

COMMITTEE ON SMALL BUSINESS SUBCOMMITTEE ON
ECONOMIC GROWTH, TAX, AND CAPITAL ACCESS REMOTE HEARING

April 27, 2021

Subject: Written Testimony – Claudio Dente on Behalf Of Dentec Safety Specialists Corp.

Dear Committee Members,

April 26, 2021

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Dear Committee Members,

I greatly appreciate the opportunity to participate in such an important hearing of this nature particularly during a time as difficult as we are experiencing because of COVID-19. I have been asked to share my experience as a manufacturer for what has been identified as a critical PPE product for pandemic events.

COMPANY HISTORY

I acquired the assets of a respirator manufacturing operation called US Safety located in Lenexa, Kansas in March of 2014. I had a long-standing relationship spanning twenty-seven years acting as their master importer for Canada. US Safety was one of the originating manufacturers of reusable respirators made of various elastomeric rubber materials as well as chemical cartridges and various types of particulate filters that are all NIOSH approved. Since the acquisition, I have invested in new product development to expand the product offering including additional NIOSH approvals. Also invested in new moulds and injection moulding machines. I have remained committed to continuing to manufacture and assemble our products in Lenexa, Kansas and to source our raw materials from US manufactures. I worked through all the pandemics since SARS and believed the respirator business would be a critical product because of future viruses and to help reduce the markets dependency on foreign supply. My objective was to offer an alternative to foreign suppliers for a product that offers unique features, great comfort while remaining competitive to foreign manufactured competitive products. Please visit our website should you wish to see the kind of products we produce.

https://www.dentecsafety.com/home_us.htm

COVID-19 IMPACT

I was travelling in New York in February of 2020 when the news of COVID-19 was announced. I left New York just as the city was starting to announce how serious COVID was becoming. I flew from New York to my factory in Lenexa, Kansas to meet with our team and then flew home. That was the last time I was on an airplane. I have worked throughout all the pandemics since SARS however I have not experienced the challenges nor seen the devastation that COVID-19 has presented.

As the supply of disposable N95 respirators and surgical masks started to deplete from foreign suppliers, our company was targeted by distribution to supply reusable respirators. Fortunately for us, we manufacture our reusable respirators made of a variety of elastomeric rubber half masks and filters that are NIOSH approved as N95. We quickly created a sales and marketing campaign to explain how our reusable respirator products could replace disposable respirators. Our story was compelling because our respirators are safer by providing an airtight seal. Less expensive to use because our N95 filters are encapsulated in a plastic protective housing allowing them to last longer than disposable respirators. The enormity of orders that we started to receive were overwhelming as customers quickly came to understand our product and the benefits it would provide not only for the healthcare and frontline workers but also general industry.

I committed not to increase prices during this time. My team worked six and seven day weeks, ten and twelve hour days with two shifts. We would have hired more employees however finding good workers is difficult during normal times; especially during a pandemic such as COVID-19.

We experienced raw material shortages, equipment breakdowns, employees that would join us and would either not show up for work or quit after a week. Our facility is 19,000 square foot where we conduct production,

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assembly, and distribution. We took every precaution possible to protect our team members from the spread of COVID and fortunately we only had two instances where employees contracted the virus outside of our workplace. We were able to take prevented measures to ensure the safety of our employees and continue operations. These instances caused us to close our operation for a few days per event.

Quite simply our operation was not set up to handle this kind of volume and in such a short period of time. Despite this we were able to increase our unit output (shipped product) by more than 2,000%. We would have increased it by 5,000% however we could not ship all the backorders because of assembly, equipment breakdown and raw material delays. None the less we shipped and continue to ship respirators each and everyday.

SURGE DEMAND CHALLENGES

As I understand the objective of these hearings is to discuss the financial challenges to businesses when surge events of this nature occur by creating programs to support small businesses such as ours to ramp up production during extraordinary times such as this. I will share my personal experience and what we had to deal with while we trying to build capacity to meet the new demand.

Operations such as ours produce products made of plastic and rubber that require moulds, injection moulding machines, sophisticated filter manufacturing and assembly equipment. I would like to address each item:

Moulds – We now have over 60 different moulds to produce the various parts for a half mask respirator, filters and cartridges. Production of parts is based on the cycle time of the injection moulding process such as 45 – 60 seconds depending on the number of cavities. This is the parts production restriction we must deal with. With the grant and loan funds we received we ordered additional moulds with increased cavities. If we had a four-cavity mould, we ordered an eight and so on. The time to build a mould can be between two and four months depending on the complexity of the tool. The cost to manufacture a mould, for what we produce, ranges between \$35,000 - \$120,000 depending on the complexity of the tool and the number of cavities.

Injection Moulding Machines – Our injection moulding machines range from 75 to 350 ton. However due to the surge demand orders, we had to outsource the moulding of many parts to moulding operations that could run 24/7 while we concentrated on critical parts production and assembly and keep up with our NIOSH testing quality control program. Moulding machines of this nature range from \$50,000 to \$300,000 per machine depending on size, new equipment versus used and their availability. Once you order an injection moulding machine you must then have it installed which requires space, electrical or hydraulic hook ups ranging in cost from \$5,000 - \$10,000 per machine. You then must arrange to have technicians come on site to set up the equipment and with travel restrictions such as COVID, this also created delays and anxieties of having someone come into our factory where we created a “bubble” for our employees. We had an understanding of their commitment to prevent the exposure of COVID into our facility.

Filter Production Equipment – Is used to produce our N95 filter which is sophisticated to manufacture. Costs range from \$60,000 to \$150,000 depending on the machine. Delivery and installation can take three to five months depending on the manufacturers book of business prior to your order.

Raw Materials – This is the most difficult piece of the puzzle because you must commit to the volume and pay up front during pandemics. We were often negotiating against a competitor or another operation not producing respirator products. If the surge demand continues you never buy enough but if the event subsides you can be caught with far too much inventory which, in turn, creates great stress on working capital.

Space Requirements – In our situation, we could not move the existing operation into one facility because of the cost to move the equipment and could not stop production during demand of this nature. Fortunately for us we were able to lease another building five minutes from our existing facility where we had to commit to a three year lease. With the addition of this facility, we turned our existing facility into parts production and the new location into assembly, warehousing, and distribution.

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All of the above created very large capital requirements however it also has caused to me make commitments that will be in place well beyond when COVID-19 subsides. This is the danger in ramping up for surge demand orders such as this. My objective was that we would be able to convert customers from foreign suppliers to support American made products which we believe has happened. The obvious benefits for the State of Kansas and the USA are increased tax revenue and jobs for US Citizens.

You cannot ramp up quickly enough when a pandemic such as COVID-19 arrives. No one will sit on equipment, raw materials and make space commitments in hopes that another event of this nature occurs. It is not financially sound particularly for small business such as Dentec Safety Specialists. The following are ideas I would like to propose to the Committee.

TARGET KEY CRITICAL BUSINESSES

To prepare for the next pandemic, I believe that Governments, both Federal and State, should target businesses that already produce critical products such as respirators, ventilators, etc. Meet with them to understand what funding they would need to ramp up production and if they would be interested in participating in a project such as this. This type of project is not for the faint of heart. A company that is already in the business of producing a critical product is more understanding of what is needed to ramp up than a company that has no knowledge of the product or challenges they may encounter.

More importantly a company that is in the business of producing a critical product also has an existing customer base that they can sell to when the pandemic subsides. COVID-19 has created a patriotism unlike I have ever seen before to support made in America products. We must do everything possible to continue this drive to reduce our exposure to having insufficient supply of product from foreign sources as they have their own people to take care of understandably.

Our Governments must do everything possible to ensure we do in fact remain committed to supporting US production for the future and cannot allow this interest to subside as COVID-19 subsides. If companies that manufacture critical products in the US are not interested in participating in this initiative then a call to action to other manufacturing operations to produce the critical essential products by converting their existing operations or starting up a new operation. However, speed to bring product to market must be the priority but it is also the biggest challenge.

EARNED WAGE SUBSIDY INCENTIVE (EWSI)

Products such as ours require a great deal of assembly by hand which cannot be automated. During the pandemic the Governments provided wage subsidies to individuals that were put out of work because of COVID due to mandatory closings. Critical Essential Businesses (CEB) such as ours had great difficulty in hiring staff during this time when surge demand occurs. Individuals that qualified for the wage subsidy chose to stay home as their income was somewhat unchanged. A suggestion would be to offer what I call an "earned wage incentive subsidy" to individuals to seek out employment at companies such as ours. The idea would be for the Governments to pay these individuals some thirty to fifty percent of the hourly wage being offered provided during a period of time. The individuals would have to submit forms to prove they worked at a EWSI business and would be paid directly by the Governments. Thus the term "EARNED". Rather than paying someone to stay at home, this would provide incentive and reward individuals for participating to help critical essential businesses provide product or services during challenging times such as a pandemic. The Governments would earn taxes on the additional hourly pay which would help reduce the net impact to national debt.

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STAFFING

As noted above, products such as ours require a great deal of manual assembly that cannot be automated. The process to find, attract, hire, and retain employees during times like this are very difficult. To assist companies such as ours that are deemed “Critical Essential Businesses”, a suggestion would be to allow us access to military staff to set up a new operation, assemble and manufacture product for a period of time. In general terms, military personnel are well trained on a variety of duties and mechanically inclined. This would provide quick access to employees for small businesses with greater skills including ; work ethic, process oriented, organized, focus, technically capable and driven to support their people, I suggest a fee be paid by companies that use this type or personnel based on a formula that pays the minimum wage plus a reasonable percentage directly to the Government for each military personnel used by the CEB. Again, this would reduce the net impact to the Government’s debt and provide great assistance to CEB companies in dire need of employees to produce and assemble product.

FINANCING

Capital intense projects of this nature during normal times are well planned and thought out by the companies as a natural course of business. However, committing to funds of this nature without the security of knowing the business will remain viable when the pandemic subsides is the concern for a small or large company.

Loans in the form of interest free, guaranteed, forgivable or grants should be considered to support initiatives of this nature. However, as an entrepreneur myself, my concern would focus on the financial impact to my business after the pandemic subsides. If I choose to participate in a project of this nature, I will require the assurance that I would not be burdened with the overhead should the order volume die off as it did during SARS, HIN1, etc. I have seen this first hand many companies were on the brink of collapsing or folding altogether.

One of the ways Governments can assist small companies such as ours would be to provide orders to ensure the supply of critical product to protect those designated as critical workers after the pandemic subsides. This would be in addition to the funding offered to small businesses.

As reported in the media recently, disposable respirator and mask manufacturers that ramped up in the United States are preparing to terminate some 2,000 workers they hired in these new operations because they have no business to sell their products. They thought they would receive Government orders, but they did not for whatever reason. In addition, they are new entries into this supply channel with no existing distribution relationships. Basically, they ramped up production, to help manufacture much needed product however they cannot move the inventory because they have no distribution. This is the danger business faces during times such as this.

SUMMARY

There is no easy answer however based on my personal experience and opinion, I believe it should be a combination of financing and Government orders to help companies such as Dentec Safety participate in initiatives of this magnitude. As bad as COVID-19 is and continues to linger, the fear is what will the next one be like?

- Dentec, and small companies like us, have enormous PPE industry knowledge about Respiratory Diseases caused from biological events like COVID-19; and more from silicosis and other hazards faced by Industrial, Commercial, and Military related workers.
- Dentec has a 40 Year relationship with NIOSH and even has a semi-annually audited laboratory and operations. Most pandemic-only makers will never invest in this type of technology.
- Dentec will continue to produce PPE Equipment long after the COVID-19 pandemic is over and “Pandemic Suppliers” abandon the manufacture of essential goods to move on to their next entrepreneurial venture. Dentec will be in the most optimal position to support the United States when the next pandemic appears, or the next hurricane or other natural disaster occurs and assistance is needed to protect

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workers or FEMA, or when the next Deep Water Horizon event takes place. This is our charter and our focus and, most of all, our passion; to protect people.

Thanks to the Committee members for involving me in this hearing and hope you found my comments of value.

Take care and be safe!

Respectfully,

A handwritten signature in black ink, appearing to read "Claudio Dente". The signature is fluid and cursive, with a large initial "C" and "D".

Claudio Dente
President / CEO