

Industrial Scientific Corporation

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

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

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

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

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

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

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

OUR MISSION



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



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

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

My requests to the committee are as follows:

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

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



Justin K. McElhattan
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