

SENATE BILL REPORT

SSB 5639

AS PASSED SENATE, MARCH 15, 1991

Brief Description: Creating the Pacific Northwest export assistance project.

SPONSORS: Senate Committee on Ways & Means (originally sponsored by Senators Cantu, Snyder, Anderson, Bluechel, Madsen, Barr, Sutherland, Johnson, Bauer, Bailey, Roach, A. Smith, Thorsness and Conner).

SENATE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Matson, Chairman; Anderson, Vice Chairman; Bluechel, McCaslin, McDonald, Moore, Murray, and Skratek.

Staff: Forrest Bathurst (786-7429)

Hearing Dates: February 20, 1991; February 26, 1991

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5639 be substituted therefor, and the substitute bill do pass.

Signed by Senators McDonald, Chairman; Bailey, Bauer, Bluechel, Cantu, Gaspard, Hayner, Johnson, L. Kreidler, Matson, Metcalf, Murray, Newhouse, Niemi, Owen, Rinehart, Saling, L. Smith, Talmadge, Williams, and Wojahn.

Staff: Mary Poole (786-7715)

Hearing Dates: March 11, 1991

BACKGROUND:

The small and medium sized business community asserts that gaining access to comprehensive export assistance is becoming more difficult over time. This difficulty in securing export services makes many small businesses avoid exporting due to the high risk associated with trying to do it alone.

Washington State does not currently have a one-stop-shop export program that provides comprehensive assistance to the small business community. Small businesses must coordinate with numerous federal, state, and local export programs to acquire a complete package of services.

The proposed Pacific Northwest Export Assistance Project is modeled on the award winning New York/New Jersey Port Authority program, X-PORT. X-PORT recently won the

Innovations in State and Local Government Award given by Harvard University for the Ford Foundation. It also holds the President's "E" award for exporting excellence.

Research shows there are approximately 10,000 small manufacturers in Washington State in four targeted two digit standard industrial classification codes. These industries are: (1) value added wood products; (2) food processors; (3) computers and peripherals; and (4) bio-technology.

SUMMARY:

The Pacific Northwest Export Assistance Project is administered by the Small Business Export Finance Assistance Center as a separate branch for accounting and auditing purposes.

The project is restricted to assisting small manufacturers and food or agricultural processors with gross annual revenues below \$25 million. Ninety percent of each annual cadre of new clients must have gross annual revenues below \$5 million. Thirteen new clients will be accepted in the first and second years of operation, and 14 will be accepted in year four. The project will assist a maximum number of 40 clients over each three-year period thereafter. This is less than one-half of 1 percent of the 10,000 firms identified in the four targeted two digit SIC codes.

The project provides comprehensive export services which include: 1) assisting clients in obtaining debt or equity financing; 2) helping draft competent business proposals; 3) securing export guarantees and insurance to underwrite risk; 4) developing marketing materials; 5) assessing and targeting foreign markets; 6) conducting market research; 7) identifying and negotiating with foreign agents or distributors; 8) trade show planning; 9) advising on product quality, guarantees, and after sales service requirements; 10) counseling on methods of minimizing commercial and political risk; and 11) contracting with other public or private export service providers to deliver services outside the project's areas of expertise.

A client will be immediately released from its marketing agreement with the Pacific Northwest Export Assistance Center if it wishes to switch to a private sector export management company and produces a valid contract showing it has made provisions for these services. A client will also be released from its marketing agreement if the president of the Small Business Export Finance Assistance Center feels there are compelling reasons to release the client. There are no penalties to the client in either of these situations.

Sunset provisions are repealed for the Small Business Export Finance Center.

Sunset requirements for the Pacific Northwest Export Assistance Project are established for June 30, 1997.

The bill contains an emergency clause and a severability clause.

Appropriation: none

Revenue: yes

Fiscal Note: none requested

Effective Date: The bill contains an emergency clause and takes effect immediately.

TESTIMONY FOR (Commerce & Labor):

The proposed Pacific Northwest Export Assistance Center provides comprehensive public export services to small businesses which are not currently available in one location. Its services fill an important niche that presently is not served by either public or private export service providers.

TESTIMONY AGAINST (Commerce & Labor):

Export marketing services are offered by private sector firms and should not be offered by the proposed Pacific Northwest Export Assistance Center. The proposed project unfairly competes with private sector export services.

TESTIFIED (Commerce & Labor): Randy Ray, Puget Sound Steamship Operators Assn. (pro); Jim Zimmerman, Trout Lodge (pro); Professor Patrick Fleenor, Seattle University (pro); Ken Keach, Small Business Export Finance Center (pro); Gary Smith, Independent Business Association (pro); Scott Taylor, Washington Public Ports Association (pro); Beverly Woods, Assn. of Washington Business (pro); K. Harper, Ballantrae International, Ltd. (con)

TESTIMONY FOR (Ways & Means): None

TESTIMONY AGAINST (Ways & Means): None

TESTIFIED (Ways & Means): No one