

TESTIMONY OF KEVIN BURNS
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NORTH HAVEN
Submitted to the
COMMERCE COMMITTEE
February 21, 2012

You may know us at Precision Combustion – a growing green energy technology company in North Haven. We now have 41 employees, up from 26 at the beginning of 2009, and up two since January 1. We're developing ultra-compact fuel processors for fuel cells and conventional engines, clean burners for many applications, and compact air cleaners. You haven't yet visited us, but you are welcome anytime. You'd have an interesting visit; we're the kind of high growth potential company that Connecticut needs to build an industrial base for the future.

I'm writing to support SB No. 81 in its increasing the maximum number of employees to qualify for certain economic development programs, and to encourage you to similarly expand the maximum number of employees to cover all economic development programs. This is easily in the highest interests of Connecticut in providing a stronger economic growth atmosphere.

Cutting off small business economic development support at only 50 never made sense for technology firms or manufacturers.

Companies like mine compete in a world of behemoths, much much larger companies that as customers or competitors tend to own the markets in which we are seeking to grow. Small businesses bring the advantages of hands-on management, newer technology, newer approaches, and a nimbleness that lets us bring value. If we are good enough, we can succeed. But the 50 employee point is when we are most fragile. At 50 employees, we are getting too big to run on sheer entrepreneurial vigor yet we are barely beginning to tap into economies of scale. We face the choice here of whether to simply stay small for focus on some tiny niche, or whether to take the risk of following up on the potential opportunity for significant growth. In fact, it's hard to survive at 50 employees, because we're already losing the flexibility of being tiny while lacking the economies of scale of being larger. Most of us choose the apparently less-risky course of staying put, but in fact this means the business will remain highly vulnerable from its size and still dependent on its owner's personal capability. It will not create any new jobs, and it will likely fade with time. From Connecticut's point of view, you wish more of us at this tipping point would choose to grow and be successful at it.

But what happens when we move forward past 50 employees? This is the time when we are trying to cross a market chasm, to transform from entrepreneurial vigor to systematized strength. We need to put in place all kinds of new organizational processes and invest heavily to achieve growth, with the knowledge that many of us will fail at this. Success would create a sustainable middle-sized (at least!) business and continuing growing source of good jobs for Connecticut. So what does Connecticut do to help us bridge this chasm?

Currently, Connecticut pulls the rug out from under us. First, we lose all kinds of under-50 small business exemptions that had reduced our regulatory burden, plus we suddenly find that we no longer receive economic development programs that had previously been there to encourage our growth. We suddenly need to incur even larger added support costs to manage the new regulatory burdens at the same time we no longer receive small business encouragements to grow – all at the same time we are attempting to grow aggressively? It is no wonder that too few businesses try to cross this chasm, and that so many fail of those who try.

This is a real barrier, affecting even a high growth potential company such as ourselves. I intend to be very sure I want to be bigger than 50 employees before we cross that threshold. This means, separate from other considerations of growth I will be leery of triggering loss of our status, and so we will be very careful of hiring this year, not wanting to cross the barrier inadvertently. And with current law I believe counting all employees employed during the year (summer interns, temporary part-timers, employees who leave), not just the total count at any time, we at 41 employees probably need to put into place the required larger-business processes and reporting before we hire more than a couple more employees this year. Another set of burdens on our list to do. **(The State should also correct this counting problem – it doesn't do you any good, dilutes the threshold, and gives us higher risk.)**

You are in a position of responsibility, and right now Connecticut is struggling to grow good jobs. **Perhaps one of the biggest contributions you could make to unleashing jobs growth in Connecticut would be to raising the 50 person barrier to growth now embedded throughout Connecticut law.** I ask you to do this, and hope you will decide this is a worthwhile objective to succeed in.

100 employees (measured at its highest point!) is a good threshold – by that point a company has had to learn how to systematize other processes, its organization is more developed, it has started to tap real economies of scale, and market pull is beginning to be the primary factor driving its growth.

The Governor and Legislature have taken some good introductory moves to offset Connecticut's job growth hostile environment, but you've barely started. To succeed this is a process at which you need to continually work. This size barrier issue is an important one. I hope you can succeed in moving it forward

not just for SB 81 but also for other current 50 employee barriers to growth in the state.

Please feel free to call me to discuss this further. **And you are welcome to come visit us at Precision Combustion at any time** – we've got an exciting story, and we have the opportunity to create many more high quality jobs.

Sincerely,

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