



“Promoting New Manufacturing Act”

Testimony of

**Karen Kerrigan
President & CEO**

Small Business & Entrepreneurship Council

Before the

**Subcommittee on Energy and Power
Committee on Energy and Commerce
U.S. House of Representatives**

**The Honorable Ed Whitfield, Chairman
The Honorable Bobby L. Rush, Ranking Member**

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301 Maple Avenue West • Suite 690 • Vienna, VA 22180 • (703)-242-5840 • sbecouncil.org

Protecting Small Business, Promoting Entrepreneurship

Chairman Whitfield and Ranking Member Rush, thank you for the opportunity to participate and provide the views of the Small Business & Entrepreneurship Council (SBE Council) at this important hearing today on legislative efforts to promote manufacturing growth in the United States.

My name is Karen Kerrigan, president & CEO of SBE Council, a nonprofit advocacy, research and training organization dedicated to protecting small business and promoting entrepreneurship. For twenty years SBE Council and our members have worked to develop and support policies that enable business startup and growth. We launched the Center for Regulatory Solutions earlier this year to develop innovative solutions and support legislation to improve the regulatory process. We believe the “Promoting New Manufacturing Act” is a practical measure that aligns with bipartisan goals to improve government, and strengthen quality job growth and investment in the United States.

The legislation contains regulatory accountability features that will serve to provide businesses and the public with data and information, which will improve decision-making about investments in new projects that require New Source Review (NSR) permits. Requiring the Environmental Protection Agency (EPA) to better monitor, make public and report on the timing of permits; and to provide timely guidance about how to comply with new or revised air quality standards (affecting permit applications) will establish greater clarity and certainty for businesses and investors. This is especially critical given the potential for new manufacturing activity in the U.S. that is being triggered by the growth in shale gas production.

As noted by President Obama in his State of the Union Address on January 28, the American Chemistry Council (ACC) announced more than \$100 billion in new project investments tied to natural gas. He pledged to “cut red tape to help states get those factories built,” which is welcome and needed given the complex and tentative regulatory permitting process that businesses face.

The accountability framework proposed by the “Promoting New Manufacturing Act” will enable the federal government and therefore

businesses to work better. It will complement President Obama's stated goals and efforts to cut red tape.

Beyond the benefits of transparency and certainty that the "Promoting New Manufacturing Act" would bring to the business community and manufacturers of all sizes, small businesses in the energy sector would benefit from the growth in natural gas demand that new or expanded facilities would generate. The tremendous increase in domestic natural gas production has been a boon for small business (and job growth) in recent years. In a report released by SBE Council in June of 2013 ("Benefits of Natural Gas Production and Exports for U.S. Small Business," written by Chief Economist Raymond J. Keating) we found that entrepreneurship and small business formation in the energy sector in recent years has been significant.

While total U.S. employer firms declined by 4.2 percent from 2005-2010, including a 3.7 percent decline in firms with less than 20 workers, growth within the energy sector among key industries has been striking.

Consider, the number of employer firms grew by:

- 3.1 percent among oil and gas extraction businesses, including 2.5 percent among firms with less than 20 workers;
- 7.2 percent among drilling oil and gas wells businesses, including 4.7 percent among firms with less than 20 workers;
- 24.5 percent among oil and gas operations businesses, including 24.5 percent among firms with less than 20 workers;
- 5.1 percent among oil and gas pipeline and related structures construction businesses, including 3.5 percent among firms with less than 500 workers;
- 61 percent among oil and gas field machinery and equipment manufacturing businesses, including 59.0 percent among firms with less than 20 workers.

Small and midsize firms overwhelmingly populate each of these

industries that work in the energy sector. Again, according to SBE Council's study, businesses with less than 20 workers represent:

- 91.3 percent of oil and gas extraction employer firms;
- 80.4 percent of drilling oil and gas wells employer firms;
- 84.7 percent of oil and gas operations employer firms;
- 63 percent of oil and gas pipeline and related structures construction employer firms; and
- 60.3 percent of oil and gas field machinery and equipment manufacturing employer firms.

On the jobs front, while total U.S. employment declined by 3.7 percent from 2005 to 2010, jobs grew by 27.6 percent in the oil and gas extraction sector; by 15.1 percent in the drilling oil and gas wells sector; by 38.5 percent in the support sector for oil and gas operations; by 47 percent in the oil and gas pipeline and related structures construction sector; and by 62 percent in the oil and gas field machinery and equipment manufacturing sector.

Looking ahead, more growth opportunities for small businesses and employment in the U.S. energy sector -- as well as new manufacturing projects spawned due to the explosive growth in natural gas production -- will produce a virtuous cycle of increased investment, enhanced GDP growth, rising incomes, and more jobs.

Certainty and Risk

Today's business and economic climate remain challenging for entrepreneurs and small business owners. Unfortunately, nagging "uncertainty" is overshadowing investment decisions in a negative way. That is, uncertainty is prolonging the delay of investment decisions.

When business owners attempt to make important decisions under risky conditions, they look to identify, quantify, and absorb risk. Timely and concrete information helps to improve the decision-making

process. That is why key elements of the “Promoting New Manufacturing Act” are important. Business and investors will be able to review timelines for final preconstruction permit decisions, and measure those timelines against actual permits approved.

Another important consideration for businesses in decision-making is stability and certainty when it comes to the ground rules they operate under and whether changes will affect the timing of permit approval. As you can imagine, it is exasperating and financially difficult for a business to get caught in regulatory limbo. The “Promoting New Manufacturing Act” requires EPA to provide timely guidance about changes to compliance procedures regarding new or revised air quality standards that may affect permit applications. Knowing that the EPA is being held accountable for providing timely guidance, and for developing strategies to expedite and improve the permitting process will hopefully improve a complex process that is currently generating uncertainty.

Opportunity for Action

The “Promoting New Manufacturing Act” is an opportunity to advance a “good government” initiative in an area of great concern to small business and the public. In a recent survey for the Center for Regulatory Solutions, 72 percent of American said that regulations are not created or administered in an open process, and 70 percent believed regulations mostly hurt the economy (47% independents, 22% Republicans, 27% Democrats). Bringing greater transparency and accountability to the New Source Review preconstruction permit program is one way both parties can work together to fully revitalize manufacturing and strengthen U.S. competitiveness. Especially for America’s smaller businesses and entrepreneurs, embedding a layer of transparency in a complex permitting process on top of a challenging economic climate would be a welcome development.

Thank you again for allow our voice to be heard and considered through this hearing today. I look forward to your questions and our discussion.

Submitted by: Karen Kerrigan, President & CEO, Small Business & Entrepreneurship Council.