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SBA - WHITE PAPER

NEW ENGLAND LENDING AND RECOVERY PROJECT
January 31, 1992

What it is
The latest phase of a regional recovery plan begun in May, 1991, the Small Business Administration's (SBA) New England Lending and Recovery Project ***addresses credit problems that firms in the region face as a result of the recession and bank failures.*** It provides new loans to small businesses and, where possible, restructures existing loans made by banks taken over by the Federal Deposit Insurance Corporation (FDIC).
The objective is to return small businesses to the mainstream of private-sector credit, preserve jobs and bolster local economies. The Project began operating on January 6, 1992, in New Hampshire. It will be expanded to the remaining New England states by the end of March.

How it works
The Project consists of three elements:

* *SBA-guaranteed loans held by the FDIC:* SBA has arranged to review SBA-guaranteed loans under FDIC control. These loans are transferred to SBA control and serviced by the Agency, bringing flexibility to businesses with changing credit needs.

* *Other FDIC-held small business loans:* FDIC-controlled loans are being reviewed by SBA to determine whether small business loans not currently guaranteed by the SBA can be restructured by means of an SBA guarantee.

* *New lending:* SBA has made new capital available to New England firms by introducing one of its non-bank lenders, a **Small Business Lending Company** (SBLC), to the region. The SBLC's presence provides an alternative source of credit, enhancing competition among lenders, thereby stimulating new lending and boosting business confidence.

January 6 to January 31, 1992 (25 days): Results to date

* SBA has initially committed to restructure loans worth **$118 million** to **855 small firms.** Each loan restructured saves both a business and the jobs of its employees.

* An additional 37 SBA loans worth **$9.8 million** have been transferred from the FDIC to the SBA.

* The SBLC has already issued **180 applications** to firms it considers **good candidates for financing.**

Op. ed. Article on New England Project

The world of finance and business is a complex mechanism, in which every meaningful action causes an equally significant reaction. In New England, such reactions are endangering the health of the small businesses that form the bedrock of the region's economy.

The danger arises as an unintended side effect of the necessary efforts of the Federal Deposit Insurance Corporation (FDIC) to preserve the solvency of the banks of New England during their worst crisis in 50 years. The unfortunate result of the FDIC's effort is that many business owners have seen their loans called in despite never having missed a payment. For them, the danger of bankruptcy is very real.

The New England Lending and Recovery Project was designed by the U.S. Small Business Administration (SBA) specifically to work with the FDIC, and by using existing government programs and resources, help preserve credit options for small businesses.

The roots of the problem lie in the characteristics of the recession. During recent years, a widespread decline in real estate values has aggravated the crisis in the banking system and pushed many commercial lenders into insolvency. The FDIC has quite properly stepped in to assure the health of the financial system and protect the deposits of bank customers by saving or restructuring many of these lenders.

In doing so, however, the FDIC has set in motion the law of unintended consequences. Nowhere have these consequences been felt more keenly than in New England, where real estate values in the six Northeastern states have fallen sharply. The number of lenders placed under FDIC control or supervision as a result has reduced its ability to maintain the availability of credit. That credit is vital to financing the revival of the region's economy.

The problems affect businesses seeking new credit and businesses with existing loans. Many small firms that had existing loans from banks that subsequently fell under FDIC control have found their credit pulled -- even in cases where they had made loan payments on time, in full, every month. To the FDIC, the fact that the lowered value of the real estate offered by borrowers as collateral would no longer cover the balance of the loan presented risks that the FDIC viewed as unacceptable. Thus, the loans were classified technically by the FDIC as "non-performing," even though they were current.

Each time a healthy business has its credit pulled, the business is put at risk and the jobs of its employees and its suppliers' employees are placed in jeopardy. For the SBA, the clear challenge was to find a way to preserve the ability of healthy, creditworthy firms to obtain capital, thereby saving and creating jobs. It was equally clear that we needed to provide firms in the region with a new source of capital in addition to the banks.

This was not something the SBA could do alone. SBA needed help from the FDIC, which willingly offered it. SBA also had to find an alternative source of fresh capital that did not depend on New England banks or the regional deposit base.

After months of negotiations and planning, the result -- which is called the New England Lending and Recovery Project -- is now in place. It addresses the credit problems facing small businesses in the region, returning them to the mainstream of private-sector credit and helping to preserve jobs and bolster local economies.

This is not a case of the government simply throwing money at a problem. In fact, the key to its success is that it does not depend on new federal money, but on the creative application of SBA's existing program of guaranteeing loans made to small businesses by private sector lenders. It is an inexpensive program. The SBA requires an appropriation of five cents for every dollar it guarantees. Thus, $1 billion in guarantees costs the agency $50 million.

To provide a fresh source of new credit, SBA brought into the region one of the non-bank lenders -- Small Business Lending

Companies (SBLCs) -- that the agency has licensed to make SBA-guaranteed loans. Unlike commercial banks, SBLCs are non-depository lenders which fund their activities by selling the guaranteed portion of the loans they make on the secondary loan market. This allows them to import capital from regions of the country where it is plentiful into regions like New England where it is scarce. They can therefore provide new capital to small firms without burdening the deposit base of the region's troubled banks, yet provide these same banks with the competitive incentive to resume making small business loans.

The SBA project's second element involves working with the FDIC to help ensure that creditworthy firms are not unintended victims of bank takeovers. Under an unprecedented arrangement with the FDIC, SBA is reviewing small business loans under FDIC control to determine whether the loans can be saved by restructuring them with an SBA guarantee.

SBA's credit criteria are stiff, and its record as a lender and as a guarantor is the envy of many banks. But SBA bases loan decisions on a range of factors -- particularly the borrower's cash flow, business plan and projected ability to repay the loan -- rather than focusing narrowly on the loan's collateral. As a result, many borrowers with "performing non-performing" loans can qualify for an SBA guarantee -- and SBA has no doubt that those whose loans are restructured will perform as well, on average, as our overall portfolio.

Besides reviewing and, where appropriate, restructuring these loans, SBA also will take and service SBA-guaranteed loans made by the banks now controlled by the FDIC. This not only helps the businesses in question -- they can keep their lines of credit -- it also helps the FDIC. SBA has a long record of high-quality loan servicing, a record that helps minimize delinquencies and maximize recovery when loans must be liquidated. By taking responsibility for these loans, SBA helps restore much-needed cash to the FDIC, while minimizing the number of businesses which lose their credit.

Although the project began on a pilot basis in New Hampshire only in early January, it is already having a striking impact. As of Jan. 30, SBA personnel had already tentatively committed to restructure loans worth $96 million to 579 small businesses (with approximately 2,500 employees) in the state. Another 37 SBA-guaranteed loans will be transferred to the agency by the FDIC. So clear and urgent is the need that SBA plans to expand the pilot project to the remaining New England states by the end of March.

As the SBA gains experience with these new mechanisms, it expects to find that they can be exported to other parts of the country experiencing similar problems. New England is the laboratory in which the SBA will test its assumptions and iron out the kinks.

The project is not a panacea. But by using the tools of government judiciously to help the marketplace overcome temporary difficulties, it can go a long way to restoring that critical, intangible commodity -- confidence. And once confidence is restored -- to the business community, to the banking community and to the public at large -- the economic recovery we are striving for cannot be far behind.

2/11/92

The Boston Globe

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Small-business salvation

Successful businesses being driven into failure by a lapse in the banking system may find salvation through a pilot program launched in New Hampshire by the federal Small Business Administration. Early indications of progress in the rescue operation justify exploration of its use elsewhere in the region and the country.

The problem arises primarily from difficulties faced by troubled or failed banks. Sound loans made to small businesses, using their real estate as collateral, have run into trouble because of the general decline in commercial real estate prices.

Banks operating under the scrutiny of federal regulators, or the Federal Deposit Insurance Corporation as holder of loans from failed banks, have terminated loans of businesses, even though all interest payments have been made. Termination of the loans has been explained as necessary because the value of the underlying collateral no longer is adequate to protect the bank or the FDIC should the loan go into actual default.

The consequences of such action are twofold. Liquidation of the property further drives down real estate values, exacerbating the problems of other borrowers. More troubling, businesses must close, swelling the ranks of the unemployed.

The SBA program, in the form of loan guarantees of up to $750,000, has rescued more than 180 businesses in New Hampshire that had been identified as being capable of continuing to meet payments, although their real estate collateral was no longer enough to meet the standards of lenders. The SBA is, by experience, in a better position than many lenders, including the FDIC, to judge the business strength of borrowers.

That the program has been launched in New Hampshire may strike some as having political implications, given the impending presidential primary. Whatever the importance of that factor, the program has intrinsic value at a time when many small businesses are in credit straits.

Small businesses constitute the most promising area for creating jobs and prosperity. Although many may not be salvageable, those that can succeed deserve all the help they can get.

Department of Energy
Washington, DC 20585

OFFICE OF PUBLIC AFFAIRS
Mary Joy Jameson, Director

DATE 2-13-92

TO Richard Porter

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NATIONAL TECHNOLOGY INITIATIVE

PURPOSE AND SCOPE OF THE NATIONAL TECHNOLOGY INITIATIVE

- To promote U.S. industry's use of technology to strengthen the domestic economy and to compete in global markets, federal agencies are joining together with the private sector in the National Technology Initiative (NTI).

- The Initiative will promote a better understanding of opportunities for industry to commercialize new technology advances. It will highlight the federal government's investment in science and technology, much of which may have commercial potential. The initiative seeks business expansion through:

  - increased application of both federally and privately supported technology,

  - the creation of more high value-added jobs for Americans,

  - and the establishment of new contacts for business cooperation.

- Conferences will be held during the year in several regions. They will parallel a successful 1991 series to promote exports.

- In conjunction with these conferences, federal agencies will be accelerating their efforts to make it easier for the private sector to commercialize technology advances.

- In recent years, government-business ties have improved dramatically to address key barriers to the private sector's commercialization of new technologies. For example:

  - Legislation and Presidential orders have made it easier for firms to join on research and development (R&D).

  - Government and industry are co-funding and cooperating in R&D programs.

-- The Bush Administration has advanced a series of regulatory, tax, and legal incentives to help firms develop and apply new technologies.

o The focus of each NTI conference will be on:

-- Raising industry awareness of government-sponsored programs, services and laboratories,

-- Identifying ways in which government-industry and industry-industry cooperation can help the private sector to commercialize technology, and

-- Providing feedback to federal, state, and local government officials on successes and difficulties in commercializing technology.

o Each meeting will address: promoting manufacturing excellence, mechanisms for cooperative R&D and long-term investment and financing, and intellectual property. In addition, conferences will target technologies of interest to each region's industry.

o Senior policy makers from the Departments of Commerce, Energy and Transportation and the National Aeronautics and Space Administration -- as well as experts from business, academia, and other government agencies at all levels -- will provide conference participants with practical advice on making better use of our nation's technological strengths. The conferences will rely heavily on a discussion format.

NATIONAL TECHNOLOGY INITIATIVE

DRAFT

ENCOURAGING PRIVATE SECTOR COMMERCIALIZATION OF FEDERAL RESEARCH

- In the past 10 years, the Federal government has put in place a set of laws and policies that have dramatically improved the private sector's ability to commercialize Federally funded research.

- The Federal Technology Transfer Act (FTTA), the National Competitiveness Technology Transfer Act and Executive Order 12591 enable Federal laboratories (including the Department of Energy's system of government-owned, contractor-operated laboratories) to participate in Cooperative Research and Development Agreements (CRADAs) with the private sector.

- With these authorities, Federal labs can now grant title or licenses for Federal inventions to private sector participants in CRADAs, waive ownership rights to intellectual property in advance under CRADAs and receive royalties as a part of these agreements (at least 15 percent of which go to the Federal employee responsible for the invention).

- As an inducement to private sector participation in CRADAs, the Federal labs are authorized to protect commercially valuable information produced under the CRADAs from public access for up to five years.

- The Department of Energy's contractor-operated laboratories also are able:

  - To license to private companies intellectual property owned by the labs' contractors; and

  - To assert copyright in and license software developed by the contractors.

- The National Aeronautics and Space Administration has similar authorities and a long history of working with industry under the Space Act. Unlike the FTTA, this act:

  - Permits the agency to commit federal funds to cooperative ventures and

  - Provides for greater centralization of authority.

Partners In Progress: A Dialogue

Opportunities for Commercialization of Technologies in the New England Region

Objective: To have a candid dialogue between business, university, and government leaders to identify effective ways to translate new technologies into marketable goods and services.

Site: Massachusetts Institute of Technology

Date: Wednesday, February 12, 1992

Format: A series of "town meeting" style discussions among participants from business, universities, and government, with a particular focus on emerging technological interests of the New England region.

AGENDA

7:45 - 8:45 a.m. Registration and Continental Breakfast - Kresge Auditorium

8:45 - 9:30 a.m. Conference Opening and Introduction of Governor Weld

Charles M. Vest, MIT President

Welcome and Introduction of Cabinet Members by Governor Weld

Rockwell A. Schnabel, Acting Secretary of Commerce

James D. Watkins, Secretary of Energy

James B. Busey, IV, Acting Secretary of Transportation

Richard H. Truly, NASA Administrator

9:30 - 11:00 a.m. Partnerships for Cooperative R&D

Discussion of mechanisms for forming strategic partnerships, such as: consortia, cooperative research and development agreements (CRADAs), patent licensing, etc.

Moderator: J. Michael Davis, DOE Assistant Secretary for Conservation & Renewal Energy

Panelists: John T. Preston, Director, Technology Licensing Office, MIT
Richard R. John, Director of Volpe National Transportation Systems Center, Department of Transportation
William M. Haney, President, Molten Metal Technology

Preliminary Agenda

11:00 - 11:15 a.m.	Break
11:15 - 12:30 p.m.	Partnerships for Long-term Investment and Financing *Discussion of public, private and institutional sources of investment capital and corporate financing.* Moderator: John Macomber, Chairman, Export-Import Bank of the U.S. Panelists: Edward B. Roberts, Professor, MIT Sloan School of Management D. Mark Cunningham, Vice President, Alliance Capital Corporation George Hatsopoulos, President & CEO, Thermo Electron
12:30 - 2:00 p.m.	Luncheon - Sala de Puerto Rico Room, Stratton Student Center, 2nd Floor Introduction: Stephen P. Tocco, Secretary of Economic Affairs, Commonwealth of Massachusetts Keynote Speaker: James Vincent, CEO, Biogen Inc.
2:00 - 3:15 p.m.	Partnerships for Manufacturing Excellence - Kresge Auditorium *Discussion of the successful management of change, assimilation of advanced manufacturing tools and techniques, leveraging of federal capabilities by non-federal organizations, and lessons learned.* Moderator: Robert M. White, Under Secretary of Commerce for Technology Administration Panelists: Michael L. Dertouzos, Director, Laboratory for Computer Science, MIT Alvin W. Trivelpiece, Director, Oak Ridge National Laboratory Robert J. Hermann, Vice President of Science and Technology, United Technologies Corporation
3:15 - 3:20 p.m.	Plenary Session Wrap-up/Introduction to Workshops James D. Watkins, Secretary of Energy
3:20 - 3:30 p.m.	Break

3:30 - 5:30 p.m. Concurrent Workshop Series - Stratton Student Center

Conference attendees can attend one workshop from each series.

3:30 - 4:30 p.m. **WORKSHOP SERIES 1**

Workshop 1a - **Environmental Technology Partnerships**
Practical examination of commercially attractive environmental research underway at Federal laboratories and funded universities.

Moderator: Erich Bretthauer, Assistant Administrator for Research & Development, Environmental Protection Agency

Panelists: Frank L. Parker, Professor, Vanderbilt University/Clemson University
George W. McKinney, President and CEO, Environmental Quality Corporation
Clyde W. Frank, Deputy Assistant Secretary for Technology Development, Environmental Restoration and Waste Management Program, U.S. Department of Energy

Workshop 1b - **Partnerships for Biotechnology**
Practical examination of commercially attractive biotechnology research underway at Federal laboratories and funded universities.

Moderator: Bemadine Healy, Director, National Institutes of Health

Panelists: Richard Douglas, VP of Scientific Development, Genzyme Corporation
Timothy B. Anderson, President of Fenwal Division, Baxter Health Care Products
John D. Harding, Life Technologies, Inc.

Workshop 1c - **Partnering for Manufacturing Excellence**
Practical examination of the issues related to successfully managing change, modifying culture, and measuring success against a business strategy designed to leverage federal research and development and increase utilization of advanced manufacturing capabilities.

Moderator: John G. Mannix, Assistant Administrator for Commercial Programs, NASA

Panelists: Daniel Roos, Professor and Director of Center for Technology Policy & Industrial Development, MIT
John W. Lyons, Director, National Institute of Standards and Technology
Philip W. Cheney, Vice President of Engineering, Raytheon Corp.

WORKSHOP SERIES 2

4:30 - 5:30 p.m.

Workshop 2a - **Federal Technology Transfer Programs**
Practical examination of the factors for successfully implementing legislative orders and executive directives pertaining to established public-private partnerships for the transfer of technology from federal laboratories.

Moderator: Deborah L. Wince-Smith, Assistant Secretary of Commerce for Technology Policy

Panelists: Cherri J. Langenfeld, Director of Technology Utilization, Department of Energy
Frank Penaranda, Director of Technology Utilization Division, Office of Commercial Programs, NASA
Reid G. Adler, Director, Office of Technology Transfer, National Institutes of Health
Gary Grann, Senior Technology Advisor, Hanscom Air Force Base

Workshop 2b - **Protecting Intellectual Property Rights and Technical Data in Technology Commercialization Partnerships**
Practical examination of federal patent policy, licensing procedures, copyright of software and other works, maskworks, proprietary data and trade secret protection, CRADA generated information, and other tools for effective commercialization.

Moderator: Lita Nelsen, Associate Director of Technology Licensing, MIT

Panelists: James P. Dunn, Executive Vice President for Center for Technology Commercialization, NASA Northeast Regional Technology Transfer Center
Jacob N. Erlich, Chief Patent Advisor, Hanscom Patent Prosecution Office, Hanscom Air Force Base
Gerald E. Lester, Senior Licensing Attorney, Digital Equipment Corporation

Workshop 2c - **Financing of Partnerships for Technology Commercialization**
Practical examination of SBA support for small businesses, State Economic Development Programs, SBIR, venture capital, joint ventures and cost-shared development for commercialization of technology.

Moderator: Alison Kutchins, Associate Director, Office of Cabinet Affairs, The White House

Panelists: William Sahlman, Harvard Business School
Richard Burns, Charles River Ventures
John Mucci, Vice President of Research & Marketing, Thinking Machines Corporation

NATIONAL TECHNOLOGY INITIATIVE

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FOR IMMEDIATE RELEASE
January 24, 1992

GOVERNMENT, INDUSTRY TO LAUNCH NATIONAL TECHNOLOGY INITIATIVE ON FEBRUARY 12

Top representatives of four federal agencies will join with industry and academia in a Feb. 12 conference at the Massachusetts Institute of Technology to launch the "National Technology Initiative."

The conference is the first of a series of regional meetings intended to spur U.S. economic competitiveness by promoting a better understanding of the opportunities for industry to commercialize new technology advances. The program will highlight the federal government's investment in advanced technologies, much of which may have commercial potential. It also will stress recent changes in federal policies designed to foster private sector cooperation in commercializing technology.

Secretary of Energy James D. Watkins, Acting Commerce Secretary Rockwell A. Schnabel, Acting Transportation Secretary James B. Busey, and NASA Administrator Richard Truly described the joint initiative as a way to address one of the key challenges facing industry -- the need to translate new technologies into marketplace goods and services.

(MORE)

R-92-014

Encouraging closer cooperation among U.S. companies and better links with federal laboratories is a central element of the initiative.

They said President Bush believes that such cooperation will help to improve the competitiveness of U.S. companies in the global market, leading to increased American jobs and greater economic growth.

The MIT conference and subsequent meetings around the country will provide an opportunity for a discussion among government, industry, and universities and increase awareness of federal science and technology programs that can benefit U.S. firms. In recent years, Congress and the Bush administration have taken steps to better enable the private sector to commercialize federally supported research.

The conference, hosted primarily by the U.S. Departments of Commerce, Energy and Transportation and NASA will offer a forum for government and private sector representatives to discuss their programs -- and share practical techniques for translating government-sponsored research into commercial products and services.

Admiral Watkins, Acting Secretary Schnabel, Acting Secretary Busey, and Admiral Truly, will open the program with remarks at 8:45 a.m., following a welcome by Massachusetts Governor William Weld.

Plenary sessions will focus primarily on financing research and development, contractual and licensing arrangements for government-business research cooperation, and promoting manufacturing excellence.

In addition to those plenary topics, workshops will focus on protection of private ownership of technology in cooperative programs and commercial use of government sponsored environmental and biotechnological research.

Conference registration fee is $95. Participants may register in advance by contacting Maria Clara Martin, 617/253-0213 (phone) or 617/258-6148 (fax). Approximately 7,000 persons in New England with research and development interests have been notified of the conference.

- DOE -

R-92-014

DOE TECHNOLOGY TRANSFER HIGHLIGHTS

* In the last year, technology transfer was made an explicit mission of all programs of the U.S. Department of Energy (DOE) and all DOE National Laboratories by Secretary of Energy Notice (SEN).

* The proposed FY93 budget contains approximately 300 million in funds for technology transfer.

* Of the total funds, there are technology transfer line item amounts for $117 million, compared with $69 million in FY92.

* Defense Programs ($91 million), Energy Research ($15.1 million), and Environmental Restoration and Waste Management ($15 million) have line item tech transfer programs.

* Beyond line item programs, significant funds are expended by DOE laboratories for tech transfer through the Offices of Research and Technology Assessment (ORTAs) and by DOE field offices.

* Of the 31 DOE national laboratories, 21 now have tech transfer programs of sufficient scale to justify a manager devoted to the activity.

* The newest formal mechanism for achieving tech transfer is the Cooperative Research and Development Agreement (CRADA) authorized for use by all DOE laboratories by the National Competitiveness Technology Transfer Act of 1989 (NCTTA).

* In FY91, 37 CRADAs were approved. The total number of CRADAs now has reached 85.

* Additionally in FY91, the technology transfer program resulted in 397 U.S. patent applications, 125 license awards,$3.2 million in licensing income to DOE labs, and the formation of 15 new companies.

* Technology from DOE labs available to U.S. industry included 36 winners of the prestigious R&D 100 awards given in FY91 by *R&D Magazine*.

* DOE inventors now have won more than 300 of these awards since the competition was begun in 1963, more than any other organization.

* A major technology transfer achievement in the energy field of 1991 was the signing of a four-year, $260 million agreement among U.S. automakers and other organizations to develop a new generation of batteries for electric cars. President Bush announced this agreement, the U.S. Advanced Battery Consortium (U.S. ABC).

* The Office of Conservation and Renewable Energy (CE) signed a CRADA with New Energy Company of Indiana to achieve a 30 percent increase in yields of ethanol from corn. This would significantly enhance the cost effectiveness of ethanol as a motor fuel. The underlying technology was developed by DOE's National Renewable Energy Laboratory (NREL).

* During 1991, Environmental Management's Office of Technology Development worked with the National Center for Manufacturing Sciences to identify joint projects with its 120 member companies for developing environmentally conscious manufacturing technologies.

* DOE's Brookhaven National Laboratory transferred its polymer concrete technology to Consolidated Edison Company, which is evaluating it as a solution to deterioration of utility equipment vaults.

* DOE's Ames Laboratory transferred its powder metallurgy technology to Ames Specialty Metals, Inc., which is using it to develop more powerful magnet components to compete in a market now dominated by foreign competitors.

* DOE's Lawrence Berkeley Laboratory and Orion Advanced Chemical Technology, Inc., have signed a CRADA to develop a technology that converts methane to paraffinic hydrocarbons without producing by-product carbon dioxide. The technology is a significant step toward the cost-effective conversion of natural gas to gasoline.

* DOE's Argonne National Laboratory has a CRADA with Baxter Healthcare to investigate new processes for sterilizing blood donations against viral diseases. This exploratory work could lead to reduced risk of AIDS from blood transfusions.

* DOE changes in its treatment of intellectual property (software copyright) and product liability have facilitated negotiations with a consortium of 12 computer manufacturers to increase collaborative R&D between DOE and the computer industry. This prospective joint venture is knows as the Computer Systems Policy Project (CSPP).

Administration Kicks Off Program to Promote Investment in High-Tech Fields

Washington Post Staff Writer

CAMBRIDGE, Mass., Feb. 12—Senior members of the Bush administration today launched the "National Technology Initiative," a program they said would speed the movement of technology out of the nation's huge federal laboratories and into commercial markets.

"Having won the Cold War, we have an unparalleled opportunity to join with industry in new partnerships for progress," Energy Secretary James Watkins told an audience of close to 400 executives and academics at Massachusetts Institute of Technology.

The initiative does not provide for major new funding or a change in basic philosophy. Rather, its stated goal is to energize existing but often moribund technology transfer programs and to promote investment by U.S. companies in high-technology fields in general.

The idea is to give U.S. companies new allies in battles with their increasingly nimble foreign competitors. Much attention has focused on the Energy Department, which employs 23,000 scientists and engineers in nuclear bomb and physics labs and spends nearly $9 billion a year on research.

In New Hampshire, where he was campaigning for next Tuesday's primary election, President Bush predicted that the initiative would "get the great ideas generated by public funds out into the private sector, off the drawing board and onto store shelves."

Administration officials denied that kicking ff the technology initiative here, close to New ampshire, was intended to help Bush in a priary campaign where government aid to the ing economy has been a major issue.

But they said that the program in general had been accelerated somewhat by the recession and the needs of an election year. The administration has generally opposed direct government aid to U.S. industries, saying this would distort market forces. But it has backed letting national labs team up with companies as long as the purpose is joint research into "generic" technologies, not development of specific products.

That approach has come under fire from two sides. Murray Weidenbaum, former chief economic adviser to President Reagan and now a professor at Washington University in St. Louis, suggested that the military labs were merely trying to defend their budgets in a time of shrinking spending and that universities would do the job better.

But Robert Cohen, a fellow at the Economic Strategy Institute, a liberal Washington think tank, said the government should not only help in research, but also help guarantee mass purchases for products that use new technologies. "I don't think that technology transfer can succeed as a piecemeal effort," he said. "It's a positive step but it's too limited."

Industry groups have generally praised the technology initiative, as well as proposals by Bush to increase spending for civilian technology development in the coming fiscal year.

The initiative's centerpiece will be a series of "road shows" by officials from Washington and the labs. In cities around the country, they will conduct day-long seminars like today's to hear executives' views and educate them on how to work with the labs.

Today's group was addressed in turn by Watkins, acting Commerce secretary Rockwell A. Schnabel, acting Transportation secretary James B. Busey IV, and Richard H. Truly, administrator of the National Aeronautics and Space Administration, who is leaving that position in April.

The lobby outside the auditorium resembled a trade show, except that it was federal labs and agencies, not companies, that had set up colorful booths and were advertising their services and work with the corporate world.

Despite such programs as Sandia National Laboratory's venture with Pratt & Whitney on robot grinding equipment, companies complain that heavy paperwork and delays may deter them from such ventures. Federal officials concede that the requirements are heavy but say they have streamlined the process.

Several executives attending today's session suggested that the initiative showed that Washington was getting serious, but they reserved judgment about what difference it would ultimately make. Said Patrick Patent, chief operating officer of Megapulse Inc., a Bedford, Mass., company that makes navigation equipment: "There's a whole lot of bureaucracy between the vision and the actual doing."

Panel Rejects Bush's Limited Tax Plan

House Democrats Drafting Fiscal Relief for the Middle Class

By Eric Pianin
Washington Post Staff Writer

The House Ways and Means Committee yesterday rejected along bitterly drawn partisan lines a scaled-back version of President Bush's plan to end the recession, and then Democrats began meeting in private to draft legislation aimed at providing tax relief for the middle class.

The streamlined package, defeated 23 to 13, was introduced by House Republicans on behalf of the president and contained a large reduction in the capital gains tax but virtually nothing to help middle-income taxpayers.

The Democrats intend to build their package around a proposal by Ways and Means Committee Chairman Dan Rostenkowski (D-Ill.) that would provide the middle class with a $200 to $400 a year tax credit paid for with a new top tax bracket for the wealthy and a surtax on millionaires.

After a meeting of Ways and Means Democrats, House Speaker Thomas S. Foley (D-Wash.) and Majority Leader Richard A. Gephardt (D-Mo.), Rostenkowski told reporters that there is support among House Democrats for some type of reduction in the capital gains tax that would be less generous to the wealthy, for restoration of a tax break for the real estate industry involving passive loss rules and for some version of an investment tax credit.

During the Ways and Means session, the Democratic majority also tweaked the administration by voting to send to the House floor, without recommendation, a bill introduced by Gephardt that contains virtually all the tax proposals Bush unveiled last month in his State of the Union address, including several that House Republicans oppose.

"We're going to have an opportunity to see how much support the president's package has among Republicans when it's put to a vote on the floor," Rostenkowski said.

But House Republicans charged that Gephardt essentially had cannibalized the president's package and left out many of the spending cuts Bush proposed to pay for his proposal, creating the appearance that it would drain the treasury of $53.7 billion over five years.

"The president wanted a racehorse and you've given us a jackass," Rep. William M. Thomas (R-Calif.) snapped.

Rather than seeking common ground on a tax package, the administration and congressional Democrats appear to be on a collision course that could result in a bruising election-year deadlock. While both sides are committed to action that at least gives the appearance of doing something about the recession, the Democrats and the administration appear to be far apart in their philosophical and political approaches.

Bush has demanded congressional action by March 20 on a package that includes a reduction in the capital gains tax from 28 to 15.4 percent and other incentives for business and the real estate industry, while asking that action on tax relief for the middle class be put off until later.

House Democratic leaders say that middle-class tax relief will be a central part of any package and that it will be paid for by raising taxes on the wealthy.

"I can see no justification for reporting capital gains relief for rich investors today while working fam-

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Party-Line Vote Defeats Bush Tax Plan

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ilies with children wait for a second tax bill that may never come," Rostenkowski said. "Taking that course raises a serious and appropriate question about our priorities."

Administration officials and House Republicans said yesterday that the Democrats were more interested in embarrassing Bush on the "tax fairness" issue and provoking a veto than in working out a compromise to try to speed up an economic recovery.

"They have no intention of passing a bill the president will sign," said Rep. Bill Archer (Tex.), the committee's ranking Republican. "They want political confrontation and stalemate."

"We think the middle class needs jobs before they need [tax] relief," an administration official said. "We don't want a tax rate increase, and if you put tax relief on the table, right away you tee up a tax rate increase."

Rostenkowski will outline a number of proposals today at a closed meeting of committee Democrats. They are expected to reach agreement on a package by the weekend, with floor action expected the week of Feb. 24.

Ways and Means member Thomas J. Downey (D-N.Y.) said that Rostenkowski has shown some interest in providing tax relief for families with children, but nothing approaching the scope of Downey's proposal to replace the personal exemption with an $800 refundable tax credit for each child up to age 18.

The seven-point Republican package rejected by the committee yesterday was quietly stitched together last Friday by Archer, House Minority Leader Robert H. Michel (R-Ill.) and administration officials. The Washington Post reported yesterday that the president's overall economic proposals were part of a campaign strategy and that the White House had never wanted anything but a narrow package.

Rostenkowski indicated that the Republicans might be allowed to offer the streamlined package as a floor amendment to the tax bill. Archer said the Republicans might revise the package again, to attempt to attract broader support.