

House Small Business Committee Oral Testimony – Lea Bailes, Guier Fence Co.

My company, Guier Fence, is a thirty-one year old family-owned business specializing in fence installations in the Kansas City area, and now offering franchise opportunities based on our years of expertise and perfected business model.

This topic up for discussion today directly affects me as, in our industry; there are over 20,000 fence companies. Most companies are small with few, if any, employees and with revenues in the neighborhood of \$10 million and 54 employees, Guier Fence is at the top 1% of fence companies in the United States.

Despite the economic downturn, our company has remained financially solid and profitable. Our success comes directly through the individual effort, talent, and commitment of each of our employees who contributes to our reputation for excellence in our market area and in our industry. However, from May 2009 through February of 2010, our employee count dropped from 74 to 50. Many of these wonderful people worked for Guier Fence for years, and I knew each of them personally. I knew their families and the challenges they were going to face because of decisions I was forced to make. Our headcount dropped dramatically due to a 10% drop in revenue coupled with decreasing profit margins. As a company, we had to make that decision to allow our company to survive in this turbulent environment.

Fortunately, this year, Guier Fence has been able to hire an additional 10 people due to an increased demand in residential fence installations. We received no government funding in order to do this; not even a pat on the back or a thank you, but through Guier Fence's efforts alone.

Although our company is stable and our employee count is increasing, our challenges have not ended:

Banking regulations have disabled the bank system's ability to loan money toward commercial and industrial projects. Without commercial and industrial projects, companies such as ours that have historically relied on revenue from such projects will be hurt. Without these projects, we are unable to employ workers. In addition, the tightening of lending is making it more difficult for our potential franchisees to start businesses that would employ more people. The loosening of these regulations as they relate to small business is critical.

Per employee costs are rising. These costs include costs related to health insurance, benefits, workers compensation, employment taxes, and other compliance costs. Federal regulations continue to increase the financial burden on small businesses, especially on small businesses with greater than 50 employees. This arbitrary number will do more harm than good when it comes to employing people. By placing standards on such businesses, we will be forced to make

decisions based on our headcount. You are punishing us. If at under 50 employees our cost per employee are substantially lower, we will scale our business to avoid these regulatory burdens which will cause the elimination of some jobs. The trend of adding regulatory costs to each employee will result in the degeneration of small businesses and the dissolution of jobs.

Additionally, this undue regulatory burden on small business takes away our focus on our business. We have to hire employees and other professionals to just maintain regulatory compliance for a promised audit or compliance check. Unfortunately, we are not in a position to read and reflect on the Code of Federal Regulations. It has come to the point that if we do not research daily the upcoming rules and regulations, we may miss a critical compliance point and be penalized at some point for our ignorance. And, as you all know, ignorance is not an excuse for violating the law. At Guier Fence, we run our business ethically and responsibly, and would in no way intend to violate a rule or regulation. With the enormous quantity of rules and regulations, violations are likely and imminent.

I am unclear on what effect certain new laws will have on my business anyway. I have no idea whether our health care costs are going to rise or fall. I have no idea whether our income taxes are going up or down. I have no idea whether or not the administration intends to pass legislation regarding a value added tax. Congress and this administration put uncertainty in the eyes of business owners, which may be worse than laws that have a negative impact, simply because we cannot make decisions on uncertainty.

I am certain that the implementation of a value added tax or something similar will greatly affect the construction industry as a whole. If a tax is placed on each level of production, building costs will escalate to a point where the projects will no longer be economically feasible. A lack of projects equals a lack of jobs.

If you just read a summary of popular business books and advice, employees are supposed to be a business' greatest assets. My personal philosophy is that this is true. The true defining characteristic of a business is its culture. Culture is made up of people who bring with them various gifts, talents, skill and abilities. The individual strengths of each employee make you more successful than the next company. However, increasing costs per employee, lower revenue and margin per employee, and government regulations and requirements, cause each employee to be more of a liability than an asset. Each employee must produce more in order to be of value. In all honesty, these regulations imposed on small businesses take the fun out of being an employer. Rather than focusing on how to gain efficiency from each employee, I would rather focus on how Guier Fence is able to provide for them and their family.

Why should we grow? What incentive do we as business owners have to employee people?

In order to assist small businesses, please do not increase the number of rules and regulations that apply to small businesses. Please simplify the rules and regulations that currently exist to allow us the opportunity to comply without the need to hire expensive consultants to assist us. Inform us, educate us, and work with us. Do not raise our taxes. Do not impose a value added tax. Enforce the rules that already exist to take away businesses that intentionally violate the rules in order to get ahead.

Thank you for this opportunity to testify. I will now attempt to answer any questions you may have.