



Department of Commerce

Innovation is in our nature.

**Testimony of
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Washington State Department of Commerce**

**Before the
U.S. Senate Committee on Small Business and Entrepreneurship**

The STEP UP for American Small Businesses Act of 2014

June 18, 2014

Chairwoman Cantwell, Ranking Member Risch, members of the committee, thank you for inviting me to testify on state level experiences and work with the STEP program. My name is Mark Calhoon, and I manage the Washington State export promotion program. I also serve on the board of State International Development Organization (SIDO), a cooperative effort of the Council of State Governments and the majority of state trade offices, which promotes best practices, and represents state interests relating to the trade agenda.

States play a key role in helping small businesses start or expand their international sales. State export promotion programs are typically an integral part of a statewide economic development strategy that delivers a range of support and services to small businesses in order to drive economic growth and create jobs.

The State of Washington has provided export promotion assistance to small businesses since the late 1970s. We are a very trade oriented state, the 4th largest state exporter in the U.S., and second among states in exports on a per capita basis.

We work closely with our federal partners in Seattle to coordinate resources and provide the best service to small businesses. Our office is co-located with the U.S. Export Assistance Center, the ExIm Bank regional manager, the SBA Export Solutions Group regional manager and the Export Finance Assistance Center of Washington. We are all members of the Washington Export Outreach Team, which was established in 2013 under guidance from the Trade Promotion Coordinating Committee (TPCC).

The STEP program has played a valuable role in helping small businesses expand export sales, and I'll use examples of our activities and results in Washington State to show

how important STEP is for small businesses. By way of background, Washington received a total of \$3 million in STEP funding to date.

Washington State leveraged STEP funds to help small businesses significantly increase export sales. With STEP support, we provided export assistance to 446 small businesses, resulting in an increase of \$136 million actual export sales and \$276 million in forecasted export sales, representing actual and expected state tax revenues of more than \$16.5 million and supporting more than 2,230 jobs.

These results underscore the critical importance of federal funding to Washington's export assistance program for small business. The STEP grants received by our state have helped fund successful new initiatives such as our Export Voucher program, export promotion in India for the first time for Washington State, and participation in a series of targeted industry trade shows in Europe.

Our Export Voucher program provided small grants of up to \$5,000 to qualified small businesses to offset costs associated with developing new export sales, such as participation in trade shows. Nearly 250 Export Vouchers were awarded, which have generated nearly \$60 million in new exports. In India, STEP funds supported ongoing export promotion work, including follow-up on business opportunities resulting from our governor's trade mission to India in October 2012. Our STEP supported participation in the Paris Air Show in June 2013, enabled 21 small aerospace supply chain companies from Washington to attend, which has already resulted in aggregated export sales of \$35 million.

Participation and results from these and other STEP activities are on target to generate a potential return on investment of more than \$135 for every \$1 of STEP funds.

Here are some examples of small businesses in Washington State that have increased export sales as a result of STEP support.

Has Offers is a Seattle based early stage technology company with a software service that tracks the effectiveness of e-advertising campaigns. Founded in 2009, the company has 190 employees and tracks about \$350 million in advertising for its clients. As a web-based service, Has Offers could easily do business anywhere in the world, but at the end of 2011 it had done little to expand into high value opportunities in Europe. Has Offers applied for an Export Voucher, which enabled it to join a delegation of Washington State technology companies at the Mobile World Congress in Barcelona in late February 2012. Our office organized a Washington State Pavilion at this leading trade event for mobile technologies and applications. In addition we organized a series of one-on-one business introductions and meetings for the delegates, including Has Offers. We provided additional value by organizing group business networking events during the show, and leveraged government to government partnerships to access key industry multiplier organizations in Europe for business matchmaking opportunities for

our delegation. According to Peter Hamilton, Chief Marketing Officer for Has Offers, “The Export Voucher program was a dream come true in both timing and value. Has Offers needed to get its latest product in the hands of some of the world’s best known mobile ad networks and agencies, and STEP allowed our team to do just that. By sending us to Mobile World Congress, STEP gave us the opportunity to book meetings with these key players in a quickly emerging industry and discover new emerging technology partners we might not have found otherwise.” As a result of STEP Has Offers is now doing 40% of its business internationally and it grew from 50 employees in early 2012 to 190 today.

MetalTech is a turnkey metal fabrication company located about 30 miles south of Seattle. The company is 11 years old and resides in a 36,000 square foot facility utilizing the latest machinery and equipment, which reduces the cost of metal fabrications, machining and subassemblies for its clients. The company historically worked with clients in industries such as automotive, medical and research laboratories. As part of its business growth strategy, MetalTech was interested in finding new work in the aerospace industry. Our office recruited MetalTech to join the Washington Pavilion at the Farnborough Air Show in July 2011. The pavilion, which was supported with STEP funding provided a cost effective group exhibit space for Washington State delegates at a much lower price than if small businesses tried to buy space at the show on their own. Our office set up one-on-one business meetings with strong prospective new customers and helped introduce MetalTech to the right people among the tens of thousands of attendees. The show also provided MetalTech will a deeper understanding of the global aerospace market and how to target global supply chain opportunities. MetalTech picked up a number of high-ticket orders resulting from contacts made at the show, which resulted in the first ever exports for the company.

In Washington State, STEP was a focal point for much of our state/federal coordination over the past two years. We formed a committee to review all of the 376 Export Voucher applications that were received. It was helpful to have input from staff members from USEAC, ExIm Bank and SBA to compare knowledge on the individual small business applicants and provide additional support such as export finance counseling to the Export Voucher awardees.

As Congress considers the reauthorization of the STEP grant program, I would like to add my support for a few key recommendations from SIDO:

1. STEP should become a permanent federal program.
2. To ensure collaboration, there should be a member of the state trade promotion agencies on the Trade Promotion Coordination Committee (TPCC). It will be nearly impossible to develop a coordinated state-federal plan without a seat at the table.

3. We need to develop a working group to coordinate information sharing and reporting metrics to make sure Congress receives information it needs in a timely manner. Return on investment is a priority for the states.
4. Increase the flexibility of approved activities, such as allowing support for inbound buyers' missions.
5. Keep the federal share for export activities under STEP at 75%.
6. Remove the 50 percent full-time employee requirement, as states have different resources and capabilities.
7. Finally, I encourage you to make the STEP reauthorization and agency coordination a priority in the current trade agenda.

In conclusion, I want to make sure we don't take our focus away from the key objective of STEP – that small businesses are critical to the economic success of our country and increasingly international markets are vital to the growth and prosperity of small businesses. Exports create and support above average family wage jobs here in the U.S., and are a critical component to the ability of small businesses to compete and grow in the global economy.

I appreciate the invitation and time with you today and look forward to your questions.

STEP Activities in Washington State

- **Export Voucher Program**

Reimburse new-to-export or new-to-market SBA-qualified small businesses for expenses up to \$5,000 that promote export sales, such as export training, participation in trade shows, sales trips, trade missions, marketing campaign production or translation, product certification, and other pre-approved uses.

Cash match requirement: Small businesses seeking export vouchers must provide a minimum 25 percent cash match, or up to \$1,250 for a full \$5,000 voucher.

- **Market Accelerators: China, Europe and India**

Provide specialized in-country business development consultant expertise in the key targeted industry clusters: Aerospace and Advanced Manufacturing, Information and Communication Technology, Life Sciences and Global Health, and Clean Technology.

- Coordinate in-bound market sales trips
- Provide support for attending targeted industry trade shows and conferences
- Coordinate reverse trade missions to Washington State

- **Rural Accelerator**

Seek out existing rural "businesses to watch" that are open to entering new markets. Leverage expertise of community economic development partners, conduct trainings and organize mentorship and networking programs in rural areas.

- **Washington State Department of Agriculture (WSDA) Rural Agriculture Accelerator**
 - Bring agricultural trade representatives from China, Japan, Mexico, and Taiwan to meet with approximately 50 small food and beverage companies.
 - Link companies with WSDA’s foreign representatives and local trade specialists to receive individualized recommendations and training on food and beverage specific requirements for exports to the target markets.
 - Assist participating companies with developing individualized export marketing plans that incorporate information from the training and consultations.

- **Export Finance Lender Training**

Enhance small business export opportunities through the state-supported Export Finance Assistance Center of Washington, which engages nationally recognized trainers to provide trade finance classes for small businesses and community bankers.

KEY RESULTS

STEP Program Results in Washington State 2011-2013

Overall Program Results	
Number of companies participating	446
Actual reported sales	\$136 million
Forecasted sales (12 months)	\$276 million
Export Voucher Program	
Number of companies that received an export voucher	195
Total number of export vouchers awarded (includes one company that received a voucher in Year 1 and Year 2)	249
Total \$ awards obligated	\$803,470
Actual sales reported by companies (not including export vouchers to Market Accelerator participants below)	\$59 million
Forecasted sales reported by companies (12 months, not including Market Accelerator participants)	\$102 million
Market Accelerator Program*	
Number of participating companies	131
Actual sales reported	\$75.9 million
Forecasted sales reported (12 months)	\$167.7 million
Agriculture Accelerator Program	
Number of companies participating	106
Actual sales reported	\$900,000
Forecasted sales reported (12 months)	\$5.8 million

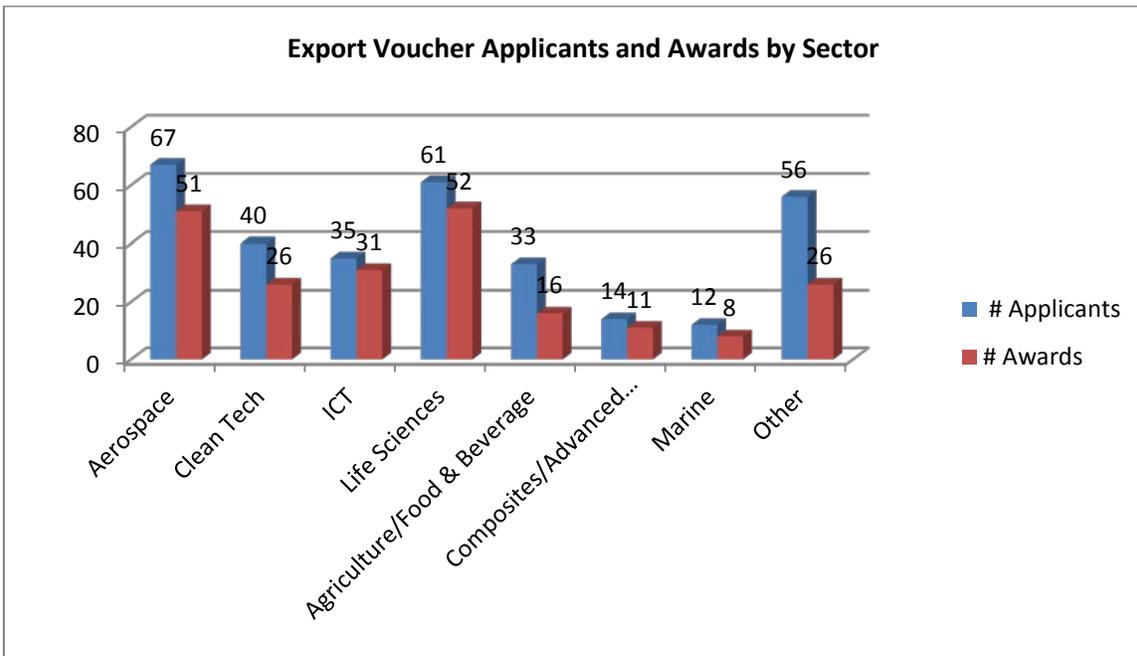
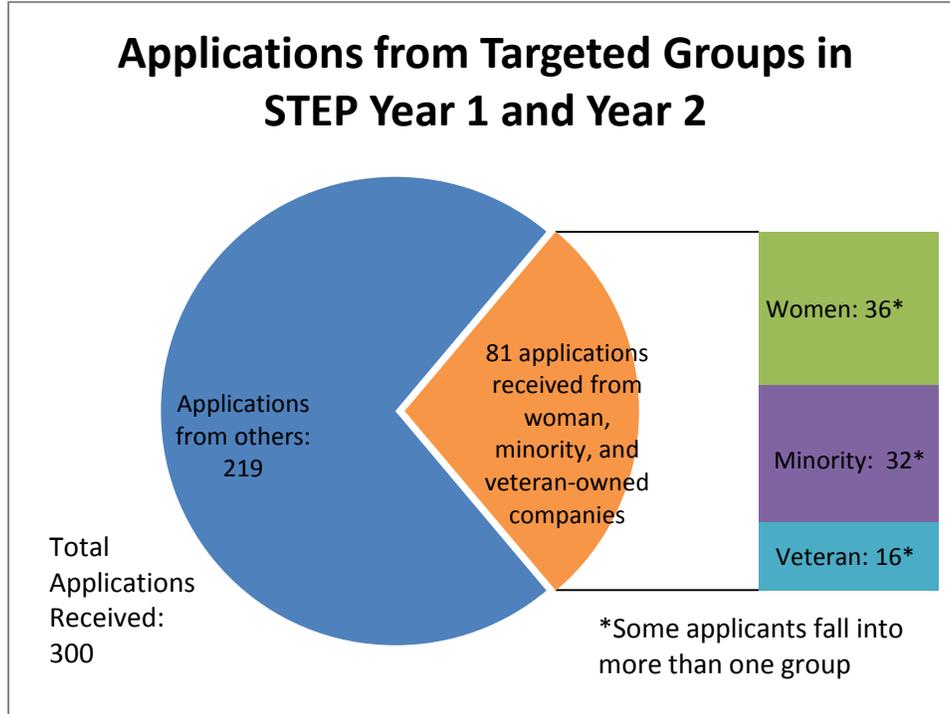
KEY RESULTS FOR CONGRESSIONAL DISTRICT #6 (2011-2013)

Total number of companies assisted	11
Actual sales reported	\$985,000
Forecasted sales reported (12 months)	\$9,810,000
Forecasted sales tax revenue and job growth	\$432,000 60 jobs

KEY RESULTS FOR THE EXPORT VOUCHER PROGRAM IN DISTRICT #6 (2011-2013)

Number of companies that received an export voucher (includes companies that received a voucher in both Year 1 and Year 2)	6
Number of export vouchers awarded	10
Total \$ awards obligated	\$34,071

KEY RESULTS FOR THE EXPORT VOUCHER PROGRAM

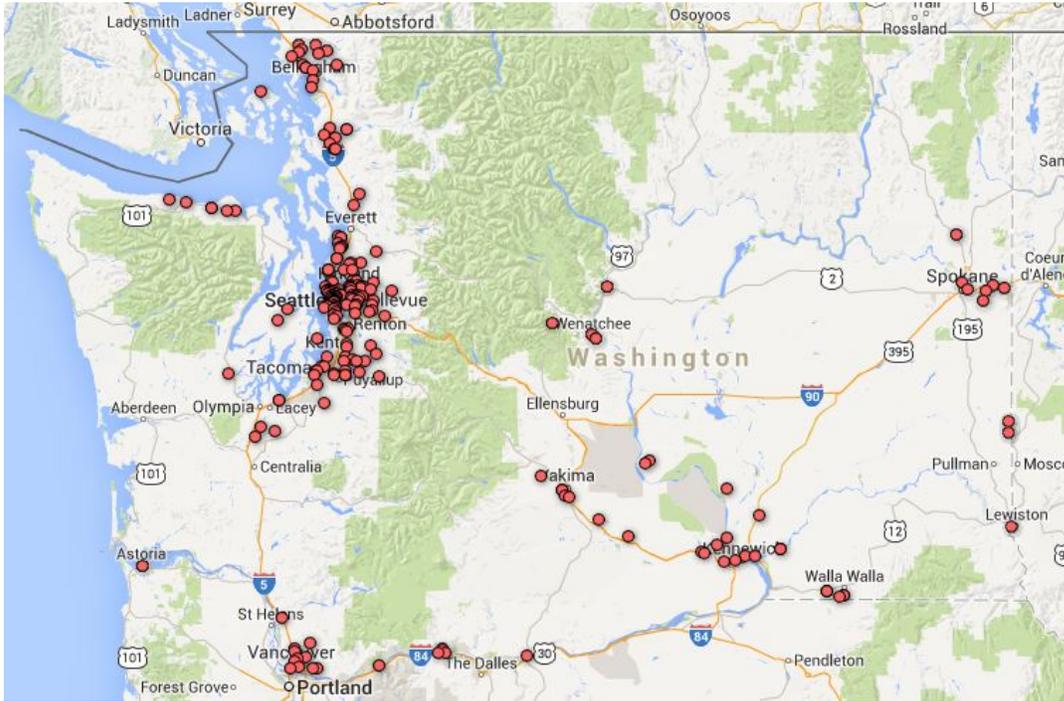


Congressional District #6 Businesses Assisted through the STEP Program

**The companies listed below have expanded or launched their
export strategy with the assistance of STEP-funded support**

Angeles Composite Technologies Inc	Port Angeles
Armstrong Marine Inc	Port Angeles
Aseptica Inc	Port Orchard
Catalyst Energy Technologies	Port Angeles
General Plastics Manufacturing Company	Tacoma
Profile Composites	Bremerton
SAFE Boats International LLC	Bremerton
Luck's Company	Tacoma
Roman Meal	Tacoma
Columbia River Farms	Port Angeles
Purple Haze Lavender Ltd	Sequim

Geographic Distribution of STEP-Supported Businesses



Global Markets Targeted by STEP-Supported Businesses



TESTIMONIALS FROM BUSINESSES SUPPORTED THROUGH STEP

Businesses throughout Washington State that were supported by STEP funds to attend a trade show or export training seminar provided the following feedback about the program.

Farnborough Air Show

“The show and all the work that Commerce did for us exceeded our expectations. We wouldn’t have gained any business from Farnborough without Commerce.”

- **Robert Edmondson**
Corporate accounts and business development manager
MetalTech, Sumner, WA
Turnkey manufacturing, fabrication and assembly

Latin American Agricultural Aviation Show

“The trip was extremely valuable generating 8 solid sales leads and a potential 4 new dealers/distributors....I would have rated the overall quality of the trip as excellent, if not for the general malaise expressed by every person we met with in Argentina over the difficulty of importing and growing inflation. Overall we met the business objectives of the trip and believe it will result in continued exports in South America. We are extremely humbled and appreciative of the export grant – thank you!”

- **Tom Welch, General Manager**
Cascade Aircraft Conversions
Garfield, WA
Aerospace engineering, conversion and manufacturing

Technical Sales Training for Foreign Distributors

“Thanks for your support. It is good to know that our state and federal governments are behind us in developing this business.”

- **Leonard Felix, President**
CID Bio-Science
Camas, WA
Plant measurement instruments

TESTIMONIALS FROM BUSINESSES SUPPORTED THROUGH STEP

Governor's Trade Mission to India

"Wow, this was truly a great experience. The entire [Commerce] staff was incredibly helpful. Governor Gregoire walks the walk. She is a true champion of business for Washington."

- **Tom Hedger, President**
Magnum Venus Plastech
Kent, WA
Composites equipment and solutions

Aircraft Interiors Expo

"I appreciated the STEP grant to attend this event. It was an excellent opportunity to connect with potential customers."

- **Steven T. Anderson**
VP Sales and Marketing
Commercial Aircraft Interiors
Burlington, WA
Aerospace parts manufacturer

Medica 2012

"We were able to have meetings with three German dealers, one Brazilian dealer and three Chinese dealers that were either provided to us through the Washington State Dept. of Commerce or were stopping by our exhibit."

- **David Garland, VP Sales**
Simulab
Seattle, WA
Medical education products

Farnborough Air Show

"Building a new business, this trip was for introduction only. Commerce did an outstanding job pulling this together. We have made connections that over time will certainly lead to profitable opportunities."

- **Steve Kidd, President**
Cimtech,
Algona, WA
Aerospace manufacturing

TESTIMONIALS FROM BUSINESSES SUPPORTED THROUGH STEP

Industrial Automation Show

“Not only was the STEP funding a great support to Delta’s export efforts in marketing and business development in China, the contacts made with the U.S. Commercial Service branches in China through the STEP Program turned out to be very helpful for Delta to understand the local market segments and potential prospects! We had a good start with the STEP support. We wish the fund remains available so we could do it again for exporting to Brazil and China in 2013!”

- **Gan Li, Regional Sales Manager**
Delta Computer Systems
Vancouver, WA
Industrial motion controllers, motion software, color sensors and accessories

Aerospace Defense and Supplier Summit

“The biggest value [of the Aerospace Defense and Supplier Summit] was to our branding. We received some media attention due to our business model. That attention came directly from our relationship with the Washington Department of Commerce.”

- **Tom Brosius, General Manager**
Orion Industries
Federal Way, WA
Manufacturing and supply chain solution

International Sales Trip

“WSDA introduced us to buyers from around the world, greatly enhancing our export program. Last year, they brought buyers from four countries to our vineyard. This is particularly helpful because when we can get buyers to see our operation first hand, it increases our opportunities for exports.”

- **Butch Milbrandt, Co-owner**
Milbrandt Vineyards
Mattawa, WA
Winery

TESTIMONIALS FROM BUSINESSES SUPPORTED THROUGH STEP

Export Training Seminar

"Three things that we learned from the Export Training Seminar [sponsored by Commerce through the STEP program]: We do know a lot about exporting, we have an antiquated financial model for exporting and there is assistance to open markets through the state of Washington."

- **Jeff Logosz, CEO**
Slingshot Sports
North Bonneville, WA
Water sports equipment manufacturer

JEC Composites Show 2013

"I have been involved in many such events and the work and output/results provided by your staff were excellent. The State of Utah had a booth kitty-corner to ours, and their traffic and participation was probably one-tenth of the Washington booth! The entire Boeing Commercial senior team—Materials, Innovation Center & Technology—visited the booth and discussed opportunities with participants."

- **Geoff Wood, CEO**
Profile Composites
Bremerton, WA
Advanced composites manufacturing

Mobile World Congress 2013

"Under the STEP program, Commerce did a fabulous job of bringing together small but growing companies under one roof at subsidized prices and a curated list of contacts via services like business matchmaking to explore business. Out of 50 states in the USA, Commerce was the only one out there supporting small companies."

- **Ruchit Garg, CEO**
9Slides
Redmond, WA
Cloud-based presentation platform