



March 19, 2007

The Honorable John D. Dingell
Chairman
Committee on Energy and Commerce
2125 Rayburn HOB
Washington, D.C. 20515

The Honorable Rick Boucher
Chairman
Subcommittee on Energy and Air Quality
Committee on Energy and Commerce
2125 Rayburn HOB
Washington, D.C. 20515

Dear Chairmen Dingell and Boucher:

Thank you for inquiring about the National Federation of Independent Business' (NFIB) opinion on climate change issues. As the nation's leading small business trade association, our members represent all segments of the small business community.

NFIB has not been involved or taken a position on overall climate change legislation or the cap and trade program, so we are unable to constructively answer the questions you have submitted. However, while we do not have a position on climate change and cap and trade, as end users of energy resources, small businesses are greatly impacted by the cost and availability of energy. We have conducted numerous studies and surveys over the years concerning the impact of energy costs on small business, and here are some excerpts from a few of our surveys:

NFIB members primarily use gasoline and electricity in their businesses, and in our 2004 Problems and Priorities survey, they rated the impact of these among their top ten concerns. NFIB's Problems and Priorities series has been published approximately every four years since its inception in 1982, and the research procedure has remained fundamentally unchanged. A large sample of small-business owners, all members of NFIB, is sent a mail questionnaire. The questionnaire presents over 70 potential business problems, public-policy related and not. Respondents are asked to rate the severity of each potential problem on a scale anchored by "Critical Problem" on one end and "Not a Problem" on the other.

In our 2004 survey, the cost of natural gas, propane, gasoline, diesel and fuel oil ranked as the fourth most-pressing problem of small business owners. About a quarter of owners ranked this problem as “critical” in 2004, compared with 20 percent in 2000. The problem ranked 10th in 2000.

Electricity costs are the 10th most important problem listed by our members, with 15 percent of business owners ranking it as critical. In our 2000 Problems and Priorities survey, electricity costs were listed as the 19th most important problem. There is considerable variation among industries on the impact of electricity costs. Businesses in manufacturing and agriculture tend to use greater amounts of energy. Electricity is also a major component of the production of other types of energy, and the use of natural gas is dependent upon adequate electric supplies and reserves.

In addition to our Problems and Priorities series, we conduct regular surveys of small businesses on issues across the spectrum. Included with our response are three NFIB National Small Business Polls that are relevant to our members concerns about the cost of energy, how it impacts their business, and also how government regulations impact them.

Our poll on Energy Consumption (2006) is probably most helpful to your efforts. The results indicate that energy is a major cost in a substantial share of small businesses. One in 10 (10%) small-business owners claim that energy is their single greatest cost, greater than wages and salaries, and materials and supplies. Another 25 percent claim energy is one of the two or three largest business costs they have.

Energy costs in small businesses are typically linked to operating vehicles or heating and cooling. Thirty eight (38) percent report their primary energy costs are attributable to vehicles while another third (33%) attribute theirs to heating and cooling. Thus, 70 percent attribute their greatest energy costs with transportation and buildings.

Of the 84 percent who use vehicles in their business operations, 49 percent did not change much of anything in the last year to counteract the higher price of gasoline and/or diesel. The most frequent step of those who did was: 18 percent rescheduled or changed routing; 16 percent used fewer vehicles or used them less frequently; and 11 percent purchased or leased more energy-efficient vehicles.

Fifty-seven percent own the building in which their business is primarily located. Seventy-one percent of those who lease directly pay the heating and cooling bill, meaning that between 85 and 90 percent have an immediate incentive to reduce energy costs in the space they occupy.

One in five (20%) of those who directly pay heating and/or cooling bills remodeled their building or substantial parts of it in the last three years in a way that achieves notable energy cost savings, and a non-mutually 21 percent plan to do so in the coming three years.

In addition, within the last three years, 43 percent have taken steps to reduce the amount of energy their businesses consume. The most prominent steps were operational such as changing to more efficient lighting, changing the thermostat, rearranging or rescheduling processes, and switching off lights or equipment when not in use. The most frequent investments were new and more energy-efficient equipment, adding insulation, new windows and/or doors, and installed/improved heat recycling systems.

NFIB also polls its members three times per year on issues that are pending before Congress. We send out a Member Ballot with five or six basic questions to all our members. They are given some background on the issue, pro and con arguments, and are asked to indicate whether they favor, oppose or are undecided. Below are some of our Member Ballot questions that might give a good snapshot of what small businesses concerns are with respect to global warming and air pollution.

Should Congress impose energy taxes in order to fight global warming?
(Mandate, vol. 523, October 1997)

Favor: 7% Oppose: 83% Undecided: 9%

Should certain small businesses be required to obtain air pollution permits before they can expand? (Mandate, vol. 531, October 1999)

Favor: 21% Oppose: 61% Undecided: 14%

Should the government make it easier for refineries to be opened? (Mandate, vol. 552, November 2006)

Favor: 78% Oppose: 15% Undecided: 7%

Should small businesses cited for minor violations of the Clean Air Act have fines suspended for first offense? (Mandate, vol. 486, June 1990)

Favor: 78% Oppose: 17% Undecided: 5%

Should vehicles be required to meet more stringent fuel efficiency standards?
(Mandate, vol. 550, March 2006)

Favor: 45% Oppose: 44% Undecided: 11%

We obtain information from our members in different ways. Some are representative samples of the membership and some are representative samples of the national population. In addition, some of the polls have a narrow context while others have a broad context. But as a body of knowledge, they point in the direction that smaller firms would like to go. If you or your staffs would like to explore these poll results further, please let us know and we will be happy to go over them in depth.

While we are unable to answer the questions on climate change and the cap and trade program, I hope that the data accumulated by the NFIB Research Foundation will be of help to your staffs as you begin writing legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd A. Stottlemyer". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Todd A. Stottlemyer
President & CEO