

Contact: Kathryn Seck 202-224-5175 p 202-224-5619 f
kathryn_seck@small-bus.senate.gov <http://sbc.senate.gov/>

Kerry Promotes Strong Innovation Research Program at Navy's Opportunity Forum

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WASHINGTON – Today Sen. John Kerry (D-Mass.) outlined his plans for renewing the government's research and development program for small firms in a speech before the Navy Opportunity Forum. The Small Business Innovation Research (SBIR) Program is key to developing technologies of the future – from new health care breakthroughs to inventions that keep our military safe.

"I'm proud that Massachusetts small businesses are so dynamic that they've won more SBIR contracts than any state besides California," said Kerry, Chairman of the Committee on Small Business and Entrepreneurship. "These are small businesses having a large impact, and pushing the technological envelope. Their work will not only help keep our soldiers and sailors safe, but will help keep America on the competitive edge. This is what small business research can accomplish, and often faster and cheaper than larger competitors or the government itself."

Kerry promised to keep the SBIR program strong as he leads the reauthorization process for the program this year. He supports increasing the percentage of government funds, reallocating funds to bridge the gap from development to commercialization, and making the program permanent.

The Navy Opportunity Forum is a networking and showcase event that brought together approximately 1,500 small firms, R&D managers, government acquisition officers, prime contractors, suppliers, and defense personnel.

Following are Kerry's remarks, as prepared for delivery:

Thanks for that kind introduction, and thanks to John Williams for having me here today. The Navy is a leader in harnessing the potential of small businesses innovation, and a great deal of credit for that goes to John Williams.

As a Navy veteran myself, I'm always impressed by the remarkable technologies on display at an event like this—so different from the boats I captained up and down the rivers of Vietnam 35



Sen. John Kerry (D-Mass) with Jerry Fanucci and John Schickling of KaZaK Composites, Inc.

years ago. I'm proud of your accomplishments, and you should be proud to know that lives will be saved thanks to your ingenuity.

Throughout the history of warfare, from gunpowder to precision-guided munitions, technological innovation has often led to mastery of the battlefield. Revolutionary technological advances helped to break the stalemate in the trenches of World War One and delivered the decisive blow that ended World War Two in the Pacific.

And America has always put its faith in innovation to maintain our advantage. From stealth technology to unmanned aerial vehicles, from night-vision goggles to the new mine-resistant vehicles better able to withstand roadside bomb attacks in Iraq, we have consistently pushed the envelope and equipped our troops with weapons that keep them safe and keep America strong.

This is not a new phenomenon. Two thousand years ago, Carthage had the greatest navy in the world. They dominated the Mediterranean and sank Roman ships from Gibraltar to Palestine. Then one day the Romans captured a few of their ships, and copied and surpassed their designs. It wasn't long before the Romans were calling the entire Mediterranean "our lake."

Like Rome did to Carthage, others will copy our innovations and stand on the shoulders of our scientists to make better boats with better equipment. That is why we must continue to make science and research a priority—in the navy and in the entire economy.

What we are doing here today is anticipating what our soldiers will need for the next generation of battle- for fourth-generation warfare and a war on terror that will be fought on just about every continent where mobility is often more important than might. And we're anticipating what our small businesses can do to help us get there and that includes a strong Small Business Innovation Research program.

That is the big picture, and it's worth keeping in mind as we discuss the nuts and bolts of reauthorizing the SBIR program, a process that is long and tough and sometimes inefficient but that your livelihoods and our safety depends on getting right.

The Small Business Innovation Research (SBIR) program is a great example of how government and business can work together to advance the cause of both science and our economy. As the program enters its 25th year, the results have been dramatic for small, high-technology companies participating in the program. Since the first SBIR grants were made, almost 90,000 projects have been funded, totaling almost \$19 billion.

The SBIR program has left its mark on some of our best innovations. The technology that creates the "invisible" condensation trail of the B-2 bomber was an SBIR invention. And payloads from the space shuttle and the Hubble Telescope both rest on SBIR-funded technology.

More recently, Cybernet Systems of Ann Arbor Michigan used SBIR funding to invent a technology for sorting bullets that allows one soldier to do the work that used to be done by 40. The machine uses lasers and computer cameras to sort and inspect bullets from 9 millimeter to 50 caliber rounds at a much finer level of detail than the human can manage. This not only frees up our soldiers for other important missions, but it also saves a tremendous amount of money that would otherwise be spent on wasted, lost, and damaged ammunition. It's an SBIR success story, and it's a woman-owned firm, founded by Heidi Jacobus.

As Chairman of the Committee on Small Business and Entrepreneurship in the Senate, and as Senator of a state that is a leader in the nation for research and development, I understand how important research funding is to the health of our high-tech small businesses and to our country's spirit of innovation. And I will do what I can to keep the SBIR program strong.

There are many issues we need to tackle in order to enhance this program, ranging from how to strengthen intellectual property protections to how to define a small business, but I want to focus on a few issues I hear about most frequently from small business owners.

The biggest concern I hear about is reauthorization. I know some folks are worried about the future of SBIR, whether it will continue to exist-and, it's a valid concern given that last time reauthorization got caught up in a series of continuing resolutions, lapsed, and the agencies stopped making awards. That hurt a lot of small businesses and their employees and interrupted important research. We won't let that happen again.

First, to avoid a shut-down, we are starting the process earlier. The program doesn't expire until September 30, 2008, and our Committee is shooting to have the program reauthorized before the end of this year. Second, unlike in the past, this year the question won't be whether SBIR should continue-- but whether to make it permanent or simply reauthorize it for several years.

In 2006, the Committee adopted—and we tried to pass—a bill to make the program permanent, and I still believe that's the right idea. But some in Congress don't agree. They think that by keeping this program on a short leash, they can force oversight. We had a similar struggle back in 2000, during the last reauthorization, and we managed to reach a compromise that authorized the program for eight years. I'll push for permanency, but I expect there will be differences on this issue. The important point is to get the program reauthorized.

Another question basic to the future of the SBIR program is: Should we increase the 2.5 percent allocation? I think we should. And last summer our Committee passed a measure that would have doubled it to five percent over the next five years. But this is controversial—and it contributed to the bill's death in the 109th Congress. The Administration doesn't support it, and neither do some powerful committees. There are pressures from patient groups and universities that don't want to see the small businesses cut into their 97 % of federal research dollars, and there are budget pressures for funding military operations. I understand these concerns, but I want to explore every avenue for putting the full weight of the federal government behind the innovations of tomorrow.

And now let me turn to what I consider to be the most difficult problem facing the future of the SBIR program – how to transition more SBIR technology into government projects and commercial products.

I often hear from frustrated SBIR firms that they complete the work of a Phase II Award, but the technology isn't far enough along to be inserted into a government project, or to attract venture capital for commercial application. These firms need more time and more money – and often they end up hiring an expensive lobbyist to try to get their project funded through an earmark in an appropriations bill. This is inefficient, and it lets promising technology fall through the cracks when we could be using it to make our country stronger and to save lives.

Right now, as you know all too well, Phase III does not allow the use of SBIR funds. I think it's time to consider increasing the 2.5% allocation to provide funding that would bridge the gap from Phase II to readying the SBIR projects for insertion and commercialization. We would work to make sure that acquisition managers benefit from using the funds to meet their missions.

Another piece of the problem is contracting. When a prime contractor pledges to bring in small businesses to win a federal contract, they must make good on their word. The Committee hears all the time from small businesses jilted by the prime contractors who suddenly forget them once their project is underway. Adding insult to injury and wasting money, the big businesses sometimes duplicate the SBIR research in-house. This is a policy issue, but it's also a matter of corporate responsibility. I'm not pointing fingers at anyone in this room, but I am asking the prime contractors, and the acquisition managers who should be monitoring these contracts, to do your part in ending this practice.

We've seen what this program can accomplish. Just look at:

- KaZaK Composites, from Woburn, Massachusetts. Earlier this year they won a patent for a new wing system to help missiles fly for longer periods at greater ranges. Their composites cost half as much as stainless steel, last longer, and are easier to maintain.
- Kronos Air Technologies from Belmont, Massachusetts. They've developed an air movement and purification system with no moving parts that cleans air silently—cooling down ships, yes, but also killing airborne biological viruses, bacteria, and mold, as well as Anthrax, tuberculosis, and e coli.
- Cape Cod Research, from Falmouth, Massachusetts. Cape Cod Research is enhancing conventional plastic and laminate to make transparent armor materials that protect against ballistic impact—windows that won't shatter, protective eyewear, and even personal armor for soldiers and cops. Cape Cod is also working on a toxin-neutralizing skin creme to protect against chemical and biological warfare agents.

I'm proud that Massachusetts small businesses are so dynamic that they've won more SBIR contracts than any state besides California. These are small businesses having a large impact, and pushing the technological envelope. Their work will not only help keep our soldiers and sailors safe, but will help keep America on the competitive edge. This is what small business research can accomplish, and often faster and cheaper than larger competitors or the government itself.

You know, if you read the notebooks of Leonardo DaVinci, you'll find – in his peculiar right to left handwriting—designs for a helicopter, an armored vehicle, a calculator, the double hull, and steam engine. All of which were revolutionary and brilliant. Some could have been built in his lifetime, but none were– and everybody in this room has an opportunity to make sure that our best ideas don't languish somewhere under-funded, untested, and under-used. We can do better.

In the long run innovation will keep us safe, keep us strong, and keep us ahead of our competitors. I hope you take advantage of your time here at this Conference to network, make great connections, and find small businesses to stand behind and support. Don't leave here today without making a contact or lining up a deal. If it's good for the Navy, and it's good for our businesses, then it's good for America. Thanks and good luck.