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Withdrawal of EPA Rule Shows Value of SBREFA

In an action that testified to the value of the Small Business Regulatory Enforcement Fairness Act (SBREFA) of 1996 to protect the interests of small business, the Environmental Protection Agency (EPA) on July 1 announced the withdrawal of a rule to impose national clean water standards on the industrial laundries industry.

The EPA's withdrawal of the proposed rule was based on information that toxic discharges from the industrial laundries industry did not warrant national regulations — an argument that the Office of Advocacy and industry representatives had presented to the agency.

The SBA's Chief Counsel for Advocacy Jere W. Glover applauded the EPA for withdrawing the rule and saving the industrial laundries industry about \$103 million annually.

"The Office of Advocacy congratulates the EPA for giving small business representatives of the laundries industry a true voice in this rulemaking process," said Glover. "Advocacy, the EPA and industrial laundry representatives succeeded in making the SBREFA process work."

In 1997, the EPA had proposed regulations (published in the *Federal Register* at 62 FR 66181)

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Warning: More Paperwork Ahead for Postal Customers



Owners and users of commercial mail receiving agencies (CMRAs) will soon have new forms to fill out and new procedures to follow under regulations that the U.S. Postal Service is putting into effect. For the full story, turn to page 5 of this issue.

EPA, from page 1

that would have required the pre-treatment of some wastewater from industrial laundries prior to discharge to municipal wastewater treatment facilities. This industry, composed of 1,700 facilities — almost entirely small businesses — was originally identified by the EPA as a significant source of hazardous waste solvents warranting regulation under the Clean Water Act.

The rule was the subject of a Small Business Advocacy Review Panel under SBREFA. Prior to the publication of the EPA's proposal in 1997, small business laundry owners and small business trade association representatives provided advice to a federal panel of officials from the EPA, the Office of Management and Budget, and the Office of Advocacy.

The EPA's withdrawal of the rule comes after the agency reviewed new information regarding the volume and toxicity of the discharges, which led the agency to the conclusion that industrial laundry discharges are not a national problem warranting regulation. The EPA stated in its announcement that wastewater treatment facilities are able to handle these wastes and that any local problems can be resolved by local pre-treatment authorities.

"The process has worked," said Chief Counsel Glover. "Without the input from the small business representatives and the SBREFA panel process, the EPA may not have learned the entire story about the industrial discharges and the lack of adverse environmental effects. The agency's withdrawal of this rule-making demonstrates the value of the SBREFA panel process. This result validates the good work of Congress in crafting the SBREFA panels in the 1996 law."

The EPA has also accepted a proposal from the industrial laundries industry to work together to launch a strong, voluntary pollution

prevention program that includes working with the industry's customers to encourage further pollution prevention efforts.

For additional information, contact Kevin Bromberg, assistant chief counsel for environmental policy in Advocacy's Office of Interagency Affairs, at (202) 205-6533, or by e-mail at kevin.bromberg@sba.gov.

For More Information

Copies of the Office of Advocacy's official comment letters to the EPA regarding its proposed regulation of wastewater from industrial laundries have been posted to the office's Web site at www.sba.gov/advo/laws/comments.

The *Federal Register* announcement of the EPA's withdrawal of the rule was published in the *Federal Register* on Aug. 18, 1999 (at 64 FR 45071). The text of the final report of the Small Business Advocacy Review Panel convened to consider the proposed regulation is also available on the Office of Advocacy's Web site at www.sba.gov/advo/.

The Small Business Advocate

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Message from the Chief Counsel

Associations Are a Strong Resource for Our Efforts

by Jere W. Glover

I've never been under the illusion that change comes about because of a single person, one organization, or a solitary action. Instead, change — especially in the area of public policy — is a result of swelling efforts and incremental progress. In many instances, the Office of Advocacy's progress is augmented by trade associations and other non-profit groups that advocate for small businesses.

Trade associations and other non-profit small business organizations are often the most aggressive advocates for small business. We couldn't do our job without their network of small business members. We meet regularly with over 200 trade association executives to brief them on the Office of Advocacy's efforts, small business economic research, and the regulatory agenda. Trade associations identify business owners to work with us, provide vital information on their industries, and join us at the table in Washington to bolster small businesses' representation before the federal government.

Before becoming chief counsel for advocacy, I spent many years involved in trade associations, such as the Small Business Legislative Council, National Small Business United, the National Association for the Self-Employed, Service Station Dealers of America, the Alliance for Affordable Health Care, and the National Council for Industrial Innovation. These experiences, and the relationships that grew out of them, have been invaluable to me in my current position in public service.

Because of my previous experience, I have been able to tap into the tremendous resource we have in

Trade associations have proven to be valuable allies in the Office of Advocacy's efforts to bring the concerns of small business to the attention of policy-makers and regulators.

the trade association community. My staff benefits because associations can quickly find businesses willing to give company tours, explain complex processes, describe the economics of an industry, and provide input into rulemakings. More importantly, we have helped bridge the relationship between small businesses and federal agencies. For instance, we facilitated a very successful discussion between the bus industry associations and the Department of Transportation on a 1998 proposal for bus services for the disabled. (See the October 1998 issue of *The Small Business Advocate*.)

Recently, the Office of Advocacy asked several trade associations to help in an unprecedented way. In a pilot project, Advocacy researchers tapped the membership directories of two major trade associations, the Software Publishers Association and the American Electronics Association. Information was used from these associations' membership rosters to calculate the contribution to employment growth made by small firms in the high-tech industry.

The contributions of small firms can, in this way, be documented in a more timely fashion than would be possible using conventional gov-

ernment data. This is particularly true for high-tech industries that are represented by these two trade associations.

The economic statistics published by the Office of Advocacy often include data on specific industries' growth or contributions, which are useful for trade associations. In addition, we issue an annual request for proposals for contracted research on small business. I always encourage the research foundations that are affiliated with trade associations to submit proposals for funding by the Office of Advocacy.

The Office of Advocacy, while a very independent and strong voice for small business, values the rewarding relationship with associations. These relationships help us make real progress for small business.

Editor's Note

The Small Business Advocate serves as a link to our readers, including trade associations and their members. Associations and other publishers are encouraged to reprint newsletter articles, with attribution, regarding the Office of Advocacy's policy efforts and research of interest to your readers.

Regulatory Agencies

The voice of small business is being heard this year by federal regulatory agencies. True to its name, the Office of Advocacy has represented the interests of small business in

rulemakings broadly affecting small businesses in most industries.

Highlighted below are many of the recent regulatory issues in which the Office of Advocacy brought the

interests of small business to the attention of regulators.

OSHA's Ergonomics Standard Due after Panel Review

Last March, the Occupational Safety and Health Administration (OSHA) released a draft ergonomics standard that could have substantial economic effects on a vast number of employers. The stated purpose of the proposed standard is to reduce the number and severity of work-related musculoskeletal disorders experienced by employees. Under the standard, employers would be responsible for taking measures to reduce work-related carpal tunnel syndrome, neck and back strains, etc. (see the Feb./March issue of *The Small Business Advocate*).

Because the standard would affect so many small employers, OSHA convened a Small Business Advocacy Review Panel as required by the Small Business Regulatory Enforcement Fairness Act of 1996.

The Office of Advocacy and the Office of Management and Budget (OMB) also participated in the panel, and the panel consulted small business representatives. The panel's report was released to OSHA on April 30, 1999.

The panel recommended that the OSHA should, among other things:

- review its cost estimates, because OSHA's preliminary cost estimates may have underestimated the costs of the rule;
- consider whether firms will need the help of consultants to determine the need for an ergonomics program, and the costs for such consultants;
- explain how the rule will interact with state workers' compensation laws;
- consider a phased implementation of the rule by allowing more

time for small employers and/or employers in particular industries where feasibility may be a concern;

- continue to analyze and solicit comments on the alternatives of limiting the proposed standard to manufacturing only, or to manufacturing and manual handling only; and

- review the need for including in the rule a medical removal provision that requires the employer to pay 100 percent of an injured employee's salaries and benefits for up to six months during their time away from work.

OSHA expects to publish a proposed rule before the end of the year. For more information, contact Claudia Rayford, assistant chief counsel for industrial safety, at (202) 205-6532 or via e-mail at claudia.rayford@sba.gov.

Internet Domain Name Dispute: An Update

On March 10, 1999, the Office of Advocacy testified before the World Intellectual Property Organization (WIPO) concerning the process for settling domain name disputes (for details, see the June 1999 issue of *The Small Business Advocate*).

Domain names are the addresses Internet users type into browsers to reach a Web page. The WIPO had recommended that the Internet Corporation for Assigned Names and Numbers (ICANN), the non-profit organization tasked with assigning Internet domain names by

the U.S. Department of Commerce, adopt a mandatory arbitration process for all disputes over domain names. Advocacy argued that such a mandatory arbitration process would place a heavy financial burden on small business holders of Internet domain names. WIPO accepted Advocacy's advice and recommended limiting the arbitration process to instances of abusive registrations.

In a May 20 letter to ICANN, the Office of Advocacy argued that ICANN should extend the comment

period on the WIPO's final report and postpone a final decision on the issue until the organization could fully consider comments filed.

ICANN accepted Advocacy's advice. ICANN and its advisors debated this issue at a meeting in Santiago, Chile, on August 24–26.

For more information, contact Eric Menge, assistant chief counsel for telecommunications, at (202) 205-6532 or via e-mail at eric.menge@sba.gov.

Small Businesses Will Feel the Effects of New USPS Regs

Many home-based businesses could be adversely affected by a final rule published last March by the U.S. Postal Service (USPS) regarding the delivery of mail to commercial mail receiving agencies (CMRAs). CMRAs are stores that rent out mailboxes for personal or commercial use.

The rule, which went into effect on April 26, 1999, imposes a number of requirements on CMRA owners and their customers. Among other things, the rule requires:

- CMRA owners or managers and each addressee to complete and sign a form (PS form 1583, "Application for Delivery of Mail through Agent.")

- CMRAs to verify the information on the form and match it with information provided on the application for a private mailbox;

- CMRA customers to provide their actual address on the completed form 1583;

- CMRA owners to submit a quarterly report to USPS with the names of new customers, current customers, and customers terminated within the last 12 months; and

- CMRA customers to use the abbreviation "PMB" in their addresses rather than other terms, such as "suite," "unit," "apartment," etc.

CMRA owners were required to submit their completed forms to the Postal Service by August 1999. CMRA customers must comply with the requirement that their addresses have the "PMB" designation within six months of the effective date of the rule (that is, by April 2000).

The Office of Advocacy received a number of inquiries from small businesses about the CMRA rule-making. In response to the inquiries, the Office of Advocacy held a roundtable discussion with affected small businesses on June

New Postal Service regulations will require users of commercial mail receiving agencies to file more paperwork and to change their mailing addresses.

11, 1999. Although the USPS was invited to the meeting, it did not send any representatives. After speaking with the participants, Advocacy became concerned about the possible ramifications that the rule may have on small businesses and the general public.

CMRAs can be important for many home-based small businesses because they not only act as a depository for mail but also:

- provide a secure environment for receiving and holding special types of mail (such as certified, registered, C.O.D., and express mail packages as well as mail for customers who are away from home for extended periods);

- provide a business address for home-based businesses;

- provide a private mailbox location for persons who need to conceal their home address (such as battered women, attorneys with violent clients, and small businesses that trade expensive merchandise);

- retrieve and forward mail from the mailbox upon the telephone request of the renter; and

- check the mailbox and notify the renter of its contents.

Small businesses, especially startup companies, have limited resources and can utilize the multiple services provided by a CMRA for a minimal cost. The cost savings can enhance their productivity and increase their chances of success.

In a June 25, 1999, letter to the

Postmaster General, the Office of Advocacy questioned whether six months is sufficient time for home based businesses to make the transition. "There is a significant amount of cost involved in changing letterhead and other business materials to comply with the rule," said the SBA's Chief Counsel for Advocacy Jere W. Glover. "Small business owners are concerned about the potential loss of customers due to the automatic return of mail that does not have the necessary 'PMB' designation in the address." According to Glover, there is also legitimate concern that requiring home-based businesses to use "PMB" in their addresses may unnecessarily stigmatize a legitimate home-based business.

The Office of Advocacy urged the USPS to reconsider its decision to finalize the CMRA rule and to give consideration to possible alternatives that may satisfy the objectives of the rule without unnecessarily compromising the interests of small businesses.

For More Information

For more information about the USPS regulations on commercial mail receiving agencies, contact Jennifer Smith, assistant chief counsel, at (202) 205-6532, or via e-mail at jennifer.smith@sba.gov.

The text of the Office of Advocacy's comments to the Postal Service have been posted to the office's Web site at www.sba.gov/advo/laws/comment.html.

FTC Proposal Would Change Rules Regarding Children and the Internet

Balancing the rights of children using the Internet with the interests of businesses who provide goods and services to those children is the difficult task before the Federal Trade Commission (FTC) this year. On June 16, 1999, the Office of Advocacy submitted comments on a rule proposed by the FTC regarding children's online privacy (published in the *Federal Register* on April 27 at 64 FR 22750).

The purpose of the FTC's proposal is to implement the Children's Online Privacy Protection Act of 1998 (COPPA), which prohibits unfair and deceptive acts and practices in connection with the collection and use of personal information from and about children on the Internet. The FTC certified that the proposed rule would not have a significant economic impact on a substantial number of small businesses.

The Office of Advocacy recommended that the FTC consider in greater detail any possible burdens the rule may impose on small businesses. Specifically, it recommended that the FTC should reconsider the burden of compliance if the proposed rule would require a commercial Web site to do any of the

following:

- Require a process for notifying and seeking approval from parents before collecting information from a child less than 13 years of age. This process would require additional programming and training to implement, and time to incorporate the code into a Web site.

- Alter current Web hypertext mark-up language (HTML) programming to ensure that the page does not use so-called "cookies" to track visitors who are children. Cookies are small files on a user's hard drive that are updated when they visit some Web sites. Many sites, including *amazon.com* and *disney.com*, use cookies extensively, to track where a viewer goes on their Web site. Cookies can also provide other information about the visitor. The proposed rule would require all Web pages to cease using this very common marketing device. Doing so would be labor-intensive and costly for small businesses.

- Post the company's privacy policy on its Web page. More information is needed to justify the cost of such a requirement. Drafting and implementing the procedures for a privacy policy could be expensive

for a small business. It may also require the assistance of an attorney for the policy to comply with the requirements of COPPA.

In its comments, the Office of Advocacy listed these possible costs in order to alert the FTC to the burden the proposal may be placing on small businesses. "This is not to say that the cost should not be imposed," said Chief Counsel for Advocacy Jere W. Glover, "but the FTC needs to justify the cost in the context of the important societal goal of protecting our children online. Consideration of these impacts would give rationality to the rule."

The FTC has issued an analysis on this issue, acknowledging that there will be an impact on small business. The FTC is still seeking further comments from affected industries and from companies currently developing parental verification technology before releasing a final rule.

For more information, contact Eric Menge, assistant chief counsel for telecommunications, at (202) 205-6532 or via e-mail at *eric.menge@sba.gov*.

IRS Hears about Unrelated Business Income of Non-Profits

The Internal Revenue Service (IRS) is currently debating how to clarify what is and is not taxable income for tax-exempt non-profit organizations under the unrelated business income tax. On Feb. 10, 1999, the Office of Advocacy testified on the current state of tax law governing travel and tour activities of tax-exempt non-profit organizations before an IRS panel.

"The longstanding position of Advocacy on this issue is that the engagement of tax-exempt organizations or government agencies in profit-making activities should

always be reviewed very carefully and with some healthy criticism," said Russell Orban, assistant chief counsel for advocacy. "Competition by non-profits with for-profit businesses is essentially government-subsidized competition with the private sector."

The small business community has expressed its concern to the Office of Advocacy that they need to be protected from government-subsidized, unfair competition. "As more and more tax-exempt organizations are relying on commercial sources of income in place of chari-

table contributions, the line between the separate identities of non-profit and for-profit sectors has blurred," Orban said. Advocacy also recommended that the IRS conduct a hearing on the proposed rule, thereby allowing active participation by businesses that would be affected by the proposal.

For more information, contact Russell Orban, assistant chief counsel for taxation, at (202) 205-6532 or via e-mail at *russell.orban@sba.gov*.

Special Feature: Web Watch

The April/May issue of The Small Business Advocate featured an article that looked at Web sites containing research and data on small

businesses. Because of the popularity of this feature, The Advocate will periodically offer “Web Watch,” with more research on

small businesses. The Web sites featured in this article do not necessarily reflect the views and opinions of the Office of Advocacy.

Web Sites Yield Valuable Research on Small Business

Kaiser Family Foundation: According to a study by the Kaiser Family Foundation, between 1997 and 1998 there was a 5.2-percent increase in small business employer health premiums. This is much larger than the 1.6-percent inflation rate as measured by the federal government’s Consumer Price Index. Employer firms with 25 to 49 employees (where 55 percent of all workers were covered by their employers’ health insurance plan) experienced the greatest increase.

From 1996 to 1998, the percentage of small business employees with health insurance coverage through their employer declined from 52 percent to 47 percent. Employer-provided benefits were less available to part-time employees of small businesses in 1998 than in 1996, and the waiting period for an employee to enroll in a company’s health plan increased. Ninety percent of small business employees who are offered health benefits have no choice in the type of health plan they are covered by; only one plan is offered to them. Uninsured workers accounted for 60 percent of those employed by businesses with fewer than 100 employees. For more information, go to the Kaiser Family Foundation’s Web site at www.kff.org/content/archive/1464/.

International Data Corporation: In 1998 U.S. small office/home office (SOHO) firms spent about \$51 billion on information technology products, according to the International Data Corp. (IDC).

IDC estimates that in 1998 there were 5.7 million small businesses with fewer than 10 employees. On an annual basis, non-home-based businesses spend twice as much on technology because they have greater revenues and staffing levels compared with home-based businesses. The findings are posted to IDC’s Web site at www.idc.com/Data/Consumer/content/CSB040899PR.htm.

Employee Benefit Research Institute: According to the 1999 Small Employer Retirement Survey co-sponsored by the Employee Benefit Research Institute (EBRI), almost 70 percent of small employers reported that the most common reason they do not offer a retirement plan is the uncertainty of rev-

enue. Other factors include: high turnover rates, the costs associated with setting up a retirement plan, and a preference among employees for wages over benefits. For more information on the survey, go to EBRI’s Web site at www.ebri.org/prrel/pr481.htm.

Access Media International: According to a study by Access Media International (AMI) entitled *The State of the Small Business Market — The Frontier of Growth for Global IT Industry*, the small business information technology (IT) market is composed of a number of distinct sub-groups: so-called “corporate cousins”; technology-savvy small businesses; Main Street businesses; and “countryside” firms. “Corporate cousins” constitute 6 percent of U.S. small businesses, and are considered to have adopted the highest level of IT. “Technology-savvy” firms make up 17 percent and are second in the adoption of IT. Third in the hierarchy are “small business – Main Street” firms, which account for 23 percent. They have moderate levels of IT. The “countryside” firms constitute more than half (54 percent) of all small firms, and are considered to have the lowest level of IT adoption. For details, go to AMI’s Web site at www.ami-usa.com/newwp2.html.

For more information on these Web sites, contact Victoria Williams in Advocacy’s Office of Economic Research at (202) 205-6191 or via e-mail at victoria.williams@sba.gov.

More Sites to See

Additional Web sites containing valuable information on small business.

- **National Federation of Independent Business:** www.nfibonline.com
- **National Foundation for Women Business Owners:** www.nfwbo.org
- **National Minority Business Council:** www.nmbc.org
- **National Small Business United:** www.nsbu.org
- **Research Institute for Small and Emerging Business (Risebusiness):** www.riseb.org
- **SOHO America:** www.soho.org



“Vision 2000: The States and Small Business Conference,” held Dec. 9–10, 1998, brought together small businesses leaders and state and local government officials to spotlight programs and policies that promote small business growth. Participants in the conference took home many ideas that they could adapt to their own localities. Throughout 1999, selected issues of The Small Business Advocate have

profiled Vision 2000 winners and programs. This month we look at last year’s conference as we prepare to recognize this coming December many more of the innovative programs and policies at the next Vision 2000 conference. The 1999 conference will be held Dec. 1–2, 1999, in Washington, D.C. For registration information, see the box on page 9.

Small Business and State Government: A Vision for 2000 and Beyond

Twenty years ago, a time when relatively few state and local programs supporting small business were in place, the Office of Advocacy convened its first national conference on state small business programs. At the conference, then-Chief Counsel for Advocacy Milton D. Stewart articulated a vision for entrepreneurial rights in the 50 states that has been unfolding ever since (see box).

Despite subsequent improvements to the entrepreneurial environment across the country, many of the problems small businesses faced 20 years ago — such as lack of capital, disproportionately burdensome regulations, under-representation in government processes — still exist and, because of the nature of institutions, will probably always need to be addressed in some form.

Yet attitudes toward entrepreneurship are improving and many things have changed since that first conference in 1979. States have started hundreds of new initiatives in support of small businesses, ranging from leadership development at the top levels of state government, to capital formation initiatives, to programs supporting women, minorities, and immigrants’ entrance into business own-

ership. State policymakers have adopted innovative approaches in true entrepreneurial style.

In December 1998, the Office of Advocacy brought together several hundred state and local small business policymakers to recognize their successful programs. This gathering, “Vision 2000: The States and Small Business Conference,” was an opportunity to showcase business initiatives at the state and local levels, where public policy has such an immediate and far-reaching effect on small firms.

In her opening address to the 1998 conference, New Hampshire Gov. Jeanne Shaheen described her vision for state small business policy: “Creating an environment in

which small business can flourish means focusing first on the fundamentals. In New Hampshire, we’re improving roads and bridges to ensure efficient markets, as well as upgrading our telecommunications infrastructure. We’re improving education and child care, which are so critical to employers and their employees. We’re creating a climate for small businesses to flourish with a favorable regulatory environment and low operating costs — which means reforms in workers’ compensation and health insurance. And we’re thinking ahead — to the time when our economy ultimately does take a turn — with a statewide economic development strategy.”

It Was 20 Years Ago Today . . .

“Those of us who fight for small business . . . do it to preserve three fundamental human rights, which I think should be part of every state’s policy statement. . . . that the right to start, own, and manage your own business is a right to be secured by the states and by the federal government. . . . that every citizen of this republic has the right to live in an economically diverse economy, not compelled by a lack of choice to work for a large-scale institution, whether it is government or big business. . . . that every citizen has the right to . . . equality of entrepreneurial opportunity, . . . regardless of race, creed, or sex.”

— Milton D. Stewart,
former chief counsel for advocacy,
September 24, 1979

As the 20th century draws to a close, state and local policymakers have a large body of experience upon which they can draw if they are considering establishing or updating a small business program. The 1998 conference made awards to, and conducted workshops on, a wide variety of programs. These included programs focused on capital development; women- and minority-owned business programs; rural programs; micro-enterprise development; the roles of chambers of commerce and trade associations; programs to reduce regulatory burdens; how to conduct state small business conferences; and small business advocacy at the state level.

“Generally speaking, awards are presented to programs rather than individuals,” said the SBA’s Chief Counsel for Advocacy Jere W. Glover at the December 1998 conference. “That’s because any successful program, even if it starts with one person’s good idea, requires the hard work and ingenuity of a team or teams of people. So even if a program has an individual’s name on it, we recognize it’s the work of many hands.”

The quality of the discussions at the 1998 conference mirrored the outstanding quality of the programs celebrated. One of many examples is Hawaii’s Small Business Regulatory Flexibility Act. This law breaks new ground by granting small businesses a waiver or reduction of penalties for certain regulatory infringements if the problem is corrected within 30 days. Also under the law, state agencies must consult with small businesses when developing rules that affect them.

Focusing on the quality of the programs was a goal of the 1998 conference and it will be the goal of the conference again this coming December. The 1998 conference honored more than 100 programs in more than 40 states. The Office of Advocacy hopes to see representa-



Chief Counsel for Advocacy Jere W. Glover (L) presents Pennsylvania Gov. Tom Ridge (R) with a Vision 2000 award at an SMC event in Pittsburgh on Aug. 20.

tives from all of the 50 states among the winners of the 1999 “Vision 2000” awards.

As at the 1998 conference, participants in the 1999 conference will be able to examine many of the programs that will be recognized for their substantial contributions to small business development at the state and local level, and have the opportunity to use this knowledge to adapt these same policies to the needs of their own communities.

Register Now

The 1999 edition of the Vision 2000 conference will convene this coming Dec. 1 and 2 in Washington, D.C., at the U.S. Chamber of Commerce. Registration can be completed online, by going to the Vision 2000 Web site at www.sba.gov/advo/vision.html. If you prefer to register by mail, use the registration brochure that is in the centerfold of this newsletter.

An Additional Resource: Vision 2000 Proceedings

As a resource for attendees of the 1998 Vision 2000 conference, the Office of Advocacy recently published *Vision 2000: The States and Small Business Conference Report*. This report contains summaries of the conference’s plenary and workshop session as well as the full text of remarks by the conference speakers. It also includes a section of resource materials for the featured programs, profiles of the moderators and

panelists, and contact information for all attendees.

The conference report has been posted to the Office of Advocacy’s Web site at www.sba.gov/advo. Paper and microfiche copies are available for purchase from the National Technical Information Service (NTIS) at (703) 605-6000. Ask for publication no. PB99-166480. To order online, visit the NTIS Web site at www.ntis.gov.

Research, Experience Show SBIR Program Stimulates Innovation

by Ron Cooper

By making research and development (R&D) funds available to small innovative firms, the Small Business Innovation Research (SBIR) program takes advantage of an underutilized economic and social resource: the small, flexible, innovative firm willing to take the risk needed to transform a new idea into an innovation.

The term “innovation” refers to the introduction into the marketplace of a new product, process, or service. Studies and anecdotal evidence tell us that small firms have a number of advantages over large firms when it comes to innovation (greater flexibility, closer contact with customers and potential end users, and greater willingness to engage in high-risk R&D projects). These qualities have made small firms the leaders in industrial innovation, producing more innovations per employee and per dollar spent on R&D than larger firms.

In fact, large corporations in innovation-intensive industries try to achieve some of the advantages of small firm organization through new business models using semi-autonomous research and business units. Further evidence of the advantage of small innovative firms is the central role being played by small startup businesses in the development of emerging high-tech industries such as biotechnology and information technologies.

But the many advantages and efficiencies of small, innovative firms are not fully realized in our economy because of the obstacles they naturally face in raising capital. Capital markets do not have the information needed to make sufficient investments in the high-quality but risky small-firm projects that

At a conference hosted by the National Academy of Sciences this past May, attendees heard how vital the SBIR program is to a dynamic, competitive economy.

can lead to significant and socially beneficial innovations. The SBIR program funds those types of projects by providing high-risk, patient capital that is not available in the market.

The impact of the SBIR program goes beyond the outcomes of new product innovation and firm growth. At a symposium hosted by the National Academy of Sciences on May 5, 1999, researchers reported finding a number of examples of startup firms that reported they would not have started their company at all if it had not been for the SBIR program. One study reported that fully half of the firms surveyed said that the existence of the SBIR

For More about the Conference

The National Academy of Sciences’ Board on Science, Technology, and Economic Policy (STEP) plans to publish proceedings of its May 1999 symposium, “The SBIR Program: A Review of Current Research,” by late September 1999. For more information, go to the STEP Web site at www4.nationalacademies.org/pd/step.nsf and click on “What’s New.”

program influenced their decision to start the company. In addition, it was reported that SBIR startup firms have had the effect of encouraging colleagues to seek funding to start other firms. One-third of the firms in one case study said their SBIR experience had encouraged their colleagues to form their own innovation-oriented firms.

Other indirect benefits of the SBIR program to the recipient firm include increasing staff skills, retaining or hiring valuable researchers, increasing the credibility and financial stability of the firm, enabling new collaborative arrangements with others and influencing other R&D activities of the firm.

An example of a small business that was able to conduct successful R&D through the SBIR program (that would not have been able to do so on its own) is the Atlantia Energy Corp. of Houston, Texas. Before receiving a Department of Energy Phase II grant in 1991, Atlantia constructed shallow water oil and gas drilling platforms for about \$2 million each. Deep-water platforms built by others were not only much more expensive, but were not economical to use for many small oil deposits. Atlantia used their grant to develop a concept for deep-water platforms that would cost only \$1 million. Four hundred construction workers were employed to build two of the platforms for a customer. The firm has grown from 30 to 100 employees as a result of the SBIR program and has received four patents and one trademark. In addition, because the U.S. government receives royalties

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from the oil production, the two new platforms will send \$200 million to the U.S. Treasury from fields that were previously not economically recoverable. Atlantia said they probably would not have undertaken the project without the SBIR award.

The SBIR program is working and is achieving its congressionally mandated goals. The need for this program remains strong and is likely to grow in the future as evidenced by the movement of scientists and engineers to small firms. A large part of the SBIR program's success is due to the unique and flexible design of the program, which enables it to fill the needs of a diverse set of federal agencies and, at the same time, reach a broad range of small businesses. The program enables the federal government to keep pace with transformations in the economy while supporting a dynamic and innovative small business sector that will be the foundation of the economy of the 21st century.

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News Briefs

Effective Oct. 1, SDBs Must Certify Their Status

Small disadvantaged businesses (SDBs) can continue to self-certify their status while seeking subcontracting opportunities on federal projects. However, effective Oct. 1, these firms must obtain formal certification from the Small Business Administration if they, or the prime contractors they work with, expect to get the contract evaluation credits reserved for SDBs.

Last fall, the administration instituted a program that provides SDBs seeking prime federal procurements a price evaluation adjustment of up to 10 percent for contracts in selected industries. To qualify, the SDB must receive formal certification from the SBA and be listed on the agency's online data base, PRO-

Net.® That list is available on the Web at www.pro-net.sba.gov.

"A change in the way SDB status is determined has opened the doors of opportunity for many small businesses interested in pursuing federal contracts," said SBA Administrator Aida Alvarez. "This is a \$200 billion-per-year market that should not be overlooked."

SBA regulations adopted last year allow non-minority applicants seeking SDB status to meet a revised standard for establishing social disadvantage. Additional information on SDB certification can be obtained by calling 1-800-558-0884, or by visiting the SBA's Web site at www.sba.gov/sdb.

New OSHA Web Site Makes Small Business Resources Available

The Occupational Safety and Health Administration (OSHA) is demonstrating a renewed commitment to small businesses. To illustrate this commitment, and to better serve the needs of small businesses, OSHA recently launched a new Web site with the small business community in mind.

The site provides one-stop shopping for the most popular materials for small businesses — including free on-site consultation; interactive computer software; technical information; and easy-to-follow guides for specific OSHA standards. The site also includes links to local OSHA offices and the Small Business Administration.

OSHA offers many resources designed specifically for smaller employers. The agency wants to encourage all businesses to estab-

lish safety and health programs and find and fix hazards to prevent workplace injuries and illnesses.

For More Information

To visit OSHA's New Web site, go to www.osha-slc.gov/SmallBusiness/AboutThis.html.

Another valuable resource for small business is the *OSHA Handbook for Small Business*. This 58-page book contains details on instituting workplace safety programs. It is available for purchase from the Superintendent of Documents, tel. (202) 512-1800. Ask for publication no. 029-016-00176-0. The price is \$7.50 including postage.

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materials, and the on-line version of *The Small Business Advocate*. Visit us today at www.sba.gov/advo/.

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