TESTIMONY OF
SYLVIA ESTES
PRESIDENT
PIPELINE AND INDUSTRIAL GROUP, INC.
AT A HEARING BEFORE THE
SELECT COMMITTEE ON ENERGY INDEPENDENCE AND GLOBAL WARMING
U.S. HOUSE OF REPRESENTATIVES
ENTITLED
"ECONOMICS OF DEPENDENCE OF FOREIGN OIL—RISING GASOLINE PRICES"

MAY 9, 2007

Chairman Markey, Ranking Member Sensenbrenner, and distinguished members of the committee, I am Sylvia Estes. I am a Native American Indian, single parent of teenagers, and small-business owner. I own two businesses in Virginia Beach, Virginia: Pipeline and Industrial Group, Inc. (PIG, Inc.) and Cypress Creek Stables, a horse farm.

Founded in January 2000, Pipeline & Industrial Group started with four employees and two trucks, and our primary work was in the petroleum field. The principals of my business were and are simple: we believe in honesty, integrity and customer satisfaction. Today, my business has expanded into construction, and I am a government, Class "A" General Contractor. My company has grown because of United States Navy contracts; and if you were to ask me what I do, I would tell you that I do whatever the government asks, whether it is new construction, demolition, design build, emergency response, or federal compliance. My company is a team of every-day Americans that pay their taxes and support their families—and, today, my small business supports over 120 people, including spouses and children.

I am here to talk with you about rising gasoline prices and how rising energy prices are affecting small businesses, like mine, and the families and communities they support. Government construction contracting businesses, like mine, are greatly affected by rising gas prices. The contracts awarded are firm, fixed-price construction contracts, which do not contain economic price adjustment clauses. As a government contractor, we cannot build-in contingency costs in our proposals. Therefore, any additional cost that we incur comes directly off our bottom line.

Sylvia Estes

As we bid on most of our contracts the year before we perform the work, you can imagine the devastating uncertainly that surrounds every contract.

The rise in fuel prices affects nearly every aspect of my business in one way or another. Most directly, it costs me more to run necessary equipment. Rising gas prices translate into increased material costs as well. Copper, steal, and concrete are just a few of the construction materials that have seen significant price increases recently. Rising fuel costs also increase labor costs, as my employees expect higher salaries to cover their increased personal expenses, such as escalating utility bills and travel expenses. My company's accounting is set up in direct and in-direct costs. All told, the in-direct cost of fuel has increased 1,600 per month in the last year—from an average of just over $4,100 to nearly $5,800. 1 recently had a monthly fuel bill that topped $7,000.

My small business cannot afford to absorb much more volatility or increasing fuel costs. My profit margins already have shriveled. Two years ago, my customers would pay ten percent profit margins. Today, they pay seven percent. For a company such as mine, this sort of razor-thin profit margin is a cause of great concern, as it negatively impacts company stability and nearly precludes any advancement or growth.

I have worked extremely hard to create a solid business in a very demanding client atmosphere. It has been very rewarding being a part of a team to support the Department of Defense. However, the rate at which gas is increasing is alarming and will have a major impact on how I manage future business. It certainly has put a question mark on any future growth for my company and the many small companies with whom I partner.

Mr. Chairman, I really appreciate the opportunity to come before you today to tell you, my story of my American dream and the fight I am now engaged in to keep my American dream alive for both, me and my children. The rising cost of all types of fuels are not only having direct impacts to my business and family, but are having second and third order affects on our nation that we are

just now beginning to see. I see the rising costs of fuels just as much a threat to our national security as terrorism. Again, thank you for hearing me today and God bless America.