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President Clinton Applauds Advocacy's ACE-Net Initiative

The U.S. Small Business Administration's Office of Advocacy announced Oct. 31 a dramatic initiative—a nationwide Internet network that will give new options to small companies looking for investors and to investors looking for promising opportunities.

The SBA's Office of Advocacy developed the Angel Capital Electronic Network—or "ACE-Net"—in consultation with the Securities and Exchange Commission (SEC), state securities regulators, and their national professional organization, the North American Securities Administrators' Association (NASAA).

President Clinton, addressing an audience of women entrepreneurs

and other small business people in Detroit this past October, praised the ACE-Net initiative.

Referring to the 1995 White House Conference on Small Business, the President said a major concern raised by the conference delegates was the availability of loans above \$250,000: "We were told over and over at the conference that the biggest problem was finding capital even for worthy enterprises if the businesses were small. So, we are now starting something new that came directly out of the White House Conference. . . . the Angel Capital Electronic Network, or 'ACE-Net,' a new computer web

Continued on page 4

Regulatory Agencies

USDA Officials Briefed on Regulatory Responsibilities

Officials of the U.S. Department of Agriculture's Agricultural Marketing Service (AMS) recently had the opportunity to be briefed by staff of the Office of Advocacy on their new regulatory responsibilities under the recently enacted amendments to the Regulatory Flexibility Act.

The Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA), signed into law on March 29, 1996, by President Clinton, has been hailed by most small business advocates as possibly the most important small business legislation ever enacted. Among other things, the new law amended the

Regulatory Flexibility Act (RFA), which requires agencies to study the impact of their regulations on small businesses. The new beefed-up RFA permits judicial review of government agency compliance with the RFA. (See the August 1996 issue of *The Small Business Advocate* for an in-depth discussion of the revisions.)

Because the RFA had no previous enforcement mechanism to ensure agency compliance, the advent of judicial review means that formerly non-compliant agencies will need to take a serious look at their RFA practices—or run the risk of

Continued on page 3

Chief Counsel's "In Box"

Q: A new technology—micropower impulse radar (MIR)—is available that would help my company succeed in existing markets as well as expand into some new areas.

Unfortunately, the price of this technology is out of reach for small companies like mine. Fees are set at \$100,000 "up front" just to gain initial access to the technology, and a minimum \$25,000 per year guarantee on royalties to continue access. A \$100,000 license fee may be nothing for a \$1 billion company, but is significant for a \$10 million company. And it is an impossibility for a \$1 million business.

I realize that an owner of a patented technology has a right to charge whatever price for his or her intellectual property. But in this case, the federal government is the owner. The MIR technology was developed at a federal national laboratory. As a taxpayer and small business owner, I have paid for this technology just as stockholders do in larger publicly owned companies, yet I can't use it because the fees are prohibitive for this small firm. When it comes to accessing this and some other technologies developed with government support, small companies just cannot compete with the larger and better capitalized companies.

Are there any programs, or plans for programs, for means by which small companies can access expensive technologies developed under U.S. government auspices?

A: The specific license you refer to is held by a government-owned/contractor-operated federal laboratory. The license for the micropower impulse radar is actually a license for 20 different patents (or patent applications).

Under the Stevenson-Wydler Technology Innovation Act of 1980 (P.L.96-480), as modified in 1986 and 1988, such federal laboratories

This month:

The high cost of high tech: a quandry for small businesses



are directed to offer their patented technologies to industry in a manner that encourages commercialization. Under the act, the laboratories are encouraged to negotiate patent licenses with industry on an exclusive or limited-exclusive basis to promote the commercialization of the technology developed by the laboratory.

In the law, Congress made it quite clear that the federal laboratories should enter into agreements that have sufficient exclusivity to permit the company to obtain a return on its investment into the product and its market development.

The legislation is also quite clear that the fees obtained from the licensing of the patents should be utilized to provide incentives to the inventors and laboratory directorates to produce additional inventions that could be commercialized by businesses.

The Stevenson-Wydler Act encourages the federal laboratories to negotiate licenses with small companies. According to the labora-

tory's Technology Transfer Initiatives Program office, the MIR technology has been licensed to 17 companies, 11 of them small firms. The funds received from the MIR license are being used to provide administrative support and outreach for these technologies and others, to support the follow-on research in the home laboratory, and to reward the creativity of the individual inventors (thus providing additional incentives to remain with the laboratory and to focus on commercially viable research).

One new funding avenue that can help small firms is the joint SBA and Department of Defense Defense Loan and Technical Assistance

(DELTA) program, which provides financial and technical assistance to defense-dependent small businesses adversely affected by defense reductions. DELTA can provide SBA-backed loans of up to \$1.25 million under the 7(a) Loan Guaranty Program. Additional information on the DELTA and other financial assistance programs may be obtained from SBA district offices.

(Editor's note: small businesses looking for funding should also be aware of the SBA's new ACE-Net initiative. See the story that begins on page 1 of this issue.)

Do You Have a Question?

Do you have a question for the Chief Counsel? Address letters to: "In Box," Chief Counsel for Advocacy, U.S. Small Business Administration, Mail Code 3114, 409 Third St., S.W., Washington, DC 20416.

For immediate access, call SBA On-Line at 1-800-697-4636 (9600 baud); in Washington, D.C., call (202) 401-9600.

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<http://www.sbaonline.sba.gov/>

USDA, from page 1

being sued by an aggrieved small business.

Since SBREFA's enactment, the Office of Advocacy has held four briefing sessions—attended by approximately 500 federal government regulators and economists—on how to comply with the RFA and on the significance of the new amendments. Dozens of AMS staff were represented in those briefings. Additionally, the AMS requested that Advocacy schedule another briefing, to be held at the AMS, that would be tailored specifically to the special problems and needs of the AMS.

In response to this request, Office of Advocacy staff—including Kay Ryan (deputy chief counsel for Advocacy), Shawne Carter (assistant advocate for food and product safety), Fred Tarpley (chief economist), Bruce Phillips (director of economic research), and Kevin

Bromberg (assistant advocate for environment)—went to the AMS on Sept. 16 to brief approximately 40 individuals who are responsible for drafting that agency's regulations. The session lasted about two hours and included a brief overview and history of the RFA, a summary of the amendments, an example of a good initial regulatory flexibility analysis, and a discussion of economic issues.

In a letter to the Office of Advocacy, AMS Administrator Lon Hatamiya stated, "AMS staff certainly benefited from being able to sit down in a one-on-one meeting and getting responses to specific questions. . . . I want to assure you that all of us in AMS remain committed to addressing any regulatory requirements on the small business community, and the impact of those requirements."

EPA's Proposed Toxic Release Inventory Rule Criticized

The chief counsel for advocacy submitted comments in response to the Environmental Protection Agency's (EPA) June 27, 1996, proposal to expand the Toxic Release Inventory (TRI) reporting requirements to seven classes of additional industrial facilities (61 FR 33588). These industry groups are coal mining, metal mining, electric utilities, commercial hazardous waste treatment, chemicals and allied products (wholesale), petroleum bulk stations (wholesale), and solvent recovery services.

Because the proposed rule would impose a significant economic impact on a substantial number of small businesses, the EPA prepared an initial regulatory flexibility analysis, as required by the Regulatory Flexibility Act. The Office of Advocacy's comments were critical of the EPA's analysis and also of the agency's compliance with the Paperwork Reduction Act. Accord-

ing to Chief Counsel Glover, the EPA proposed to include the chemical wholesale industry in the rule despite substantial evidence that these facilities have no significant releases into the environment to report. With regard to waste treatment facilities, the Office of Advocacy recommended a simplified reporting method. The Office of Advocacy expects to continue working with the EPA on the formulation of the final rule.

For additional information, contact Kevin Bromberg, assistant chief counsel for environmental issues, at (202) 205-6532, or via e-mail at kevin.bromberg@sba.gov.

ACE-Net, from page 1

site that will allow small business owners to put their prospectus on the Internet and match small businesses with sophisticated investors. [ACE-Net] will make it much, much easier . . . for people who are in small business to get money. . . . This new web site will allow . . . business owners to go directly to investors."

Vice President Gore was equally enthusiastic about the launch of ACE-Net: "I applaud the development and implementation of ACE-Net," said the Vice President, "ACE-Net is an exciting and innovative way to use technology, benefiting both small businesses and investors."

The network will allow accredited "angel" investors—that is, wealthy individual investors with business savvy—to identify participating entrepreneurs. Until ACE-Net, small businesses have been severely limited in their ability to link with such angel investors on a national basis.

Chief Counsel for Advocacy Jere W. Glover was "pleased and thank-

"Until [ACE-Net], small business' exposure to the angel investor has been problematic and the ability of angels to look at small companies across the country has been limited."

— Jere W. Glover,
Chief Counsel for Advocacy, SBA

ful to see this day finally come. Until now, small business' exposure to the angel investor has been problematic and the ability of angels to look at small companies across the country has been limited. We appreciate the guidance of the SEC, as well as the state securities regulators and NASAA, in assisting us to develop ACE-Net, which will permit listing this information on the Internet in accordance with federal and state securities laws. ACE-Net

will truly expand opportunities for both angels and small innovative companies."

According to SBA Administrator Philip Lader, "President Clinton directed the SBA to increase access to capital for all small businesses and we have developed a number of exciting financing programs for small companies. For example, the Small Business Investment Company (SBIC) program has been revamped, attracting more private capital in the last 24 months than in the preceding 15 years combined. However, there is still a need for access to seed and startup capital for small businesses in the \$250,000 to \$5 million range, and ACE-Net is designed to bridge that gap."

ACE-Net was designed with recommendations from organizations experienced in the matching of angels and entrepreneurs, including the Center for Venture Research at the University of New Hampshire and individual network operators (not-for-profit organizations, often state- or university-based). Participating angels and entrepreneurs gain access to the password-controlled ACE-Net by contacting one of the regional network operators. The operators are experienced in mentoring entrepreneurs and in outreach to angels and companies.

Currently, two network operators are open for business: the Technology Capital Network at the Massachusetts Institute of Technology, Cambridge, Mass., and The Capital Network, Inc., Austin, Texas. It is expected that within a year, another six network operators will open access to ACE-Net: the Accelerate Technology Small Business Development Center at the University of California-Irvine; UCSD-CONNECT in San Diego; The North Carolina Biotechnology Center in Research Triangle Park; The Ben Franklin Partnership in Philadelphia; The Kansas Technology Enterprise Corporation in Topeka; and The Advanced Technology Development Center at the Georgia Institute of Technology in Atlanta.

The Internet home page for ACE-

ACE-Net: A Child of the 1995 White House Conference

The idea to create ACE-Net had its beginning at the 1995 White House Conference on Small Business. During the conference, many small business owners, especially owners of high-technology-based businesses, voiced their frustrations about seeking capital through the equity markets. "A recommendation to improve these opportunities ranked 13th in the conference's 60 final recommendations," said Administrator Lader. "ACE-Net is the response small businesses wanted."

White House Conference delegate and elected Regional Implementation Chair Marianne Hamm, chief operating officer of AccSys Technology, Inc., Pleasanton, Calif., said, "ACE-Net answers the critical need for technol-

ogy companies, particularly those owned by women and minorities, to improve their access to angels. With ACE-Net we will have a level playing field for presenting our plans to angels across the country." Robin Risser, CEO of Picometrix, Ann Arbor, Mich., also a delegate and elected regional implementation chair for the White House Conference, as well as a member of Michigan's Governor's Committee on Capital Formation, said, "ACE-Net will be especially beneficial to small companies in the states that do not have existing strong venture capital funds. Our companies will now have the same access to angels as those in the historically strong venture and angel markets."

Net and the central computer system will be operated by the Center for Venture Research at the University of New Hampshire and will be connected to each of the network members via the Internet.

Bard Salmon, chairman of the Technology Capital Network at MIT, predicts that ACE-Net "will rapidly become the most visited meeting place for accredited investors and entrepreneurs seeking funding. The initiative takes advantage of recent changes in federal regulations that greatly reduce the dollar and time expense of registering small corporate offerings, for example, permitting exemptions from full registration with the SEC for certain offerings under \$5 million."

ACE-Net has received a "no-action" letter from the SEC, which means that the staff of the SEC will not recommend any enforcement action against ACE-Net as long as its participants are complying with the terms set forth in the no-action letter.

All offering listings will be searchable via an on-line search engine, which will permit the angels to find information quickly on the type of company, technology/market, investment size, geographic location, and minority-/women-owned status of the company. ACE-Net will also permit the angels to place specific search criteria on the network, and it will e-mail them back whenever a company is listed that meets their interests.

Funding for the inauguration of ACE-Net has been provided by the SBA and the Office of Advocacy. The Small Business Innovation Research (SBIR) Office of the Department of Defense (DoD) also provided seed funding to prepay the listing of 200 DoD SBIR awardees interested in raising equity capital. It is the intent of the Office of Advocacy that ACE-Net be fully self-supporting from subscription fees in the near future. Angel investors or entrepreneurs interested in ACE-Net subscriptions can contact network members via the Internet. The listing of potential business investments will be available for examina-

tion only by accredited angel investors via password.

Additional details are provided on the Internet at: <http://www.sbaonline.sba.gov> and at <http://ace-net.unh.edu>.

For more information on ACE-Net, contact Jere W. Glover, Chief Counsel, Office of Advocacy, U.S. Small Business Administration, at (202) 205-6533, or via fax at (202) 205-6928.

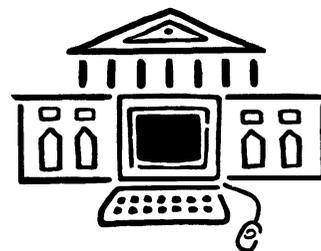
How to Get There

ACE-Net can be accessed on the Internet's World Wide Web at the following address: <http://ace-net.unh.edu>. It can also be accessed through the U.S. Small Business Administration's home page (<http://www.sba.gov>): Click on the link at the "ACE-Net" symbol on the main page. Another link to ACE-Net is through the Office of Advocacy's home page (<http://www.sba.gov/ADVO/acenet.html>).

Companies interested in placing their securities listings on ACE-Net should look at ACE-Net's home page. Questions on the securities requirements of a particular state must be addressed to the company's corporate attorney. The ACE-Net operators in the states provide mentoring programs and contacts for accounting and legal information. The operators' names and addresses are listed on ACE-Net's home page.

Companies placing their securities listings on ACE-Net are strongly encouraged to develop a company home page. This will permit potential investors to obtain more information on the company's products, services, and other key information. ACE-Net itself may post only the information contained on the standardized and streamlined Small Corporate Offering Registration (SCOR) form, also known as form U-7.

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Look for the Advisor at <http://www.business.gov>



The U.S. Business Advisor is a project of federal agencies in coordination with the U.S. Small Business Administration and the National Performance Review.

Comments Submitted on OSHA Workplace Violence Prevention Guidelines

The Office of Advocacy submitted comments Sept. 30, 1996, concerning the Occupational Health and Safety Administration (OSHA) draft document, "Guidelines for Workplace Violence Prevention Programs for Night Retail Establishments." In the comment letter, addressed to Joseph A. Dear, assistant secretary, U.S. Department of Labor, Chief Counsel for Advocacy Jere W. Glover presented several recommendations for the process of finalizing the document and for preventing document misuse.

Affirming that agency guides can be useful tools for assisting small businesses and the general public, Glover cautioned that the process for developing such guides must be thorough and include safeguards to assure the guides are not misused in enforcement activities and third-party litigation.

"First, there is a tremendous responsibility on the agency to assure the draft guide is well researched and the advice is objective and beneficial," asserted the chief counsel. "Part of that process is outreach to the affected industries. If OSHA

First proposed this past April, OSHA's guidelines on workplace violence prevention are still in need of refining, according to the Office of Advocacy and small business groups.

has decided to issue guidance in lieu of regulations for workplace violence prevention, there should be an effective process in place for involving the companies that are being asked to implement these measures."

According to Glover, an article on the draft guidelines that was published in *The Small Business Advocate* (see page 6 of the August 1996 issue) drew a tremendous response. "Many organizations complained that they were unaware of the development of the guide and felt they

could have contributed to the research and recommended practices." The chief counsel also stressed that the small business organizations consistently raised the objection that the prescriptions in the guide may be inappropriate for different sectors (for example, restaurants, retail stores in suburban malls, etc.) and low crime areas.

Glover recommended that the U.S. Department of Labor convene a stakeholder meeting as soon as possible to address many of the substantive issues that are being raised by the industry organizations; OSHA obliged with a meeting in November.

Also, to ensure that the guide is not finalized prematurely, Glover recommended that OSHA issue informal guidance and ask small businesses to critically review its applicability in a six- to twelve-month period. "During this time," said the chief counsel, "we believe some of the disputed preventive measures could be resolved with the affected industries."

In addition to more outreach, Glover urged OSHA to take steps to ensure that the guides are not misused in enforcement actions and litigation by third parties. "We are gravely concerned that this document would establish a 'standard of care' for use in third-party litigation. One of small businesses' greatest concerns is undue liability, and we urge OSHA to develop language for this guide that clearly indicates that it is not a standard of care to be used in third-party litigation."

What Advocacy Said

Excerpt from the Office of Advocacy's letter to the Occupational Safety and Health Administration regarding its proposed guidelines on workplace violence prevention.

". . . [OSHA] should take steps to assure the guides are not misused in enforcement actions and litigation by third parties.

We understand that this draft guide is not intended to be a tool of OSHA's compliance efforts. We recommend that OSHA issue an enforcement directive to the field, as it did for the guide issued earlier this year, that prohibits the use of the retail violence guide in enforcement actions. In addition, to avoid confusion and prevent misuse of the guide, OSHA should remove the statement in the notice that says 'OSHA will not cite employers who have effectively implemented these guidelines.' This language creates a *de facto* citation criterion.

Additionally, we are gravely concerned that this document would establish a 'standard of care' for use in third-party litigation. As you know, one of small businesses' greatest concerns is undue liability. We urge OSHA to develop language for this guide that clearly indicates that it is *not* a standard of care to be used in third-party litigation."

Economic News

Latest Economic Indicators Show Strong Growth

Data contained in a newly issued Advocacy publication, *Small Business Economic Indicators*, show that 1995 was a very good year for the American economy and for small business in particular. Adjusted for inflation, gross domestic product grew 1.7 percent, corporate profits grew 7.2 percent, income grew 3.2 percent, and employment grew 1.5 percent. Small businesses created much of this growth.

Small Business Economic Indicators is an annual compilation, by state, of the latest small business economic data. It is distributed to SBA staff nationwide and made available to others interested in small business economics. It also serves as a supplement to the annual *The State of Small Business: A Report of the President*.

In addition to information on yearly changes, *Small Business Economic Indicators* includes long-term data for the following indicators by state: new firm formations, new business incorporations, small business income, business bankruptcies, business failures, and business terminations. Small business employment is represented by small-business-dominated industries, and employment data is presented for detailed industries.

According to this latest release, business formation, measured by new business incorporations, increased 3.8 percent. New firms with employees, measured by new taxpayer accounts issued by the states, rose 1.6 percent. By region, SBA Region II (New Jersey and New York), and SBA Region III (Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, and West Virginia) expanded the most rapidly during 1995. Of the two regions, Region III has had more growth in the number of new firms during the past five years. In fact, almost all regions posted busi-

The latest release of the SBA's *Economic Indicators* shows that 1995 was a very good year for small business.

ness formation increases; only Region I (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont) and Region X (Alaska, Idaho, Oregon, and Washington) contracted. By state, new business incorporations rose by more than 10 percent in New Jersey, Iowa, New Mexico, Arkansas, Delaware, Wyoming, and Nevada.

Business failures and bankruptcies declined, continuing the trend of the last couple of years. As measured by Dun and Bradstreet, in 1995 business failures declined 0.5 percent, while bankruptcies de-

clined 0.6 percent.

Bankruptcies were down by more than 10 percent in SBA Region IV (Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee), but up by more than 5 percent in Region VI (Arkansas, Louisiana, New Mexico, Oklahoma, and Texas) and Region X. There was a large range for bankruptcies among the states, as Georgia recorded a decline of 71.0 percent.

Region IV posted the largest decline in business failures, a 14.5-percent drop. Among the states, Delaware showed the largest decline in business failures, 48.9 percent; Arkansas posted the largest increase, 100.3 percent.

Income and profits for small firms also rose substantially during 1995. The income of proprietorships increased 8.0 percent to \$449.3 billion, compared with 5.9 percent for all wage-and-salary

Continued on page 10

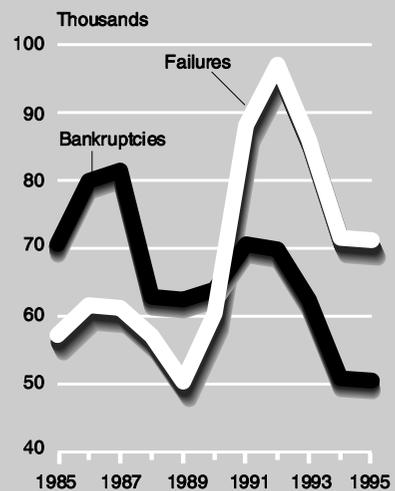
It Was a Very Good Year

Business formation was up . . .



Source: Dun and Bradstreet Corp. (incorporations); U.S. Department of Labor (new firms).

. . . and failures and bankruptcies were down



Source: Dun and Bradstreet Corp. (failures); Administrative Office of the U.S. Courts (bankruptcies).

White House Conference Delegate Forum

December Delegate Summit Brings 350 to Washington

More than 350 delegates to the 1995 White House Conference on Small Business (WHCSB) met in Washington, D.C., Dec. 12, 1996, to continue their work on behalf of the nation's 23 million small businesses. The strategy summit, held at the U.S. Department of Labor, was the first reconvening of the delegates since the national conferees adjourned in June 1995, after presenting 60 final recommendations on small business to the President and Congress.

Opening the summit, Alan Patricof, chair of the 1995 WHCSB Commission, thanked the delegates for their dedication to the task of ensuring successful implementation of the conference's final recommendations. "Several months ago," said Patricof, "you pledged to work together to develop a small business agenda that would address real issues and make a real difference. You met that challenge, reaching consensus on the most important issues, and you have stayed committed to seeing that the recommendations are acted upon. The fruits of your labors can be seen in the many



Alan Patricof, chair of the 1995 White House Conference on Small Business Commission, addresses delegates at the December 12 Summit.

meaningful legislative actions that the President and the Congress have agreed upon—providing comprehensive pension reform, ensuring health insurance portability, establishing worker-training tax deductions, and allowing judicial re-

view of regulatory flexibility analyses—truly great strides on the course charted by you a year and a half ago for small business prosperity in the 21st century."

Attention Internauts: Web Site Now Open for Business

In conjunction with the strategy summit for delegates to the 1995 White House Conference on Small Business that was held in Washington, D.C., this December, the first-ever WHCSB site on the Internet's World Wide Web was unveiled and demonstrated.

Underwritten by the "big six" professional services firm of Ernst & Young LLP, the new communications tool will "bring the 1995 Conference into the 21st century," according to Jeff Fadley, web site coordinator and chair of the South-

ern California delegation. "The web site will place at our fingertips the power to communicate across time and space, the ability to track progress on the issues we have said are critical to the future of small business."

The WHCSB web site address is <http://www.whcsb.org>.

About This Delegate Forum

This Forum affords delegates to the 1995 White House Conference on Small Business (WHCSB) an opportunity to publicize news and updates of their activities. Submissions from delegates are welcome: they must address implementation-related activities and include the name, address, and telephone number of the delegate. All submissions are subject to editorial review. They should be sent to: WHCSB Editor (M.C. 3114), U.S. Small Business Administration, Washington, DC 20416.

At the Summit, December 1996 . . .



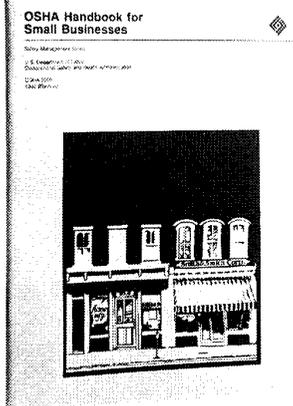
Strategy workshops held during the December delegate Summit focused on small business issues such as capital formation, procurement, taxation, environmental policy, community development, regulation and paperwork, and international trade.

Chief Counsel for Advocacy Jere W. Glover (R) and John Robinson, chair of the District of Columbia delegation (L), welcome delegates to the Summit.



Commissioner of the Internal Revenue Service Margaret Richardson greets regional taxation chairs at the December Summit. From left: Edith Quick, delegate from Missouri; Commissioner Richardson; Roy Quick; Jill Gansler, delegate from Maryland; Paul Hense, delegate from Michigan; Debbie Jo Horton, delegate from Rhode Island; Joy Turner delegate from New Jersey; and Jack Oppenheimer, delegate from Florida.

Puzzled by OSHA regulations?



If you are a small business subject to OSHA regulations, the *OSHA Handbook for Small Business* will give your business the information it needs to comply with federal occupational safety and health law.

The *OSHA Handbook for Small Business* is available for purchase from your local U.S. Government Bookstore or by mail from the Superintendent of Documents, P.O. Box 371954, Pittsburgh, PA 15250-7954. Ask for publication no. 029-016-00144-1. The cost is \$4.00 per copy, postpaid.

Orders charged to Visa or MasterCard may be placed by phone: call (202) 512-1800 between 8 a.m. and 4 p.m. Eastern time.

Indicators, from page 7 workers; half of the latter work in small firms. Because of the low increase in the Consumer Price Index (CPI) of 2.8 percent during 1995, these increases represented real income increases.

Employment in small-firm-dominated sectors increased 2.7 percent and represented 74.9 percent of the 1.7 million new jobs created in the U.S. economy during 1995. Large-firm-dominated sectors expanded by 0.2 percent, accounting for 4.2 percent of the new jobs in the economy, and "indeterminate" industries (those neither small- nor large-business dominated) accounted for the remaining 20.9 percent. The service sector accounted for 68.1 percent of the new jobs, with small-firm-dominated sectors adding more than 655,000 service jobs (57.8 percent of the service-sector total). Among small-firm-dominated sectors, the largest employment increase occurred in the special trade contractors industry, which added 142,500 new jobs in 1995. Large-firm-dominated sectors also added jobs in services, particularly grocery stores, which added 68,300 jobs.

Comments on the content of *Small Business Economic Indicators* may be directed to Advocacy's Office of Economic Research at

What Is a Small-Business-Dominated Industry?

In an effort to better show the small-business sector of the U.S. economy, the Office of Advocacy reports some of its industry-specific data as "small-business-dominated," "large-business-dominated," or "indeterminate."

A small-business-dominated industry is one in which 60 percent or more of its employment is in firms with fewer than 500 employees. Conversely, an industry with more than 60 percent of its employment in firms with 500 or more employees is defined as large-business-dominated. An industry with 40.0 to 59.9 percent of its employment in firms with fewer than 500 employees is termed "indeterminate."

(202) 205-6530. For additional information about small business, visit the Office of Advocacy's site on the Internet's World Wide Web at <http://www.sba.gov/ADVO/>.

How to Get the Indicators

There are a couple of ways to receive a copy of the latest edition of *Small Business Economic Indicators*.

Fax requests can be made directly to the Office of Advocacy: fax your written request and full mailing address to Advocacy's Office of Economic Research at (202) 205-6916. Allow three

weeks for delivery.

Copies of *Small Business Economic Indicators* are also available for purchase on microfiche or paper from the National Technical Information Service (NTIS) in Springfield, Va. Call NTIS at (703) 487-4650 (TDD (703) 487-4639) and ask for publication number PB97-131403.

Innovation and Small Business

The Manufacturing Extension Program: Public Policy at Work

by Zoltan J. Acs

Telstar Inc., a small firm (56 employees) producing satellite equipment, wanted to cut down on solar cell breakage and increase production. In 1995, to improve its production process, Telstar requested the assistance of the California Manufacturing Technology Center. The result: an annual savings of \$3 million!

Small firms may be at a disadvantage in gaining access to new technology. Building on experiences in the states, Congress and the executive branch have created new programs in which government and the private sector are partners in developing new technologies to help small firms compete in the global economy.

In 1988, the National Institute of Standards and Technology began helping the nation's smaller manufacturers adopt and apply performance improving technologies to meet intensifying domestic and global competition. The Manufacturing Extension Program (MEP) is a growing nationwide system that gives smaller manufacturers access to new technologies, resources, and expertise. At the heart of the system is a network of affiliated locally based manufacturing extension centers.

Centers are cultivated through MEP's State Technology Extension Program (STEP). Since 1990, STEP has supported 32 states in building manufacturing extension programs. (see chart for a summary of the program to date.) Each center is a partnership typically involving federal, state, and local governments; industry; educational institutions; and other sources of expertise, information, and funding support. Centers are private, non-profit organizations rather than offices of the federal government.

Today, nearly all of the states and Puerto Rico have, or are plan-

The Manufacturing Extension Program is a growing nationwide system designed to help small manufacturers compete in the global economy.

ning, centers affiliated with MEP. Through this network of centers, MEP is putting hard-to-find technical assistance and the newest business practices within the reach of the nation's 381,000 small and medium-sized manufacturing establishments. Centers are designed to help link sources of improved manufacturing technology with the small and mid-sized companies or with groups of companies organized around common needs, industries, or technologies. While each center tailors its services to meet the needs dictated by its location and manufacturing client base, most extension centers offer some common services. These include helping manufacturers to assess their current technology and business needs,

define avenues of change, and implement improvements.

Working with other federal, state, or local organizations, many centers also assist companies with quality management, work force training, workplace organization, business systems, marketing, and financial issues. Centers encourage client companies to establish programs for continuous improvement and to focus on long-term, bottom-line impact, rather than to work exclusively on immediate problems.

All centers rely on experienced field agents and private consultants who provide the companies with on-site advice and practical assistance. Since 1989, MEP centers have provided service to more than 44,762 small and medium-sized enterprises.

For information about the Manufacturing Extension Program, call 1-800-637-4634

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The Manufacturing Extension Program:

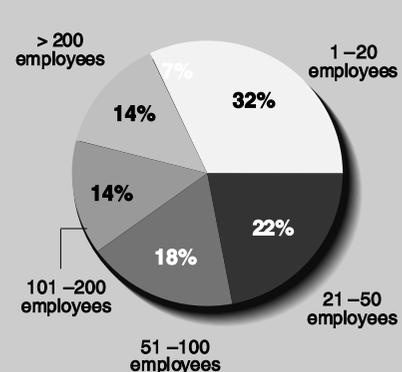
Its activity in a nutshell . . .

- State grants: **40**
- Extension service partnerships: **60**
- Geographical accessibility: **85%***
- State penetration: **42 states**
- Clients served since 1989: **44,762**

* of small manufacturers.

Source: Sibben and Associates, Inc., 1996.

. . . and the size of its clients



In a Couple of Years, Small Business Investors May Plug Into 21st Century Technology

But Why Wait?

Angel Capital Electronic Network — or “ACE-Net” — is the Internet-based resource that gives new options to small companies and investors looking for promising opportunities. Look for it on the World Wide Web at:

<http://ace-net.unh.edu>

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