

STATEMENT BY:

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I thank Chairman Graves, Ranking Member Valezquez, and the members of the House Committee on Small Business for this opportunity to testify on the subject of small business exporting.

Maritime Applied Physics Corporation is a 75-person employee-owned company that I founded in 1986. The company manufactures 5 defense products that range from unmanned boats to automated marine cranes. We also perform Research and Development contracts for both commercial and government sponsors. We have exported to South Korea, Italy, Scotland, and Germany. Our company has offices in three states and through the recession, we have grown at an annual rate above 20% due in part to exports.

Our company's growth and our ability to hire employees has been significantly helped by the Small Business Innovation Research (SBIR) program, the Small Business Administration Export Loan Guarantees, and the SBA 504 program that is guaranteeing the real estate loans for the expansion of our facility in which we intend to add 30 employees over the next 2 years. The SBIR awards that we have received over the past 25 years have resulted in new products, technology advances, teaming opportunities, and substantial growth.

Our journey to become a successful exporter was not easy. I would like to share one particular story that illustrates a number of the benefits and challenges associated with small businesses that are new to exporting. Our story began in 2000 when we received an email from a business agent in South Korea. The agent had researched our involvement with a particular type of ship rudder under a U.S. Navy program. He indicated that there was a similar application upcoming in South Korea and asked that we arrange for a marketing visit to the world's largest shipbuilder. At this point, our 25 person company had no export experience and we did not understand the laws, customs, or cultural aspects of doing business overseas. We were totally ill prepared to deal with international business. We did not understand the U.S. Government assistance that was available to us nor the government regulations that we were subject to. At the time, it was unclear to us whether we needed an export license and whether this fell under the Department of Commerce or Department of State. We learned through trial and error that this product fell under the Department of State. After several missteps we discovered the US Export Assistance Center in Baltimore and they helped us navigate the export compliance regulations to finally acquire an export license.

With that scare behind us, we travelled three times to Korea, once with the assistance of a State of Maryland program, to discuss the opportunity. On each trip, we were gradually and naively drawn into the next step of the program including head-to-head bidding against a large British firm that was very well supported in the meetings by their embassy. At the end of the third arduous meeting, we were informed that we had won the bidding process on both a technical and cost basis. We were awarded a contract to construct 100-tons of hardware including rudders, hydraulics, and electronics. We came home to celebrate the large win, to find 20 new workers, and to share the news with our bank. Our very large U.S. Bank promptly told us that this deal was too large for us and withdrew the credit lines that were essential to our continued operation.

In this desperate business situation, I approached a friendly local bank and found a very brave banker who took on our company and its new project by pooling his bank's resources with the SBA Export Financing program. 14 months after signing the contract, and nearly 3 years after our first visit to South Korea, we successfully completed the installation of the 100 tons of equipment in the South Korean shipyard under a fixed price contract. While this was a break even contract from a financial perspective, it taught us a great deal. Perhaps the greatest and most lasting benefit of this experience was the international experience and personal growth that it brought to our

employees. Were it not for the dedicated people of the Small Business Administration, the US Export Assistance Center in Baltimore, and the Sandy Spring bank, our business would not have survived this experience. The interagency coordination that saved our company did not occur at high levels but rather through the personal connections between Federal officials located in local field offices

As you can see, my first experience exporting required a tremendous commitment of time and resources. The export process can be overwhelming for many small businesses, but with increased coordination and education, we can avoid these issues and increase our exports.

I'm currently a member of the local District Export Council (DEC) and work on a volunteer basis with the Baltimore US Export Assistance Center (USEAC) to help companies new to exporting. Together with the local USEAC and the Manufacturing Extension Partnership, we developed a 3 day course for senior managers of companies who are new to exporting. This course, which has now spread to 25 states, results in an international business plan that each company writes with the substantial technical assistance of local government and private experts. The company can then be worked into the Department of Commerce Tradewinds or Gold Key programs as they are helped to execute their export plan. The participant reviews of this program are extraordinary with a very wide range of companies that are growing their exports around the world.

The local USEACs and the international offices are critical to the growth of small business exporting, and they have helped our company to export to Asia and Europe. Overall, I believe the federal trade agencies do a tremendous service to our nation, but there is plenty of room to improve agency coordination to more efficiently help small businesses.

I would like to conclude with four recommendations:

1. While the interagency coordination in export licensing has improved markedly, the concurrent involvement of Departments of State and Commerce creates confusion and duplication for a business that is new to exporting. I believe that the licensing process should lie in a single agency and that the process of selecting technologies for export control should be streamlined.
2. Export financing, be it through the SBA or EXIM bank, is not well understood by small businesses that are new to exporting. The process often depends upon the actions and recommendations of bankers who also may not be experienced in exporting. The process can be awkward, costly, and daunting. More needs to be done to locally coordinate and promote the federal programs so that small businesses understand the remarkable guarantees that the U.S. Government offers for exporting.
3. As a country, we need to increase the national priority and visibility given to exporting. When working with our peers in South Korea, the entire shipyard workforce understood the importance of exporting. Such is not the case in the U.S. where the new graduates that we hire often have no recognition or interest in markets outside of our borders. While the National Export Initiative has raised awareness at some levels, there is much more to be done with both existing and emerging business leaders.
4. The Department of Commerce has recently reduced its staff in Washington by reassigning staff to field offices. I believe that this trend needs to continue. While field offices have some local authority to tailor programs, the local responsibility and authority needs to increase. The real work that reaches the small businesses is done in the field and the budget priorities and senior personnel assignments should reflect this priority.

I thank the members of the Small Business Committee for their invitation to testify and for their important work in lowering the barriers to business exporting be they regulatory, bureaucratic, educational, or financial. I look forward to your questions.