

**Committee on Oversight and Government Reform, Subcommittee on
Regulatory Affairs, Stimulus Oversight and Government Spending**

“Regulatory Impediments to Job Creation in the Northeast”

**Testimony of Jud Gostin, CEO, Sensis Corporation
April 20, 2011**

Chairman Jordan, Vice Chairman Buerkle, and distinguished members of the subcommittee; thank you for the opportunity to speak today and for organizing this important hearing. My name is Jud Gostin, and I am the CEO of the Sensis Corporation, an Aerospace & Defense firm, located in East Syracuse, New York. We started with 5 employees in 1985 and now employ 600 people, including about 450 engineers and computer scientists, many of whom have advanced degrees. Although we sell our products globally, approximately three-quarters of our revenues comes from contracts with the U.S. Government, primarily the FAA and Department of Defense.

Sensis is comprised of two operating divisions. The larger of the two, Air Traffic Systems (ATS), has established a consistent track record of successfully deploying innovative systems and design concepts to the FAA and NASA. We are a leading supplier of surveillance and automation products and turnkey systems that improve the safety, efficiency and capacity of air travel. When you fly through any one of the 35 largest US airports in America, Sensis technology is assisting air traffic controllers in preventing collisions on the runway. Moreover, the advanced concepts and procedures we are delivering to FAA and NASA is enabling the transformation of the national aviation system to NextGen. Two of our major FAA programs, ASDE-X and Runway Status Lights, have been cited by the U.S. National Transportation Safety Board for their effectiveness in contributing to improved runway safety. The Aerobahn decision support tool provides

the FAA, airlines, and airport authorities with a platform that enables collaborative decision making and, in conservative estimates, saves each airline user \$5 million per airport per year in just reduced taxi time and fuel burn. These factors translate into much reduced carbon footprint and higher expectation of on-time arrival and departure.

Our Defense & Security Systems division (D&SS), the other established operating division, is currently executing two major, state-of-the-art, expeditionary ground based radar development programs for the Air Force and Marine Corps. Both programs have the potential to transition into significant production programs. Also, by leveraging federal research assistance with our own R&D funding, we are developing a family of very small sensors and information processing products that will enhance the safety of our war fighters and the security of our borders.

My perspective of the regulatory impediments to job creation in the northeast (and other regions of the country as well) is informed by the experience I have gained by growing Sensis from a start-up with 5 employees, to a small business, and eventually to medium-sized enterprise as viewed in the eyes of government designation. It is this categorization which has caused some impediments to continued growth.

The fact is that most jobs in the country are created by small and medium-sized companies. Thus, from a job creation perspective, the most onerous regulations are those that slow down the activities and opportunities of such companies. Ashton Carter, Undersecretary of Defense for Acquisition, Technology, and Logistics, included the following guidance to Defense acquisition professionals in a memo he wrote a few months ago: "Increase dynamic small business role in defense marketplace competition. Small businesses have repeatedly demonstrated their contribution to leading the nation

in innovation and driving the economy by their example of hiring 65 percent of all new jobs and holding more patents than all the nation's universities and large corporations combined.”

The reality is that the Federal Government's de facto acquisition practices favor large and small companies to the disadvantage of medium-sized companies – those with annual revenues between \$100 million and \$1 billion. Large companies receive a significant amount of their new contracts as non-competed follow-ons to existing ones, while small companies receive a significant amount of their contracts via Small Business Innovative Research (SBIR) grants and a variety of other contracting practices that are designated in statute to include and promote small businesses.

Medium-sized companies typically don't have enough of a contract base to attract a sustaining level of follow-on awards and they are too big to be eligible for SBIR awards or contract preferences. And yet, these companies are not only a primary source of job creation, they are also an exceedingly valuable, albeit underutilized, contributor to the effectiveness of government procurement activities and ultimately to the mission of a number of federal agencies. Many medium-sized companies possess a combination of attributes rarely exhibited by large companies – not only exceptional design, development, production and life-cycle support competencies, but also a high level of innovation, responsiveness, agility, flexibility, enthusiasm and entrepreneurship.

Medium-sized companies are less limited by preconceptions of what can't be done, and are not encumbered by excess overhead structure, last generation infrastructure and stifling bureaucracy. Also, medium-sized companies are far more capable of leading major acquisitions than is usually recognized. Sensis' standout record as a prime contractor on major FAA and DoD programs is a case in point. By virtue of this combination of attributes, medium-sized companies are capable of providing the

Federal Government with significant cost and schedule savings – and it's hard to remember a time when federal agencies and all taxpayers needed these savings more.

Here are some recommendations for regulatory changes that will promote job creation in medium-sized companies:

- Require more substantial acquisitions to begin with a competitive prototyping phase, and encourage the inclusion of medium-sized businesses as prime contractor candidates.
- Enforce regulations that reduce the program acquisition redirections and delays that have a disproportionate impact on medium-sized businesses.
- As currently structured, Government oversight agencies, for example DCAA, DCMA and the Earned Value Management Center, are not well matched to the pace and scale of medium-sized businesses – develop lightweight, fast track versions of these agencies.
- Enforce small business set-aside goals which now seem to be routinely ignored.
- Institute a Medium-sized Business Innovative Development (MBID) program, analogous to the Small Business Innovation Research (SBIR) program for very small businesses to provide quick reaction and ample funding for substantial development efforts if and when justified by the payoff.
- Review and modify source selection criteria and scoring processes to eliminate the inherent biases against medium-sized firms.
- Recognizing that medium-sized companies competing for large prime contracts may not have an abundance of relevant past performance data, modify the past performance criteria applied to proposal evaluation so that it penalizes poor past performance more than a lack of past performance data.

Thank you for the opportunity to testify today on these very important issues. As I've explained, these issues hit directly at the ability of companies like Sensis to continue their job and revenue growth.

I would enjoy discussing any of my suggestions in more detail with you and your staffs.

Thank you again for your time.

Jud Gostin

Mr. Gostin founded Sensis Corporation in 1985 and serves as its Board Chairman, Chief Executive Officer and President. In these roles, he develops the company's goals, vision and operating philosophy. Through his leadership and direction, Sensis has grown into a market leader of sensors and information technology for the world's militaries, civil aviation authorities, airports, airlines, and medical equipment companies, with technology deployed in more than 30 countries across 5 continents.

Before founding Sensis, Mr. Gostin was a Program General Manager within General Electric's Radar Systems Department, responsible for a major segment of that department's business. Through much of his GE career, he led the development of advanced air defense systems. Mr. Gostin has received two patent awards and, in 1978, was selected from a population of about 5000 engineers to receive the GE Centennial Award as the Electronic System Division's outstanding contributor.

Mr. Gostin is currently a member of the Board of Directors of the Metropolitan Development Association, Famous Entrepreneurship Series and Central New York Technology Development Organization, and the Board of Advisors of Syracuse University College of Engineering and Computer Science. He has also been a prime mover in spurring an effort to articulate and pursue a broadly held community vision.

Mr. Gostin is married, has three children and five grandchildren. His outside-of-work interests include reading, classical music, skiing, hiking and jogging.

Mr. Gostin has a BA and MSEE from Dartmouth College.

Committee on Oversight and Government Reform
Witness Disclosure Requirement – “Truth in Testimony”
Required by House Rule XI, Clause 2(g)(5)

Name: Jud Gostin

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2008. Include the source and amount of each grant or contract.

I have personally received no contracts or grants since October 1, 2008

2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

I am the CEO of the Sensis Corporation and testifying on its behalf.

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2008, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

Sensis has received hundreds of development and production contracts from the FAA, NASA, DoD procurement agencies and foreign government agencies.

I certify that the above information is true and correct.

Signature:

Date: 18 April, 2011


