant to plant or as assembly aids. These caps and plugs are used once as a way to either protect a seal, maintain fluid in an assembly, secure a wire, or assist in protecting a sensitive area during an assembly process. Quite literally thousands of tons of material are annually sent to landfills as a result of this seemingly innocuous process. We estimate approximately twenty (20) million pounds of plastic sent to landfills or dumps each year. Just because a plant has plastic material removed from their site does not qualify them as a zero landfill facility. Either they pay a waste company to dispose of the product or they put in it a "dump", which has a slightly different definition than a landfill. Regardless of how they "dispose" of this product, they should not be able to qualify themselves as zero landfill unless they have been certified as such.

LEED™ has become the standard for buildings erected or modified throughout the country. It is now time to establish a new standard for the manufacturing processes throughout the country that incorporates the same need to respond to environmental concerns. Plastic plugs and caps, cardboard, metal, fluids and chemicals, waste from grinding services, and by-product from non-traditional manufacturing all require consideration in assessing opportunity to enter a dump or landfill. Why not certify, via outside independent auditing and government oversight, whether a plant or facility really has done all that is possible to either reduce or eliminate the waste product entering our soil.

Again, thank you for the opportunity to present this testimony. I hope the two primary ideas I offered will be respectfully considered by this Committee as reasonable and possible. Further to this hearing I pledge my continued support and vigilance to these ideas and look forward to your desire in kind.



Williamsburg
HANDMADE OIL COLORS

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June 26, 2013

Ms. Susan Marshall
Clerk, Committee Small Business
2361 Rayburn House Office Building
Washington, DC 20515

Dear Ms. Marshall:

Thank you for the opportunity to testify at the Committee for Small Business on June 19th. Congressman Hanna shared that each of us, who did not have time to respond to any questions posed by the committee, had 5 days to submit further testimony.

A question asked by the committee was: "What legislation would improve your company's ability to grow, prosper?"

Golden Artist Colors manufactures and distributes over 900 products (available in, on average, 5 sizes each), which are distributed world-wide through a network of independent distributors and retailers. Approximately 50% of these products currently carry California Proposition 65 label statements, warning the user that "This product contains a chemical known to the State of California to cause Cancer". However, no label warnings are required on these same products under the United States Labeling of Hazardous Art Materials Act, which mandates that product formulations be evaluated by a competent Toxicologist. Nor do they require label warnings under the regulations of any other jurisdiction in the world.

Due to the fact that our independent distributors service multiple States from their inventories on a non-exclusive basis, as well as the advent of e-tail, these label warnings must be applied to product regardless of State of final destination. In fact, it is economically and logistically necessary to ship these products to international markets as well. While Californians are accustomed to routinely seeing these statements, and are able to put them in context, citizens of other jurisdictions often do not. This results in confusion and unfounded alarm on the part of these consumers, often leading to product rejection. This frustrates efforts to compete against national brands when opening foreign markets.

The answer, we believe, lies in the standardization of labeling requirements. Embracing the Globally Harmonized System of Classification and Labeling of Chemicals would help unify our international approach to determination of, and labeling for, product hazards. An amendment to the FHSA, reflecting a Congressional intent to preempt the requirements of individual States is also needed in order to eliminate confusion, inconsistency, and unclear messaging to consumers.

The "clear and reasonable safe harbor language" of Proposition 65 is, "Warning: This product contains a chemical known to the State of California to cause cancer". Consumers all too frequently mistake this statement for "Warning: This product causes cancer"...reflecting a damaging and damning lack of clarity and reasonability. At the same time, we do not dismiss the intentions and positive consequences of the Prop 65 effort, which has resulted in significant product scrutiny and reformulation for the betterment of

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all. We support the continued maintenance and development of the State's Prop 65 chemical list (or a harmonized successor list of substances of high concern), and would gladly maintain a cross reference to such a list on our website. This list could specify chemicals of concern and their concentrations, unlike the current Prop 65 requirements.

Prop 65 was passed before the information age opened more expansive and accurate avenues of communication. Unfortunately Prop 65 has become its own economy in the State of California, and, because of that, will require an act of the US Congress to remove its millstone from the neck of consumer product manufacturers. Besides, that millstone contains crystalline silica, a chemical known to the State of California to cause cancer.

Again, I thank the committee for asking the question and seeking to understand specific challenges facing small manufacturers. If there are further questions or discussion, please contact me.

Best regards,

Barbara J. Schindler
President, COO

