

TESTIMONY

Hearing entitled: *The Deepwater Drilling Moratorium: A
Second Economic Disaster for Small Businesses?*

Ethan Treese

Vice President, Government Solutions, Dun & Bradstreet

Testimony presented before the Senate Committee on
Small Business and Entrepreneurship

July 27, 2010

I would like to thank Madame Chair Landrieu, Ranking Member Snowe and the Committee members for the opportunity to testify today.

Dun & Bradstreet has been the leading provider of business information and insight since 1841. We maintain a global database of over 169 million businesses, ranging from sole proprietors to the largest multi-national corporations. Through our DUNSRight® Quality Assurance Process, we collect information from more than 20,000 sources, including public record sources, third parties, and business owners themselves. We have more than 23 million active US businesses in our database and update our database about 2 million times a day to help ensure its accuracy, timeliness and completeness. We serve as a trusted business partner for 95% of Fortune 1000 companies, all 15 Cabinet-level Departments, most independent agencies as well as state & local governments who use our information for business verification, risk assessment and for custom analyses.

D&B provides its customers with insights about businesses, including those that may be impacted by crises. For example, following Katrina, D&B helped both private and public sector customers assess the impact on businesses in the coastal areas in Louisiana, Mississippi and Florida. In the 12 months after Katrina, we found that 15,670, or 4.9% of the 319,477 businesses in the impacted areas, went out of business, resulting in the loss of 88,936 jobs.

Following the Deepwater Horizon Oil Spill, we conducted analyses on the potential business impact. We have since shared our findings with both public and private sector organizations, as well as members of Congress.

Our first analysis profiled businesses in the five Gulf Coast states (Alabama, Florida, Louisiana, Mississippi, and Texas) by industry and number of employees to identify those industries most likely to be impacted by the oil spill. We

determined the oil spill could potentially affect 7.3 million businesses. We further analyzed the top 50 industries and found that Eating Places, Repair Services, Gift/Novelty Shop, Hotel/Motel, and Gasoline Service Station industries had the highest numbers of businesses and employees that could be impacted.

Our second analysis focused on the potential economic impact a drilling moratorium could have on small businesses located in the five Gulf States. We first identified industry classifications related to the oil and gas industries, concentrating particularly on oil and gas exploration services, field services and field machinery, as well as air transportation (helicopters). We then looked specifically at those businesses that met the Small Business Administration definition of “small business”.

Our high-level findings are as follows:

- There are at least 16,580 businesses in the five Gulf States that could be impacted by a moratorium
- Approximately 98% of these businesses meet the definition of “small business”, with 85% of these businesses having fewer than 10 employees
- 667 (4.1%) of these small businesses are classified as Woman-Owned, Minority-Owned, or Veteran-Owned and 97% of these small businesses are US-owned
- These small businesses employ 153,502 individuals, with over 95% of them located in Texas and Louisiana
- On average, these small businesses have been in operation for 16 years. But we also found that 2,065 (12.7%) of these businesses were established within the last five years, which puts them at even greater risk for failure, since newer businesses tend to fail at a higher rate than more-established ones

When we look at the potential impact of a drilling moratorium from a geographic perspective, we see that:

- The distribution of small businesses at the state level is as follows:
 - 12,140 (74.8%) in Texas,
 - 2,831 (17.4%) in Louisiana,
 - 579 (3.6%) in Florida,
 - 487 (3%) in Mississippi, and
 - 191 (1.2%) in Alabama
- Only 27% of these small businesses are located in coastal counties or parishes; while the other 73% are located inland, suggesting that a moratorium could be felt more broadly throughout the Gulf States
- Tuscaloosa County in Alabama, Miami-Dade County in Florida, Lafayette Parish in Louisiana, Jones County in Mississippi and Harris County in Texas may be disproportionately affected
- In Lafayette Parish alone, 780 businesses employing close to 10,500 people could be impacted

While our analysis to date has focused on a finite number of industries within the five Gulf States, it is both prudent and reasonable to assume that there is an element of contagious risk which may extend beyond these industries. It is equally prudent to assume that this risk may extend beyond the five Gulf States and may impact small businesses throughout the country.

In summary, D&B information and services are always available to the Committee, Congress, and others that can utilize this information to make policy decisions surrounding the drilling moratorium, the claims handling process or other areas

where sound decisions on policy can be achieved through the use of trusted information and analysis.

I thank you for the opportunity to appear before the Committee and look forward to responding to any questions you may have.