

# Business

Rockford Register Star  rrstar.com

3/21/03

## Manzullo wants manufacturers included in loan program



Don Manzullo

U.S. Rep. Don Manzullo, the Ogle County Republican, is pushing for the Small Business Administration to include manufacturers in a loan program that benefits mostly service companies.

Manzullo chairs the House Small Business Committee. **Please see 1B**

# Business loan program debated

Manufacturers seek a bigger share of funds from the Small Business Administration.

By MAUREEN GROPPE

Register Star Washington Bureau

WASHINGTON — A Rockford company that makes metal-cutting machines is up for sale, but to keep the company locally owned and operated, a local group needs \$3 million to meet the purchase price.

The Small Business Administration provides loans to small businesses unable to secure financing on reasonable terms through normal lending channels, so the deal should go

through, right? Not necessarily.

Rep. Don Manzullo, the Egan Republican who chairs the House Small Business Committee, says the program isn't providing the larger loans small manufacturers need. Most of the loans go to service businesses.

"A manufacturer's expansion costs are much greater because industrial construction is more expensive, and costly manufacturing equipment is often involved," Manzullo said.

Also in Washington on Thursday was John Phelps, executive director of the Rockford Local Development Corp.

Testifying at a congressional



Don Manzullo



John Phelps

hearing, Phelps used the W.A. Whitney metal-cutting company as an example of how small manufacturers aren't getting the federal help they need.

"Unless Rockford can bridge this gap, Whitney likely will be sold to an out-of-state or off-shore competitor, and our community will lose 125 skilled manufacturing jobs," Phelps said.

Ronald Bew, who testified to Manzullo's committee on behalf of the Small Business Administration, said the size of the loans has been reduced to spread the money around to more businesses.

Smaller loans make good

policy sense, Bew said, because they have a lower default rate and create more jobs for the money. Bew said government studies show that loans of less than \$50,000 create or save about one job for every \$14,700 spent. But it costs \$140,000 per job for loans between \$1 million and \$2 million.

"Clearly, these numbers prove that we get more impact on job creation from smaller loans," said Bew, the SBA's associate deputy administrator for capital access.

Phelps argued that traditional loans are increasingly out of reach for small businesses. According to a survey by the National Association of Manufacturers, 43 percent of small manufacturers said their cost of borrowing has increased

because of higher lender fees and interest charges.

Phelps suggested changes:

■ Debt refinancing to help manufacturers immediately reduce borrowing costs.

■ Targeted assistance to rural manufacturers that have no supportive banks.

■ A job ratio of one job created per \$100,000 loaned to account for the high cost of new machinery.

Congress has to reauthorize the SBA this year. Manzullo promised to examine each of the association's programs to "determine whether it maximizes assistance to small manufacturers."

"We will never have a true economic recovery in this country," Manzullo said, "without the manufacturing sector."