

U.S. MANUFACTURING COUNCIL

DOC Building  
14th & Constitution Avenue, N.W.  
Washington, DC

Wednesday,  
April 1, 2015

The meeting was convened, pursuant to notice,  
at 8:28 a.m., MS. SUSAN SMYTH, Council Chair,  
presiding.

APPEARANCES:

MEMBERS OF THE COUNCIL:

MS. SUSAN SMYTH, Council Vice Chair

MS. CHRISTIE WONG BARRETT

MS. JAN ALLMAN

MR. STEPHAN G. BRAIG

MS. CAROL CRAIG

MR. ROBERT DEGENEFF

MR. CRAIG FREEDMAN

MR. ROB FRIEDLAND

MR. CODY FRIESEN

MR. HIROYUKI FUJITA

DR. ALBERT M. GREEN  
MS. DAWN GROVE

MS. JENNY HOUSTON

MR. ERIC L. KELLY

MS. CLAUDINE MARTINEZ

MR. ZACH MOTT

MR. ROB NIELSEN

MR. TIMOTHY O'MEARA

MR. SHIRISH PAREEK

MS. ANDRA RUSH

MS. MARSHA SERLIN

MR. IRWIN SHUR

MR. JOSEPH SYLVESTO

MR. RAY YEAGER

MR. BILL YEARGIN

ALSO PRESENT:

HON. PENNY PRITZKER  
Secretary of Commerce

MR. MARCUS JADOTTE  
Assistant Secretary of Commerce

MS. CHANDRA BROWN

MS. ERIN SPARKS

MS. NIARA PHILLIPS

MS. SHANNON ROCHE

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P R O C E E D I N G S

**CALL TO ORDER & WELCOME**

Susan Smyth, Council Chair

CHAIRMAN SMYTH: Okay. Ladies and gentlemen, we'd like to call to order. My name is Susan Smyth. I'm with the General Motors Company. I will be serving as the Chair of the Manufacturing Council for this session, together with Claudine Martinez from NCT Industries, who is our Vice Chair.

MS. MARTINEZ: Good morning, everyone.

CHAIRMAN SMYTH: Good morning.

So we are going to apologize for speaking from our scripts, but there's about 12 people sitting around the table who know Claudine and I really well and it takes us about 30 minutes to say hello.

(Laughter)

CHAIRMAN SMYTH: So we're going to apologize, and we have a tremendous amount of material that we have to cover in a very short period of time, so we're going to have a lot more time for unstructured discussions later on today.

On behalf of the entire Council, we would like to thank Secretary Pritzker and the Commerce staff who are sitting across from us at the table for the

1 opportunity to serve our country. We will get to  
2 introduce ourselves to each other and also to the  
3 Department of Commerce personnel later on.

4 I would like to congratulate all of the  
5 members sitting around the table for their appointment.

6 You've been chosen for your unique experience and your  
7 work ethic in small, medium, and large businesses in  
8 very diverse sectors in this country, and I think we're  
9 going to make a formidable team. I met a lot of you  
10 last night, and I think we're probably halfway to being  
11 done.

12 (Laughter)

13 CHAIRMAN SMYTH: So, I'm very excited.

14 As we've learned through experience, the most  
15 constructive interaction and results are really  
16 achieved when we each leave our individual corporate  
17 hats at the door. We have different priorities than we  
18 serve within our companies, and you will hear us say  
19 that several times. We are here, first and foremost, to  
20 serve the United States, secondary to support our  
21 industrial sectors, representing the types of  
22 businesses we work in, and finally to represent  
23 specific geographic regions.

24 Our mission is to identify and recommend  
25 practicable, practical, actionable recommendations that

1 Secretary Pritzker can use to implement impactful  
2 policies and programs. We are extremely fortunate to  
3 be in the position that we can build upon an extensive  
4 foundation provided to us from previous Councils. We  
5 welcome 11 returning Council members who maybe could  
6 just briefly identify yourselves so people can see you  
7 around the table.

8 (A showing of hands)

9 CHAIRMAN SMYTH: Thank you very much for  
10 coming back. That we will lean on to achieve our  
11 deliverables in this very accelerated time frame.

12 In addition to our formal recommendation  
13 letters, we will be asked by Commerce for strategic  
14 input and comment on timely issues that are facing the  
15 DOC. I would encourage you to reach out to people  
16 inside your communities and your companies to help  
17 facilitate these communications.

18 Our diverse geography is key to ensuring our  
19 recommendations are informed by a wide community base,  
20 so we strongly encourage local community participation.

21 Some of us talked last night about outreach sessions  
22 and how we can gather information and ratify some.

23 A little bit of protocol as the Secretary is  
24 coming in. We have quite a few people in the room  
25 around the table. I need to ask you to please keep

1 your introductions brief, 15-20 seconds: who you are,  
2 what company you're with, what you represent, and  
3 possibly your geographic region, whatever you're  
4 comfortable, but try to keep it in that sort of a time  
5 frame. We have about 10 minutes to do this. I would  
6 really like that everybody has the opportunity to  
7 communicate to the Secretary.

8 So Secretary Pritzker, welcome. Your timing  
9 is impeccable.

10 SECRETARY PRITZKER: Thank you.

11 MS. MARTINEZ: Nice to see you, Madam  
12 Secretary.

13 CHAIRMAN SMYTH: Good morning.

14 MS. MARTINEZ: We appreciate you being here  
15 today.

16 CHAIRMAN SMYTH: Thank you. That was a  
17 beautiful entrance.

18 (Laughter)

19 CHAIRMAN SMYTH: I was singing your praises.  
20 Oversees more than 50 advisory committees, so we are  
21 very fortunate and honored to listen to her in person  
22 and have her lay out her Department of Commerce mission  
23 on how we can assist in accomplishing that mission.

24 So Madam Secretary, on behalf of the Council,  
25 we thank you for the opportunity to serve our country

1 and by assisting you in shaping the U.S. manufacturing  
2 policy and programs and for investing your valuable  
3 time--and we greatly appreciate that--to launch this  
4 term of the Manufacturing Council. We look forward to  
5 hearing your vision for the next few years.

6 Thank you.

7 SECRETARY PRITZKER: Susan, thank you very  
8 much. First of all, good morning, everyone. I thought  
9 maybe we'd go around the table, if everyone could  
10 introduce themselves.

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**ROUND-ROBIN OPENING INTRODUCTIONS**

ASSISTANT SECRETARY JADOTTE: Marcus Jadotte, with the U.S. Department of Commerce, Assistant Secretary for Industry and Analysis.

MS. ROCHE: I'm Shannon Roche with Department of Commerce as well, and the Director of the Office of Advisory Committees.

MS. PHILLIPS: Good morning. I'm Niara Phillips, Department of Commerce Advisory Committees --

MR. YEARGIN: My name's Bill Yeargin. I'm CEO of Correct Craft. We're in the recreational boating business. We manufacture multiple boat brands in multiple States. We also have an engine company and a water sports park company. We distribute in 67 countries, even though we're based in Orlando, Florida.

MR. YEAGER: Good morning. My name is Ray Yeager. I'm the president and CEO of ZMI Company. We manufacture building products for the commercial building industry and sell primarily 90 percent U.S., about 10 percent worldwide.

MR. SYLVESTRO: Good morning. I'm Joe Sylvestro. I'm with Pratt & Whitney. We're a jet engine manufacturer. I am the vice president of Manufacturing for the business and we're located and

1 headquartered out of Connecticut.

2 MR. SHUR: Good morning. Irwin Shur, vice  
3 president and general counsel of Secretariat --  
4 Incorporated, Kenosha.

5 MS. SERLIN: Marsha Serlin, founder and CEO of  
6 United Scrap Metal. We recycle the businesses and  
7 metals of America.

8 MR. PAREEK: Great to see you again. Shirish  
9 Pareek, founder and CEO of Hydraulics Global. We are a  
10 400-employee company. We distribute hydraulic pumps  
11 and motors to industries ranging from construction,  
12 mining, steel. Thank you.

13 MS. RUSH: Good morning. Nice to see you  
14 again, Madam Secretary. I am Andra Rush with the Rush  
15 Group out of Detroit, Michigan. The Rush Group is  
16 comprised of Detroit Manufacturing, Rush Trucking, and  
17 Dakota Integrated Systems. Detroit Manufacturing  
18 started off in 2012 with 65 employees coming to  
19 manufacture interior auto parts for Ford Motor, GM, and  
20 Chrysler, and we're now at 900 in less than two years.  
21 Thank you.

22 MR. O'MEARA: Tim O'Meara. I'm president of  
23 the Jim City -- Manufacturing from Dayton, Ohio. We  
24 also have manufacturing facilities located in  
25 Philadelphia and Bangkok, Thailand.

1           MR. NIELSEN: I'm Roger Nielsen with Daimler.  
2           We produce Mercedes cars in Alabama and Mercedes vans  
3           in the Carolinas, as well as Freightliner trucks in the  
4           Carolinas and in Oregon. I'm the chief operating  
5           officer responsible for truck production.

6           MR. MOTT: Good morning. I'm Zach Mottl with  
7           Atlas Tool and Die Works. We're a fourth generation  
8           family business in precision manufacturing of metal  
9           parts and assemblies. It's a pleasure to be here.

10          MR. KELLY: Good morning. Good to see you  
11          again.

12          SECRETARY PRITZKER: Good to see you again.

13          MR. KELLY: I am happy to serve a second term.  
14          My name is Eric Kelly. I'm the chairman and CEO of  
15          Overland Storage. We're a technology company in the  
16          Silicon Valley, trade on the NASDAQ. We are in about  
17          90 different countries and we do cloud solutions and  
18          data technology, data storage solutions. Thank you.

19          MS. HOUSTON: Good morning. I'm Jenny Houston  
20          and I'm from Warrick Mills in New Hampshire. We are a  
21          flexible composites manufacturer, primarily body armor  
22          and other protective clothing.

23          CHAIRMAN SMYTH: Good morning, again. Susan  
24          Smyth, General Motors.

25          MS. MARTINEZ: Good morning, Madam Secretary.

1 I'm Claudine Martinez. I'll be serving as Vice Chair  
2 this term. I'm very grateful and honored for the  
3 opportunity. I appreciate you doing that for me. I  
4 serve as the president and general counsel of MCT  
5 Industries. It's a defense and energy contractor that  
6 builds ground support equipment and transportation  
7 systems for both the military and the Department of  
8 Energy.

9 MS. GROVE: Good morning. I'm Dawn Grove with  
10 Karsten Manufacturing. We make Ping golf equipment,  
11 and have been doing so in Arizona for the past 56  
12 years. We also have a foundry where we make jewelry-  
13 quality precision castings not only of golf club heads,  
14 but also for various parts for U-Haul, Rosemont, and a  
15 number of other companies. We're very honored to be  
16 here.

17 DR. GREEN: Albert Green. I'm the CEO of Kent  
18 Displays, located in Kent, Ohio. We manufacture the  
19 boogie board LCD e-writer.

20 MR. FUJITA: Good morning, Madam Secretary.  
21 Hiroyuki Fujita from Cleveland, Ohio. I'm founder and  
22 CEO of QED Medical Equipment Manufacturing Company. We  
23 specialize in MRIs.

24 MR. FRIESEN: Good morning, Secretary  
25 Pritzker. Thank you for your leadership, again. Cody

1 Friesen, the founder of Fluidic Energy, a battery  
2 technology company, and the founder and CEO of  
3 Zyrmouse, a water technology company. Thank you for  
4 having us all here, and I'm looking forward to the  
5 great work ahead, for sure.

6 MR. FRIEDLAND: Good morning. I'm Rob  
7 Friedland, president and CEO of Proton On Site. We are  
8 in Connecticut and manufacture industrial gas equipment  
9 that makes hydrogen, nitrogen, and purified air. We  
10 export to about 75 different countries and over 50  
11 percent of our revenues are export driven.

12 MR. FREEDMAN: Good morning. My name is Craig  
13 Freedman from Freedman Seating Company. We manufacture  
14 seats for buses, trucks, marine and rail. We're  
15 located on the west side in the heart of Chicago and  
16 employ about 700 associates.

17 MR. DEGENEFF: Good morning. I'm Bob Degeneff  
18 with Utility Systems Technologies. We build power-  
19 quality mitigation equipment and we're a start up  
20 business and we've made every mistake that a small  
21 growing business could have.

22 (Laughter)

23 MS. CRAIG: Good morning. My name is Carol  
24 Craig. I'm the founder and CEO of Craig Technologies.  
25 We're a nationwide engineering, technology, and

1 manufacturing firm. We're headquartered out of Cape  
2 Canaveral, the Space Coast. The manufacturing facility  
3 is the former NASA shuttle logistics depot that we took  
4 over in an entrepreneurial effort to grow, and right  
5 now our focus is primarily on aerospace and aviation  
6 but we're also expanding into a lot of the other  
7 industries that we're already serving. So, thank you  
8 very much.

9 MR. BRAIG: Good morning, Madam Secretary.  
10 Nice to see you again. I'm Steve Braig. I'm CEO of  
11 Tracksilla, based in Massachusetts. We manufacture  
12 equipment that provides for lighter polymeric parts,  
13 better material properties, mostly for the automotive  
14 industry, some interior aircraft, and other --

15 MS. BARRETT: Good morning, Madam Secretary.  
16 Thank you for having me back to the Council for a  
17 second term. Nice to work with you again. I'm CEO of  
18 MacArthur Corporation. We manufacture labels and die-  
19 cut components for primarily the automotive,  
20 transportation and industrial sectors.

21 I represent small- to mid-sized manufacturing,  
22 the supply chain, and we also have business, joint  
23 ventures, in other regions outside of the United  
24 States, so I'm looking to also serve the Council to  
25 provide that perspective.

1 MS. ALLMAN: Good morning, Madam Secretary.  
2 I'm Jan Allman. I'm president, CEO, and general  
3 manager of Marinette Marine Corporation and we make war  
4 ships for the U.S. Navy.

5 MS. SPARKS: Good morning. I'm Erin Sparks.  
6 I'm Secretary Pritzker's advisor for manufacturing  
7 policy.

8 MS. BROWN: Good morning, everyone. I am ex-  
9 Council member Chandra Brown, currently serving as  
10 Deputy Assistant Secretary for Manufacturing. It's  
11 great to see everyone.

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1                   **OPENING REMARKS - SECRETARY PENNY PRITZKER**

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3                   SECRETARY PRITZKER: Terrific. Terrific.  
4 Well, first of all, thank you all. Thank you for  
5 taking the time to be here. Thank you for your  
6 agreeing to serve. I'll thank you in advance for your  
7 invaluable insights, input and ideas, which we really  
8 are highly dependent upon.

9                   Those of you who I've worked with before, you  
10 know my belief is there is so much that all of you in  
11 the private sector can do to help us formulate good  
12 policy, and so it is extremely important that we have a  
13 frank and open give-and-take on ideas so that we can  
14 have the greatest impact.

15                   The other thing I want, one of the main points  
16 I want to leave you with, is the idea that our time is  
17 limited. I am, every day, aware of the 20 or so months  
18 that we have left in our jobs. So my hope is as you  
19 are considering your advice for us you think about what  
20 we can get done in that period. If there are new  
21 ideas, let's get them on the table fast. If we're  
22 building on ideas that exist, let's make them stronger.

23                   All of you know, because you live the world of  
24 manufacturing, but manufacturing has been a bright spot  
25 in the economic recovery, with about 900,000 jobs



1 having been created since February of 2010. This is  
2 the first sustained job growth in manufacturing since  
3 the 1990s.

4 We actually also are starting to see an  
5 increase in the number of factories for the first time  
6 since 1999. So the strength of our manufacturing sector  
7 is not only good for job creation, but frankly it is  
8 incredibly important to America's innovation. Seventy-  
9 five percent of private sector R&D is done in  
10 manufacturing and 70 percent of all new patents come  
11 out of manufacturing.

12 It is extremely important that we continue to  
13 do everything we can to grow our manufacturing sector.

14 You know, those of you who have been involved in this  
15 Council, this has been a priority for the Obama  
16 administration since the early days. But we have made  
17 a lot of progress, particularly over the last couple of  
18 years.

19 The other important point that we focus on in  
20 the policy world is the fact that if something is  
21 invented in the United States we want it made here, and  
22 we have to -- we as an administration have made this  
23 idea of both invention and production here in the U.S.  
24 a priority.

25 So let me talk -- take a few minutes and talk

1 about each of the key areas that the Council is focused  
2 on and the work of some of your subcommittees as a way  
3 to sort of orient your day going forward.

4 First of all, in the Innovation Subcommittee,  
5 since you met last time we have made a lot of progress  
6 in innovation in manufacturing policy. In November,  
7 Congress passed the Reinvestment in American  
8 Manufacturing and Innovation bill--I guess it actually  
9 passed in December--which gives Commerce the authority  
10 to create the governance structure for the Network of  
11 Advanced Manufacturing Institutes. This is a really  
12 important role and NIST runs that effort, but it is  
13 something that all of us in the Department are very  
14 focused on, all of us who have a hand in our  
15 manufacturing efforts.

16 Last week, we hosted the first official  
17 network meeting of the five existing NNMI Institutes.  
18 So for those -- there are way too many acronyms in  
19 Washington, for those of you who are here.

20 (Laughter)

21 SECRETARY PRITZKER: So NNMI is the National  
22 Network of Manufacturing Innovation. It also goes by  
23 the Reinvested American Manufacturing and Innovation,  
24 so you'll hear NNMI, RAMI, or Advanced Manufacturing  
25 Institutes. They're all the same thing, which are the

1 institutes that you've heard about in 3-D printing in  
2 Youngstown, Ohio, or in materials in Detroit, or in  
3 digital manufacturing in Chicago. There's two others:  
4 one in South Carolina, power technology, and there have  
5 been actually -- last week the President announced the  
6 ninth institute, which was going to be in advanced  
7 textiles. That is pretty exciting.

8           Something I didn't realize about textiles. We  
9 all hear about how our textile industry has been  
10 decimated. We are now the fourth largest producer of  
11 textiles in the world. I think, with our investments  
12 in these areas, we can really regain our prominence.

13           We also expect the sixth institute to actually  
14 come online in June, and that's Infotonics. So there's  
15 a lot happening in terms of investment by the Federal  
16 Government and regional private sector, public sector,  
17 and university consortia that are coming together in  
18 this area.

19           In our FY 2016 budget, the Department of  
20 Commerce has sought funding for us to do two Commerce-  
21 led institutes. This is where you come in. We are  
22 going -- the goal of our two institutes will be that  
23 the technologies that we choose will be selected by  
24 industry, which means we need your input in helping us  
25 figure that out.

1           We need to develop a process to figure out the  
2 two institutes and how they will work, and that's  
3 something that will be part of your work. We also need  
4 to attract top sector experts to lead the process of  
5 evaluating future institutes, which is part of NIST's  
6 work.

7           So make no mistake, NNMI is a critical  
8 priority for the President and for those of us here at  
9 the Department of Commerce. Our job is execution, but  
10 for the President, he remains very focused on what we  
11 can get accomplished throughout his administration, and  
12 frankly between now and the end of his administration  
13 in terms of really growing our manufacturing innovation  
14 base.

15           The other thing the President announced last  
16 week is the launch of the supply chain initiative, or  
17 innovation initiative. This will focus on building the  
18 public/private partnerships to strengthen small  
19 manufacturers that anchor our Nation's supply chains.

20           Later this summer we'll be convening the  
21 Supply Chain Innovation Round Table at the White House  
22 to recognize best practices and to honor companies that  
23 are committed to strengthening small manufacturers.  
24 This is another place where you can help us shape this  
25 convening.

1           One of the things to address in the supply  
2 chain effort is where are the gaps in information flow  
3 within supply chains, what are mechanisms that exist to  
4 help manufacturers adopt new technologies, what are  
5 effective practices you've seen that help small  
6 manufacturers upgrade their capabilities? That is part  
7 of the work that we do at MEP, but something that we  
8 need your input in.

9           So that is really some of the thoughts that we  
10 have about focus for the Innovation Committee, but  
11 obviously I know you all will have your own ideas as  
12 well. But, just some areas that we know we'll need your  
13 input.

14           In terms of skills, Commerce, as you know, as  
15 made a skilled workforce a top priority, which has  
16 never been the case before. That always just existed  
17 solely at the Labor Department. We have really wanted  
18 to build on the efforts that we have had over the last  
19 couple of years of encouraging partnerships between  
20 employers and community colleges. There's a big  
21 initiative now to double the number of apprenticeships  
22 and we've really emphasized the idea of industry-  
23 recognized credentials that are also portable and  
24 transferrable.

25           Our next step, and we had a public press

1 release and we'll do an announcement later this month,  
2 is we want to scale the training models that work. We  
3 recognize that training occurs not here in DC, it's not  
4 a Federal effort, it occurs out in your regions where  
5 you are doing business.

6 But the observation that we have is that  
7 there's not a lot of exchange of information between  
8 the training ecosystem in each of your communities and  
9 there needs to be. If you think about your training  
10 ecosystem, it includes your local government, includes  
11 the private sector, it includes universities, it  
12 includes the community colleges, and it may include  
13 private training organizations. It probably does  
14 include private training organizations, and others. I  
15 call that the ecosystem.

16 That ecosystem in your region isn't  
17 necessarily talking to other regions. University  
18 presidents talk to university presidents, community  
19 college leaders talk to community college leaders,  
20 business people talk to other business people. But  
21 we're not really learning from each other. There's a  
22 lot of innovative things going on in training, but it's  
23 not necessarily being spread across the country.

24 So we announced last night that Aspen  
25 Institute will be our national partner and we're going

1 to identify -- we're going to begin by identifying six  
2 regions to work together in a learning exchange to  
3 basically learn and codify best practices and then work  
4 to scale the most productive industry-led models.

5 The Aspen Institute is going to run a  
6 competition in the next month to select six regions and  
7 then the learning exchange will provide these regions  
8 with technical assistance and opportunities to  
9 participate in national convenings, at the same time  
10 distilling the best practices so they can be shared.

11 We could use your help in spreading the word  
12 about this. We could use your help in any thoughts you  
13 have about how to make that most effective. You are  
14 the consumer of the product called training and what  
15 we're trying to do, from a Federal standpoint and at  
16 the Department of Commerce, is continue the evolution  
17 but maybe expedite the positive evolution of making  
18 sure that training in America is job-driven, it's  
19 focused on jobs, as opposed to, as our Labor Secretary  
20 would say, that we train and pray.

21 So this is something that innures to  
22 everyone's benefit. We are also going to be acting on  
23 one of the key recommendations that came out of this  
24 Council, which is continuing to improve the image of  
25 manufacturing in the United States and to encourage

1 young people to see the possibility of a career in  
2 manufacturing.

3           So last year we expanded Manufacturing Day.  
4 We doubled it. We kind of set ourselves a goal of  
5 doubling it. More than 350,000 people attended open  
6 houses and tours to over 1,600 companies, including  
7 some of your firms. So thank you for those of you who  
8 participated last year. I think it was in May last  
9 year. October. The new one will be October 2. I  
10 think it was October 4 last year, this year it will be  
11 October 2.

12           Anyway, we are fortunate. The President and I  
13 went to the Midwest and did an event to celebrate  
14 Manufacturing Day. Part of my invitation to him was,  
15 if we doubled it would he come? So I'm not sure what  
16 our goals will be this year, but frankly it is  
17 extremely important, this effort to change the image of  
18 manufacturing. I think we're making a dent in it, but  
19 we have to keep going and we have to be persistent so  
20 we'll need your help with that.

21           For the trade, I think the third issue is  
22 trade. This is a top agenda item right now for the  
23 administration. I mean, it has been for the  
24 administration, but right now we are in a critical  
25 moment. The President has a very ambitious trade



1 agenda because he recognizes, as do all of us, a number  
2 of things. We live in a very competitive global  
3 economic environment.

4 Ninety-five percent of the world's customers  
5 live outside the United States and in the next 15 years  
6 the middle class in Asia will go from 570 million  
7 people to 2.7 billion people. If our companies are not  
8 participating in that market because we cannot get  
9 market access, because we don't have a level playing  
10 field, we will be left behind. You all know that.

11 We are in the process of trying to get trade  
12 promotion legislation done through Congress. That is  
13 an essential precursor to passing the Trans-Pacific  
14 Partnership, which is our free trade agreement that is  
15 close to the end of being negotiated between 12  
16 countries, including among those of us who are part of  
17 the Asia-Pacific region.

18 It's really, really important to the future of  
19 American economic stability and strength to your  
20 ability to sell your goods and services in Asia and to,  
21 frankly, our national security because our national  
22 security is so tied to our economic security. So this  
23 is a huge priority.

24 The other thing that we would love more input  
25 on is how do we continue the process of having more

1 companies export from the United States? We know that  
2 about 11.5 million people today go to work in America  
3 because their companies export, so those jobs solely  
4 exist because the companies export. That is not the  
5 full jobs of companies that export. We know those jobs  
6 pay up to 18 percent more than jobs that are not  
7 related to exporting.

8 So the question becomes, what are the tools,  
9 what is the data that companies need in order to be  
10 either more comfortable exporting, knowing what markets  
11 they'll be successful in? The International Trade  
12 Administration, which is part of Commerce, is  
13 finalizing reports on top markets for exporting in 19  
14 specific sectors. We are going to produce this report  
15 annually going forward. We'd love your advice as to  
16 whether we've got the right data, whether we've got the  
17 right sectors, what would be more useful to be included  
18 in that?

19 In terms of -- and I could go on and on about  
20 things that we could do in trade. It's really  
21 important. Energy, which is the last sector, the clean  
22 energy manufacturing is an area we really hope to  
23 increase domestic production and to also increase our  
24 export activity. There is enormous need around the  
25 world, there is enormous demand around the world.

1           As you see countries making their commitments  
2 to climate change, it means they're going to need to  
3 use different technologies because the demand for power  
4 and energy is growing dramatically around the world.

5           I've been to 31 countries. I have yet to go  
6 to a country, except maybe some of the most  
7 industrialized countries, that are not trying to  
8 increase the amount of power they provide and do it in  
9 a more energy-efficient and using more clean energy  
10 technology. Huge growth area.

11           In fact, next week we leave at the end of the  
12 week on a trade mission to China where, for the very  
13 first time in history, two secretaries -- Secretary  
14 Monise and I will lead this clean energy trade mission  
15 to China. I think we've got 25 companies going; it's  
16 pretty exciting.

17           But later today you're going to hear from the  
18 director of the Clean Energy Manufacturing Initiative  
19 at the Department of Energy to talk about how to  
20 enhance U.S. competitiveness in manufacturing clean  
21 energy technologies. We ask you to look at their work  
22 and weigh in on applications that would further enhance  
23 our manufacturing competitiveness in this area.

24           The Secretary of Energy and I are both  
25 committed to trying to get more of their technology

1 from the lab to market and we're working on that  
2 process. The Department of Energy has 17 national labs  
3 and we're working with our manufacturing extension  
4 partnership centers to try and facilitate identifying  
5 technologies that could be commercialized, and  
6 particularly commercialized by small- and medium-sized  
7 companies.

8 So we would love your input into this pilot  
9 effort and anything that you think that we could be  
10 doing, particularly as it relates to helping small- and  
11 medium-sized businesses.

12 That's a full plate of things and I'm sure  
13 there's more on your mind to address as you think about  
14 what is the mission of this Council, how to improve our  
15 manufacturing policies, how to strengthen the  
16 manufacturing sector, how to maintain our manufacturing  
17 as an essential pillar of our economic growth, and how  
18 do we ensure that the next generation of innovative  
19 products that are made here in the United States are  
20 globally competitive?

21 As I said at the beginning, we have two years  
22 left so it's not a lot of time, but it's a lot of time.  
23 We can get a lot done. I am blessed. I have a  
24 phenomenal team that is sitting around the edges here,  
25 they're sitting at the table, that works on

1 manufacturing policy. They are your allies, they are  
2 your partners. They are here to help better understand  
3 your good ideas and work together in partnership with  
4 you so we can put them into practice.

5 I hope you come away with the idea we're very  
6 serious about this. This is really important to the  
7 country, it's really important to the President, it's  
8 really important to the Department of Commerce. So  
9 again, I can't thank you enough for taking the time out  
10 of your busy schedules to help us do a better job so  
11 that manufacturing can continue to thrive in our  
12 country.

13 And maybe I could take a couple of questions  
14 and then I'll get out of your hair, because I know you  
15 have a busy agenda.

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**SPP RESPONSE & DEPARTURE**

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3 CHAIRMAN SMYTH: Okay. Well, we have about 10  
4 seconds.

5 MS. MARTINEZ: Madam Secretary, we just wanted  
6 to let you know that we really appreciate, as you were  
7 saying, your exceptional team. We really look forward  
8 to helping you execute your strategy. Ms. Chandra  
9 Brown has really been an exceptional ally for us in the  
10 last Council with all of her knowledge. She's made a  
11 concerted effort to come out and support various  
12 activities that we've had.

13 We're looking very much forward to working  
14 with Shannon, as well as Niara. They're off to a great  
15 start. They oriented us yesterday, and so as the Chair  
16 and Vice Chair we really appreciate all the support  
17 that we're getting. We really want to let you know  
18 that last Council it was instrumental to get the  
19 various experts in all the different divisions so that  
20 we could orient and benchmark very quickly.

21 We want to let you know that we see our charge  
22 as sort of three-fold: 1) to execute new  
23 recommendations; 2) be a sound board for initiatives  
24 that come up such as the one you just mentioned; and 3)  
25 to help you communicate and get out into the various

1 areas.

2 So we want to let you know that we're going to  
3 hit the ground running utilizing the work of the  
4 previous Council. To give you an example, we had a  
5 Regional Round Table in Albuquerque, New Mexico, that I  
6 had the good fortune of hosting over at MCT Industries.

7 I bring that up because we put into practice  
8 virtually every single one of the seven priorities you  
9 just laid out. For example, we had representatives  
10 from our two national laboratories, Sandia and Los  
11 Alamos National Laboratories. We brought in  
12 representatives from our two Air Force bases, because  
13 as you said the security of our country is very tied to  
14 our economic security.

15 We had our MEP leader. We had our USEAC  
16 leader, which is the representative that does trade for  
17 our participate area. We had small businesses and  
18 large businesses. So we all came together as a  
19 collective, including our educational institutions,  
20 both at the university and community college level. So  
21 we hit many of the topics that you're talking about,  
22 including, how do we commercial out of the labs?

23 We served on the IRD--the Innovation Research  
24 and Development--Subcommittee last year and we were  
25 very specific about giving you actionable

1 recommendations, and we're very excited that you have  
2 business acumen and experience that you lend to our  
3 Council and that you demand really actionable -- so  
4 that's what we'll be emphasizing in our subcommittees.

5 We also are going to have cross-pollinization  
6 across the subcommittees where the co-chairs will work  
7 together so that just because I have volunteered, say,  
8 for energy, does not mean I won't want to have some  
9 input on tax, or on the MEP initiative. You talked  
10 about the NNMI's. So we're off to a great start. We  
11 had our first co-chair meeting yesterday. We have  
12 exceptional talent in the room and I really, really  
13 thank you for the opportunity to serve.

14 SECRETARY PRITZKER: Terrific. Terrific.

15 CHAIRMAN SMYTH: Madam Secretary, to echo some  
16 of those comments, our strategy really includes  
17 building on the exceptional work that we accomplished  
18 last year with the NNMI's, workforce development,  
19 energy, trade, tax, and supply chain.

20 The Council is very conscious of an  
21 accelerated time frame so we are not even thinking of  
22 two years. We are going to do as much as we can to get  
23 something in an actionable time frame for you.

24 As Claudine mentioned, we intend to gather our  
25 intelligence from both inside and outside the Beltway



1 and continue our tradition of holding full  
2 Manufacturing Councils, but also encouraging a great  
3 deal more cross-talk between the organizations, both at  
4 a group level and also at a geographic level, which I  
5 think really resonates with your comments on geographic  
6 ecosystems.

7 Finally, we look forward to collaborating with  
8 you and the people from the Department of Commerce and  
9 we really thank you for investing your time today.

10 SECRETARY PRITZKER: Well, as I said, I am  
11 really excited about the work of the Council. You're  
12 in really good hands for the next several hours, and  
13 certainly throughout the next two years with the team  
14 that we've got here. So I'm looking forward to hearing  
15 more about the progress that you make today.

16 CHAIRMAN SMYTH: Thank you.

17 SECRETARY PRITZKER: So I'm going to leave  
18 here to get to work.

19 CHAIRMAN SMYTH: Thank you very much.

20 SECRETARY PRITZKER: No more screwing around  
21 now.

22 (Laughter)

23 CHAIRMAN SMYTH: Are we settled? Great.

24 For our first speaker, I'd like to welcome Mr.  
25 Marcus Jadotte, who is the Assistant Secretary of

1 Commerce for Industry and Analysis. Marcus, I think  
2 you're going to speak with us for five minutes?

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1                   **THE COMMERCE TRADE AGENDA AND DISCUSSION**

2                   **Marcus Jadotte, Assistant Secretary**

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4                   ASSISTANT SECRETARY JADOTTE: Yes. In fact,  
5 I'm going to focus on one of the planks that the  
6 Secretary touched on.

7                   But I'm going to start by echoing the  
8 Secretary's welcome to all of the new members, and the  
9 group in its entirety. Welcome to the Hoover Building.

10                  Thank you all for contributing your time and resources  
11 to being a part of this Council.

12                  A huge part of our work at the Commerce  
13 Department relies on input and, as was mentioned  
14 earlier, we have a broad network of Councils and  
15 advisory committees that inform what we do at the  
16 Commerce Department. I spent the last 10 years in the  
17 private sector. As you all know, Penny Pritzker is a  
18 leading businesswoman in the country, has been for  
19 decades. This Department has a private sector  
20 orientation.

21                  The work that you do not only informs that  
22 orientation but underpins everything that we will do in  
23 the manufacturing space. So we are all grateful for  
24 your time and the resources that clearly you commit to  
25 this effort. Obviously you're away from your

1 businesses today, so we are grateful and respectful of  
2 your time.

3 I thought I would spend just a few minutes  
4 talking about trade. The Secretary did--as she always  
5 does--a great job of building the case for both trade  
6 promotion authority and TPP. But I'll spend just a  
7 couple of minutes on trade and why it's important and  
8 why it's important in this moment.

9 Just last month, the Secretary released a  
10 report. She highlighted some of the numbers earlier.  
11 Nearly 12 million jobs in 2014 in the United States  
12 were due to trade. These are trade-dependent jobs, as  
13 the Secretary mentioned.

14 For context, that is about the size --  
15 actually slightly larger than the entire population of  
16 Ohio, a Secretary that is well represented around this  
17 table today. Those are a lot of jobs and they depend on  
18 trade.

19 And as the Secretary mentioned, Congress is  
20 considering passing bipartisan legislation that will  
21 allow us to implement more trade agreements and, in  
22 fact, grow U.S. exports. Passing trade promotion  
23 legislation and TPP really is about three basic  
24 concepts: fairness, values, and American leadership.  
25 Fairness really is built on U.S. companies having

1 access to markets around the world.

2 As you all know, the U.S. market is the most  
3 open market in the world. Despite that, our businesses  
4 often face high tariffs and other non-tariff barriers  
5 around the world and trade agreements allow us to  
6 address those impediments to high-quality U.S. exports  
7 going into markets around the world.

8 Those barriers, are you know, not only impact  
9 our ability to compete as a country, but they slow job  
10 growth in the United States. So we want--we need--  
11 additional trade agreements to ensure that our  
12 companies are able to play on a level playing field:  
13 access to our market in exchange for equal access to  
14 markets around the world.

15 But the values component really is about  
16 spreading American high standards and values around the  
17 world. Trade agreements allow us to do that in a way  
18 that is predictable and forces -- and commits our  
19 trading partners to play under similar constraints that  
20 all of the businesses that you work in play in.

21 Finally, global leadership really is about who  
22 sets the rules of the road going forward. If the  
23 United States doesn't do it, countries like China will.

24 As we are pursuing the TPP, China is building its own  
25 alternative view of the world.

1           As the Secretary said, the Asia-Pacific  
2 region, the region that the United States obviously is  
3 a major part of, is growing. We want to have access to  
4 the region. TPP will ensure that our companies have  
5 that access.

6           Over the course of the day, and actually your  
7 next speaker who has done a good job thus far in  
8 preempting my intro, Chandra, as you know, is a former  
9 Council member and she will go into even further depth  
10 on the last Council's recommendations.

11           But again, I want to end by thank you again  
12 for being a part of this Council. We are looking  
13 forward to working with everyone in the group and know  
14 this will be an opportunity to build in the Secretary's  
15 legacy here at the Department.

16           As Penny mentioned, we are all on the clock.  
17 In our system, it's predictable. We know when our time  
18 at the Department is going to end. We need your help  
19 in making sure that the next two years is as productive  
20 for U.S. firms as possible and look forward to your  
21 recommendations at the end of your term, but  
22 importantly throughout your term as well.

23           CHAIRMAN SMYTH: Thank you.

24           ASSISTANT SECRETARY JADOTTE: So, thank you  
25 all very much.

1 CHAIRMAN SMYTH: Thank you.

2 ASSISTANT SECRETARY JADOTTE: I think we want  
3 to stay on time, so I am open to comments or questions.

4 CHAIRMAN SMYTH: We will, yes. So I would  
5 just like to thank you, Assistant Secretary Jadotte,  
6 for a very kind welcome and some of your very valuable  
7 insights. We are highly energized to meet your needs  
8 and look forward to the partnership. We are very, very  
9 grateful.

10 ASSISTANT SECRETARY JADOTTE: Great. Thank  
11 you very much.

12 CHAIRMAN SMYTH: Thank you.

13 I think, in the interest of keeping on  
14 schedule, as you said, with our accelerated time frame  
15 both at a macro and a micro level, we are going to skip  
16 the little discussion buffer that we put in and  
17 transition to Chandra.

18 ASSISTANT SECRETARY JADOTTE: So for many of  
19 you, you know Chandra well. She's a former member of  
20 the Council. Her experience in manufacturing adds a  
21 great deal to our work at the Commerce Department.  
22 She's been a part of the administration now for two  
23 years.

24 MS. BROWN: Over two years.

25 ASSISTANT SECRETARY JADOTTE: Over two years.

1 MS. BROWN: That's a lifetime.

2 (Laughter)

3 ASSISTANT SECRETARY JADOTTE: It can feel like  
4 that sometimes, I guess.

5 (Laughter)

6 MS. BROWN: In a good way.

7 ASSISTANT SECRETARY JADOTTE: In a very good  
8 way. We look forward to your continued contribution in  
9 this space.

10 So with that, Chandra Brown.

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1                   **WHAT MAKES AN EFFECTIVE COUNCIL and DISCUSSION**

2                   Chandra Brown, Deputy Assistant Secretary  
3   for Manufacturing  
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5                   MS. BROWN: Thank you so much. Well, good  
6 morning, everyone.

7                   VOICES: Good morning.

8                   MS. BROWN: Excellent. So it is a joy to be  
9 here. Again, I do know, obviously, many of you and I  
10 would say the more experienced members, some of the  
11 things I'm going to say you will have heard before, but  
12 I think everything bears repeating.

13                   What I'm going to talk a little bit about is  
14 the role of the Council, what makes it successful and  
15 some of the differences as we go forward from past  
16 Councils. As the Assistant Secretary said, I was, many  
17 years ago, on this Council and actually served as Vice  
18 Chair in the past.

19                   I will say that I am just so incredibly  
20 impressed each year at how the depth, the level, and  
21 the breadth of the recommendations continue to progress  
22 and move forward. So you all have a very high bar set  
23 by the previous Council and to date everyone has exceed  
24 that, so I think you have a lot to look forward to and  
25 do.

1           I was an actual manufacturer for 20 years, so  
2 I love manufacturing. I think you'll find that this  
3 group and the speakers that we bring in, whether it be  
4 from Labor, from Energy, from NIST, or MEPS, are going  
5 to be very practical and give you a lot of really  
6 practical knowledge.

7           The difference between this committee and past  
8 committees, in the past the model has been  
9 predominantly recommendation letters. So you have your  
10 four subcommittees, you break off and you do a lot of  
11 research, we give you all the insight we can from a  
12 U.S. Government perspective, and then you come up with  
13 recommendations that will help enhance the  
14 manufacturing competitiveness of this Nation. It's  
15 wonderful.

16           However, we want to be a little bit more --  
17 this Council, as you heard -- basically the Secretary  
18 gave, I would say, almost four specific questions if  
19 you will, already on the table on things that we are  
20 looking for input on. So now it won't be only  
21 recommendation letters. That's certainly a path and the  
22 new and creative ideas that you think of, we will  
23 absolutely be interested in, as well as building, as we  
24 talked about.

25           There's great work that was done by the

1 previous Councils to be built upon. But we will also  
2 be looking for input in different ways, so when we ask,  
3 you know, questions out there, there might be returns  
4 in the form of white papers, for example, or surveying  
5 your contacts and your folks throughout the country.

6 I do want to emphasize, as has been previously  
7 mentioned, that as you are here, you are here  
8 representing everything from your geographic area, to  
9 your industry sector, to your personal knowledge base,  
10 to all the trade associations, et cetera, that you  
11 belong to. You are a voice for manufacturing for the  
12 country.

13 So if you think about it, each one of you is  
14 representing tens of thousands of people. So when we  
15 ask these questions, it will be up to you to go into  
16 your networks and to pass this information and this  
17 data out, bring it together in a comprehensive and  
18 cohesive fashion to be delivered to the Department of  
19 Commerce's recommendations.

20 So I think this will be very iterative. It  
21 goes to your Chair Susan's comments earlier that, yes,  
22 we have four large committees. Again, as I think we've  
23 all talked about, the bulk of the work is done in the  
24 committees. We have, hopefully, four of these large  
25 meetings a year when we all come together, but there

1 will be many, many more meetings, phone calls,  
2 teleconferences done throughout the course of the year  
3 in between these meetings.

4 With that, as we propose topics, these topics  
5 will often be cross-cutting across subcommittees so you  
6 can be working together in different groups. I think  
7 that will breed a great amount of kind of cohesiveness,  
8 but also interchange and innovation between the various  
9 committees.

10 So as we said, you're not limited in that, but  
11 I think you'll have a lot of time to be working  
12 together cross-committees, which again is another  
13 slight difference, I would say, from previous Councils.

14 So those are, I think, probably the most  
15 important points. I think we're going to talk a lot  
16 more about details and we can turn it over, if you have  
17 any kind of specific questions on where we're moving  
18 forward or how we're moving forward. Again, you have  
19 an incredible team of folks.

20 Following me, you're going to be getting a lot  
21 of data from a whole bunch of other agencies. I  
22 encourage you to ask questions, I encourage you to set  
23 up additional meetings. Most of the things that we  
24 have, have websites and lots of other data online. We  
25 are the data agency, so there's more data than you

1 probably even ever wanted to know about. We have it  
2 and we will happily share it.

3 So I think with that, if there's any questions  
4 that anyone has, again, please feel free. No question  
5 is too small.

6 DR. GREEN: Chandra, I have one question.

7 MS. BROWN: Yes, sir.

8 DR. GREEN: For the impromptu questions that  
9 come up, so what will be the mechanism that we will  
10 respond to those? Is that going to be a part of the  
11 letters or part of the -- you said -- what is the  
12 mechanism to provide those responses or --

13 MS. BROWN: So there probably will be a  
14 variety of mechanisms. So obviously a letter format of  
15 summarizing results and things will be kind of a  
16 standard way, but it depends on what the question is.  
17 Some things might be surveys, for example, so you're  
18 tallying survey results.

19 Other things may be a paper that's attached,  
20 let's say, to a letter, if you will. Things like  
21 Manufacturing Day. You obviously heard the Secretary  
22 talk about that. That's a very important thing. That  
23 may be a work plan on, what is everyone here on this  
24 Council going to do on National Manufacturing Day, and  
25 what are your needs from us, from the administration?

1 I had a fantastic time last year in Florida  
2 meeting a bunch of folks. Those are things that might  
3 not be in a letter format, for example, a  
4 recommendation letter, but will be uplifting in talking  
5 about these kind of different questions.

6 DR. GREEN: Got it. Thank you.

7 MS. BROWN: Absolutely. So I don't want to  
8 limit you to any one method at this point. And I will  
9 say on the point of questions, we have, obviously,  
10 several that we can get kicked off right now and hit  
11 the ground running on, but the reality is, other  
12 questions will come up over time, too. We see this as  
13 an iterative process.

14 Honestly, these first several ones that the  
15 Secretary discussed are more than enough to keep  
16 everyone very busy for a while, particularly as we  
17 stand up the new Commerce Manufacturing Institute.  
18 There is a ton of work to be done on that.

19 But I wanted to say that we are still open for  
20 other new ideas or things that can come out from your  
21 side, and there may be additional questions that we  
22 bring to the table in the future as we go forward.

23 Yes, Cody?

24 MR. FRIESEN: So as Secretary Pritzker  
25 mentioned several times, there's a big focus on

1 exports. I'm wondering if there isn't a mechanism by  
2 which we can have a more robust interface with ITA and  
3 the Council than we had last time.

4 I think that could be helpful not only from  
5 the point of view of how the various subcommittees'  
6 work translates to work related to what the ITA is  
7 doing, but also thinking about what we can do from the  
8 point of view of additional or expanded -- you know,  
9 this is one of my big things that I like to champion,  
10 which is expanding the trade missions.

11 That's something that is sort of the country's  
12 best kept secret. For manufacturers, it's a big deal.

13 I've been on several. It's tiny, not even a small  
14 company but a tiny company, and it's been extremely  
15 valuable.

16 You look at the number of entities that apply  
17 to go on trade missions, it's far too small for the  
18 value that is gotten by going. So at any rate, the  
19 broader point is, I would be interested to see if there  
20 is a way to pull ITA further into the Council than we  
21 did last time, Susan.

22 CHAIRMAN SMYTH: That sounds good.

23 MS. BROWN: I think that that absolutely can  
24 be done. As we have talked about before, we have so  
25 many advisory committees. For example, when we talked

1 about the Energy Committee, we have R.renewable Energy,  
2 we have Energy Efficiency, other advisory committees  
3 made up of CEOs in specialty areas, for example. So we  
4 have talked about bringing advisory committees  
5 together, again, as a new idea that we have just  
6 previously talked about. The same with the briefings.  
7 ITA is doing a lot of briefings.

8 This Top Market report, which our teams have  
9 been working very hard on for the last year, will also  
10 be an incredible way -- because when you comment on  
11 those you'll see they're talking about, what's the  
12 export promotion, where are the best markets, where  
13 could the next missions potentially be. So I would be  
14 very interested in your feedback.

15 I will say, those versions are rolling out but  
16 not all of them have public versions yet. We are  
17 slowly kind of bringing each one and there are 19, as  
18 we said, different sectors across the board. But I  
19 think we will be very interested in your feedback on  
20 that, and that will be another way that it is going to  
21 be tightening the relationship between ITA and the  
22 Manufacturing Council.

23 ASSISTANT SECRETARY JADOTTE: And to the  
24 extent that, Chair, if there's an opportunity to have  
25 our trade promotion team come in and brief you --



1 CHAIRMAN SMYTH: Uh-huh. That sounds good.

2 ASSISTANT SECRETARY JADOTTE: -- we would  
3 welcome that opportunity. Rest assured, we have -- we  
4 believe that trade promotion is incredibly important.  
5 It's an important part of what we do. Trade missions  
6 are a fantastic tool that we want to build awareness of  
7 that tool and grow the number of companies who are  
8 applying for a trade mission.

9 So anything that -- any advice that you have  
10 in addition to my taking this moment -- I don't want to  
11 lose our time, but taking this moment to invite  
12 everyone around the table to take a look at upcoming  
13 missions and, if you haven't been on a trade mission,  
14 frankly, to your point, doing so may inform your work  
15 on the Council going forward. I can tell you, it  
16 certainly is going to be good for your business so I  
17 would encourage that kind of collaboration for sure.

18 CHAIRMAN SMYTH: So I think that is really  
19 good dialogue.

20 Chandra, I would like to thank you formally  
21 for your help in the past and let you know ahead of  
22 time we're going to continue to rely very heavily on  
23 your guidance in this area.

24 I would now like to take the opportunity to  
25 welcome Josh Titlebaum from the Department of Commerce

1 and look forward to hearing your comments.

2 MR. TITLEBAUM: Thank you. I am always happy  
3 to give up my seat for Secretary Pritzker. I do want  
4 to take this moment to just quickly introduce myself.  
5 I started in October as the Deputy Assistant Secretary  
6 for Textiles, Consumer Goods, and Materials. As I like  
7 to say, if you eat it, drink it, wear it, or fill or  
8 build your home with it, our offices cover it.

9 (Laughter)

10 MR. TITLEBAUM: And you have probably had a  
11 recurring -- this morning so far, and that is trade.  
12 I've been working heavily on trade since we arrived  
13 here. I've been at every TPP negotiating round since  
14 October since we started, and have worked with our  
15 offices to help knock down barriers through other fora,  
16 including our MDCP program, the Market Development  
17 Cooperative Program, and hopefully we'll be able to  
18 learn more about that, as well as ASEAN and APEC  
19 forums. So I'm looking forward to working with  
20 everybody around the table.

21 CHAIRMAN SMYTH: Thank you, and welcome.  
22 Okay.

23 I think we have maybe one or two minutes built  
24 in for any questions. I would especially encourage our  
25 new members. This is the first time around the table

1 and you may have some questions or points of  
2 clarification while we still have our leaders from the  
3 Department of Commerce with us.

4 MS. RUSH: I have a question. How frequently  
5 should members be doing op-eds on specific agenda items  
6 that are very critical? What is your experience?

7 MS. BROWN: Our experience is, it is never  
8 enough.

9 (Laughter)

10 MS. BROWN: So the more op-eds, the more ways  
11 that we can do outreach and talk about the good work  
12 that the Council has done -- again, we do not dictate  
13 to you on what you so choose to do with press and with  
14 op-eds, but we highly and sincerely encourage it as  
15 frequently as possible. So I don't have any specific  
16 number for you, but I think that's something that we  
17 always can improve upon from Council to Council.

18 CHAIRMAN SMYTH: Okay. Any other questions?  
19 Christie?

20 MS. BARRETT: For the benefit of the prior  
21 Council members and the new Council members, there's a  
22 tracker that Commerce keeps of all the prior  
23 recommendations from this Council, as well as the AMP  
24 and AMP 2.0 initiatives. Would it be available to  
25 share with this group so that we can understand and see

1 what has been implemented, where there are still gaps,  
2 where there are priorities, assuming that we can get  
3 through some of the priority items for what might be  
4 next on our list.

5 MS. BROWN: Absolutely. We do have the master  
6 tracker and we have been tracking recommendations from  
7 many Councils, even far previous. We have a very  
8 detailed spreadsheet and I think that there should be a  
9 version, obviously, that we can happily share with the  
10 Council so you can see AMP recommendations,  
11 manufacturing recommendations.

12 I do want to make the point, which I could  
13 have made earlier, but when I was on the Council many  
14 years ago some of the recommendations that we made we  
15 did not actually see fulfilled for years past. Andra  
16 and I were talking about this.

17 One of the recommendations in my Council was,  
18 you know, pass KORUS, the Korean Free Trade Agreement  
19 or the Colombia Free Trade Agreement. Shows you how  
20 long ago it was when I was on the Council! When we did  
21 it, that didn't pass for four years after a  
22 recommendation, sometimes, like that were made.

23 So it's very impressive when you see the work  
24 that you've done. Not everything in the government,  
25 unfortunately, runs at the same speed as the private

1 sector so the recommendations that you do -- again,  
2 even if not implemented in this term as a new  
3 administration comes in, as new people look at this,  
4 these recommendations can be carried forward across  
5 various administrations.

6 So your work is incredibly valuable. Yes, I  
7 want to be clear we want actionable, quick, good,  
8 hearty results. I think building off the tracker is a  
9 great suggestion, but I just want you to know sometimes  
10 you'll be surprised.

11 I think you can see that from what the  
12 Secretary said, some of the advice of the previous  
13 Council is being incorporated into legislation, like  
14 RAMI that's being put forward now. So that will be the  
15 case. Continue looking. Your work here will be  
16 valuable for years to come.

17 CHAIRMAN SMYTH: Thank you, Chandra. Oh,  
18 sorry, Hiro. Please. Please.

19 MR. FUJITA: So all these subcommittees last  
20 year came up with these recommendations for the  
21 Commerce Department. Will there be an opportunity  
22 where we can kind of get an update as to what is  
23 happening with these letters of recommendation and the  
24 status of each, let's say, action item that we have  
25 recommended?

1 MS. BROWN: I'm sorry. That will be in the  
2 tracker, so the tracker will say --

3 MR. FUJITA: (inaudible)

4 MS. BROWN: Right. Like, where is it or  
5 what's happened to it. Again, one final point I would  
6 make. One of the things we talk about is, we are the  
7 U.S. Department of Commerce and we do have great allies  
8 here around the table from other agencies.

9 But any of the things that Commerce can do in  
10 particular makes it much more actionable, so as an  
11 example we had a recommendation on taxes in the past  
12 and we and the Secretary absolutely take those over to  
13 Treasury and to Secretary Lew and we pass that forward,  
14 but we are not in control--fortunately or  
15 unfortunately--of the Tax Code and revisions to taxes.

16 So there are many recommendations which are  
17 dependent on Congress, dependent on other agencies, and  
18 so we will push those. We take those forward, but you  
19 won't see Commerce able to implement X. So that's  
20 another good point.

21 CHAIRMAN SMYTH: Okay. So we'll definitely  
22 take that as an action item. I think it would be very  
23 useful. We had some conversation with Shannon, and also  
24 Chandra yesterday.

25 I think it's useful for us to develop sound

1 bites that we can disseminate among the Council so they  
2 can continue to have the enthusiasm level within their  
3 own companies that says you're sitting on something  
4 that is making a difference, and even if we have to  
5 reach into the past for a little bit of a historical  
6 track record, I think that will be of value. So we  
7 will definitely take that as an action item.

8 I would now like to introduce Ms. Libby  
9 Wayman. Libby is with the Department of Energy and she  
10 is the Director of the Clean Energy Manufacturing  
11 Initiative and has some comments for us.

12 Welcome, Libby.

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1                                   **ENERGY BRIEFING and DISCUSSION**

2                                   **Libby Wayman, Director**

3                                   **Clean Energy Manufacturing Initiative, DOE**

4

5                                   MS. WAYMAN: Great. Thank you so much for  
6 having the Department of Energy to partner with this  
7 Council. To the Chair and Vice Chair, thank you so  
8 much for your leadership and your service. This is a  
9 very serious topic for the Nation and certainly not  
10 taken lightly by this Council or this administration,  
11 and definitely very time-consuming, we know, as well.

12                                   CHAIRMAN SMYTH: Thank you.

13                                   MS. WAYMAN: And to the whole Council, thank  
14 you as well for your leadership and your service and  
15 your commitment to enhancing manufacturing in the U.S.

16                                   I do have some material for you for  
17 background. We don't need to step through it side-by-  
18 side, but I thought it would be useful to share with  
19 you just for your own reference. What I will do, as  
20 Secretary Pritzker mentioned, we have a lot of time and  
21 we don't have much time.

22                                   CHAIRMAN SMYTH: We're going to focus on the  
23 latter.

24                                   (Laughter)

25                                   MS. WAYMAN: And so I'll just share quickly



1 the role the Clean Energy Manufacturing Initiative at  
2 the Department of Energy, highlight some areas of input  
3 that are kind of actionable right away--the plane maybe  
4 might not be quite going down the runway yet, so  
5 hopefully there will be still a good amount of time for  
6 input, but it's very close--and then I can't help but  
7 also identify maybe one challenge that is longer term,  
8 something that we're working on actively and kind of  
9 put that out there as well.

10 Also as Secretary Pritzker mentioned, the  
11 energy sector is an important sector across the globe.

12 It's a rapidly growing sector. The presentation has  
13 some numbers, some truly staggering numbers on the  
14 marked opportunity for energy technologies, as well as  
15 the impact that energy can have across the  
16 manufacturing sector in the U.S. and the impact that  
17 energy has already had on the manufacturing sector  
18 across the U.S. as we take advantage of low-cost  
19 natural resources like natural gas and other cleaner  
20 burning fuel SO<sub>x</sub> in the U.S. So that's the motivation  
21 for energy making a strong commitment to manufacturing.

22 As a quick update, the Clean Energy  
23 Manufacturing Initiative was formed to really take  
24 advantage of both of those opportunities, the  
25 opportunity of the market size for energy technologies

1 and the opportunity that energy represents across the  
2 manufacturing sector.

3 We have worked across the Department to  
4 formulate a steering committee within the Department  
5 for conducting analysis and engaging external thought  
6 leaders as well, and working together to identify new  
7 things that the Department should be doing to enhance  
8 manufacturing in both of those areas.

9 One of the main things that we've been  
10 committed to over the last couple of years, and we  
11 continue to be committed to, is the national network  
12 for manufacturing innovation. As Secretary Pritzker  
13 mentioned, the RAMI bill certainly has significance in  
14 what it enables us to do.

15 It enables us to build a network amongst these  
16 institutes that have been established so far, and also  
17 allows the Department of Commerce to establish  
18 institutes that are not related to any one agency's  
19 mission space.

20 So the Department of Energy has been  
21 establishing institutes related to energy; Department  
22 of Defense has been establishing institutes related to  
23 defense; Department of Commerce can really open up the  
24 possibilities for new institutes.

25 There is another point of significance that I

1 think Secretary Pritzker may not have even kind of  
2 almost taken enough credit for, and that is, it is  
3 quite an accomplishment to get a bill through Congress  
4 at this time.

5 (Laughter)

6 MS. WAYMAN: And it went through with flying  
7 colors.

8 CHAIRMAN SMYTH: I think that goes down as the  
9 understatement of the meeting.

10 (Laughter)

11 MS. WAYMAN: It went through with flying  
12 colors with bipartisan support and bicameral support,  
13 so it was really quite an accomplishment.

14 CHAIRMAN SMYTH: Yes.

15 MS. WAYMAN: And also a signal that there's a  
16 lot of support for manufacturing, so your  
17 recommendations will have quite a bit of impact at this  
18 time.

19 So I would say there are two things that the  
20 Department of Energy -- two kind of categories of  
21 things that the Department of Energy is committed to  
22 developing in manufacturing. One, is innovation in  
23 advanced manufacturing technologies. What are the  
24 advanced manufacturing technologies that can impact  
25 multiple energy sectors and how do we apply them to

1 energy sectors? That's probably the biggest handle  
2 that the Department of Energy has.

3 We are primarily an R&D funding organization  
4 and so we in the Clean Energy Manufacturing Initiative,  
5 in our steering committee, that is where we have made a  
6 lot of progress and we have a couple of new budget  
7 items across the Department for over \$100 million of  
8 new R&D in advanced manufacturing for energy.

9 The other category of efforts that we have are  
10 kind of pilot things or public/private partnerships  
11 that can address other market barriers. So we have  
12 established three pilot efforts in the last couple of  
13 years. The first was on creating State-led economic  
14 development strategies for clean energy manufacturing.

15 This was a project started by a weatherization  
16 and intergovernmental program that can provide funding  
17 to State Energy Offices and they basically put out a  
18 competition for State Energy Offices to work with State  
19 Economic Development Offices to come up with a regional  
20 plan for clean energy manufacturing and economic  
21 development. So those projects are under way now and  
22 we are looking to re-launch that effort in FY 2016 as  
23 well.

24 The second is connecting manufacturers with  
25 our national laboratories. Secretary Pritzker also

1 mentioned that we have 17 national laboratories and one  
2 of the things that we heard over and over again was  
3 that we don't necessarily take advantage of those  
4 laboratories for the manufacturing sector and  
5 innovation in the manufacturing sector nearly enough.

6 So we just actually got approval from the  
7 Secretary yesterday--two days ago, now--to actually  
8 launch a competition for this effort and that should be  
9 coming out shortly. We're calling it the Technologist  
10 in Residence pilot.

11 The third pilot that we have run through the  
12 Advanced Manufacturing Office is a pilot that we think  
13 will help innovators in the clean energy sector scale  
14 through the stages of innovation and approach  
15 manufacturing more efficiently and more readily. This  
16 is the kind of longer term challenge that I mentioned,  
17 and that is the challenges in scaling innovation to  
18 manufacturing.

19 The pilot that we put together for this is an  
20 entrepreneurial home, basically, in Lawrence Berkeley  
21 National Laboratory for entrepreneurs and innovators.  
22 We're calling it Cyclotron Road, kind of a nod to the  
23 incredible assets that we have in our national labs  
24 like cyclotrons.

25 We just started this earlier this year and we

1 have great hope that it can scale to meaningful models  
2 for helping entrepreneurs get a good start in their  
3 business development efforts and energy technologies  
4 and approach scale more readily.

5           So some areas of input that I will mention.  
6 We're working on an effort to connect our national  
7 laboratories with the Manufacturing Extension  
8 Partnership Centers. We know that there's a lot of  
9 opportunity there, so if you can help us shape that,  
10 it's something that our leadership is committed to,  
11 it's something that the MEP centers are committed to,  
12 the labs, and we need help shaping it, formulating it  
13 so that it is impactful to bring small- and medium-  
14 sized manufacturers to our labs and innovation out to  
15 small- and medium-sized manufacturers.

16           A second area is global clean energy  
17 manufacturing analysis. This is an analytical  
18 capability that we are leveraging and also investing in  
19 within our national laboratories to evaluate  
20 manufacturing activity around the globe for energy  
21 sectors and also evaluate the competitiveness drivers  
22 to manufacturing in the U.S. versus other regions  
23 around the world.

24           We start off this analysis with kind of an  
25 overall trade flow and manufacturing capacity overview,

1 and then a detailed cost model, and then a sensitivity  
2 analysis taking into account factors that may change  
3 around the world. Those models are only so good as the  
4 input that we get to validate the models, so that's an  
5 area of ongoing support that we would welcome gladly.

6 We are establishing actually an advisory  
7 committee to our national laboratory, so it does not  
8 necessarily need to be a FACA like this body is, but we  
9 are very interested in expert input to that effort.

10 And as I mentioned, also, our main handle, Innovation  
11 in Advanced Manufacturing Technologies for Energy, this  
12 will be an ongoing effort across the Department. We  
13 always welcome input on what advanced manufacturing  
14 technologies can have an impact to energy.

15 And then the last one is scaling innovation to  
16 manufacturing. There are some charts in here about the  
17 problem that we have found in innovation scaling to  
18 manufacturing. We have established a pilot for  
19 supporting entrepreneurs in their innovation stages, in  
20 the early stages of innovation, to do that more  
21 efficiently and in a way that they truly engage  
22 customers in a meaningful way up front, engage  
23 strategic partners in a meaningful way up front, and  
24 hopefully do that in a capital-efficient manner so that  
25 they can more readily and easily raise funding in the

1 later stages.

2 We think that will be high impact for DOE  
3 investment. The later stages is something that  
4 continues to challenge the sector and continues to  
5 challenge the Department of Energy. We do not have as  
6 many funding mechanisms or authorities to operate in  
7 that late stage of innovation and scaling innovation to  
8 manufacturing.

9 We have some loan authorities but, as we found  
10 over the last six or so years, those loan authorities  
11 may not be good for efforts where there's still  
12 substantial technical risk. So this is an area of  
13 active kind of intellectual development at the very  
14 least.

15 I do not think the answer is obvious, but I  
16 spoke with an energy manufacturing company just the  
17 other day. They've done everything right in the  
18 innovation process. They've engaged customers early on,  
19 they have strategic partners. They're ready to scale  
20 up to manufacturing. They've sold half of their  
21 manufacturing capacity and they are really, really,  
22 really struggling to establish their first  
23 manufacturing plant.

24 When they have offers from governments around  
25 the world outside of the U.S. to come to their country



1 and have many, many more resources than we typically  
2 offer, it's a pretty tough sell and it's hard to  
3 compete with.

4 CHAIRMAN SMYTH: Uh-huh. Right.

5 MS. WAYMAN: And so I am working with them to  
6 try to figure out how they can piece together some  
7 resources for their needs. They are committed to  
8 manufacturing in the U.S. if they can. So it's a  
9 really very challenging issue. We need folks to help  
10 us think about it in a way that can be impactful for  
11 companies trying to make that transition, and also a  
12 good use and appropriate use of a Federal role.

13 CHAIRMAN SMYTH: Thank you. Thank you, Ms.  
14 Wayman. Thank you very much for your update on what  
15 has been very significant progress in the last two  
16 years, but also highlighting some of the challenges  
17 that I think we can make a contribution on. I know  
18 there will be a lot of work in supporting this sector.

19 I can see our chairs and co-chairs taking notes, so  
20 expect lots of phone calls.

21 (Laughter)

22 CHAIRMAN SMYTH: Again, I want to open it for  
23 a minute or two. Maybe our co-chairs have a comment or  
24 a question on the energy.

25 MR. FRIESEN: I'm looking forward to working

1 with you. I think we have our marching orders from  
2 Assistant Secretary Danielson as well about making sure  
3 that we heal the gap between Commerce and Energy, and  
4 this is an opportunity to do that.

5 So I think more so in the last Council we need  
6 to work together to really frame the things that we can  
7 do in the one year as we talked about, the one year we  
8 really have to execute and make sure that it is aligned  
9 strategically with what you have already done. So I  
10 think those are the things that are at the top of our  
11 minds as we go forward.

12 MR. FUJITA: I am also looking forward to  
13 working with you and your colleagues. I am from  
14 Cleveland, Ohio, and we do have the Cleveland  
15 Foundation, which is the oldest community foundation in  
16 the country. One of the things that they have been  
17 pushing is energy, the clean energy initiative.

18 So I am hoping that you could join us, because  
19 they are able to give a debriefing as to what has been  
20 done up to this point, and then where do they want to  
21 go. It's a public, community foundation so it's not the  
22 private sector, but it's an effort that our area has  
23 been promoting, including water, wind, shale gas,  
24 everything. So I'd like to get your email address.

25 MS. WAYMAN: Yes. Absolutely.

1           CHAIRMAN SMYTH: Okay. We have time for one.  
2           Steve?

3           MR. BRAIG: Yes. Can I make a quick comment?  
4           Libby, I see your slide here on advanced  
5           manufacturing, advanced materials manufacturing.  
6           There's an update from the trenches. We are a member  
7           of the Center of Automotive Research in Ann Arbor,  
8           Michigan, and so is Susan's company. I'm not sure if  
9           you're familiar with the center, but the center brings  
10          together OEM's, members of the supply chain, as well as  
11          your Department and the Department of Transportation.

12          Within the center there is an initiative about  
13          light-weighting materials in order to meet the CAFE  
14          standard. Actually, your Department sponsors some of  
15          the ongoing projects. But the feedback that I would  
16          like to provide is I think it's an excellent vehicle  
17          for members of the supply chain, members from different  
18          government agencies that ultimately write regulations,  
19          come together, have active dialogue and actually set  
20          priorities on development projects.

21          My point here is, I think it works so well it  
22          might be worthwhile taking that as a benchmark and  
23          applying that in other industries as well. So again,  
24          an excellent program, I think, with a lot of value.

25          MS. WAYMAN: Great. Our Vehicles Technology

1 Office has been a leader in helping us think about  
2 scalable models like that.

3 MR. BRAIG: Yes.

4 MS. WAYMAN: And also in helping to formulate  
5 the advanced materials manufacturing effort based on a  
6 lot of their light-weighting work, like magnesium sheet  
7 and others.

8 MR. BRAIG: Right. Yes. Yes. Good.

9 MS. WAYMAN: Yes. Thank you. Thank you for  
10 that.

11 CHAIRMAN SMYTH: Okay. Thank you very much  
12 again, Ms. Wayman.

13 MS. WAYMAN: Thank you.

14 CHAIRMAN SMYTH: We have a 15-minute break,  
15 but before that I would like to thank -- I know some  
16 people are leaving for other meetings. I would like to  
17 thank the Department of Commerce leadership and the  
18 Department of Energy for supporting us and energizing  
19 us--not to put such a pun on it--and we're very excited  
20 and look forward to deeper and frequent interactions.  
21 Thank you very much again.

22 (Whereupon, at 9:46 a.m. the meeting was  
23 recessed.)

24

25

**AFTER RECESS**

[10:01 a.m.]

CHAIRMAN SMYTH: Ladies and gentlemen, if you would take your seats. Thank you. Okay. I would like to reconvene, if everybody has their agenda in front of them. We would like to welcome Mr. Adam Looney, who is the Deputy Assistant Secretary for Tax Analysis with the U.S. Department of Treasury. Welcome.

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**TAX BRIEFING****Adam Looney, Deputy Assistant Secretary****for Tax Analysis****U.S. Department of Treasury**

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6 MR. LOONEY: Thank you. Thanks for having me  
7 here. What I wanted to do today was to give you a  
8 brief overview of the President's framework for  
9 business tax reform and how, in particular, it affects  
10 manufacturing. I wanted to keep it at a pretty high  
11 level, just introduce it and to keep some time for  
12 discussion.

13 Obviously the Tax Code is expansive and  
14 complicated, and so it would be perhaps easier to dive  
15 into the details that you care most about. So, I'd  
16 like to reserve time to answer your questions and to  
17 talk about the things that you care most about.

18 I am from the Office of Tax Analysis, so we're  
19 the economists and the number crunches. We're not the  
20 lawyers, we're definitely not the political folks, so  
21 there are some questions that I will be better at  
22 answering than others and kind of a speculation of what  
23 we will actually do on tax reform. I am as interested  
24 to know as I am sure you are.

25 So with that in mind, the President's

1 framework has five basic parts and the first two are  
2 what I think of as the main constraints on the problem.

3 The first principle is to lower the rate and broaden  
4 the base in the C-corporate sector. The second  
5 principle is to do that without adding a dime to the  
6 deficit.

7 So that is the challenge that we have been  
8 grappling with because within the corporate sector that  
9 means you've got to find deductions, tax expenditures,  
10 credits, accounting rules that you can change to offset  
11 any revenue you lose from lowering the corporate rate.

12 So we think you can get to about 28 percent in our  
13 framework that provides the incentives that we provide  
14 and that keeps revenue at roughly the same rate as  
15 under current law.

16 So our budget and the framework include what I  
17 would call an illustrative set of the base broadeners  
18 that are used to facilitate the lowering of the  
19 corporate rate, and so those include things like fossil  
20 fuel subsidies, changes in accounting methods like the  
21 elimination of LIFO, tax treatment of derivatives, and  
22 some other accounting rules.

23 I think astute observers will see that that  
24 doesn't get you all the way to 28 percent, so sort of  
25 the unspoken element of these plans that we reference

1 in the framework but that are something that you have  
2 to grapple with in tax reform are the cost recovery  
3 provisions.

4 So, for example, Chairman Camp's plan.  
5 There's changes in the repeal of accelerated  
6 appreciation, amortization of R&E. So I'm sure that  
7 those are things that are close to your hearts and I am  
8 interested to hear how that affects you.

9 The third principle is to fix the  
10 international tax system. So in this regard our budget  
11 has a fairly complete and robust discussion of how we  
12 would propose to change international tax rules. The  
13 core of that proposal is a 19 percent minimum tax rate  
14 that we describe as a hybrid between the current quasi-  
15 worldwide system and a territorial system.

16 So the idea is that with a 19 percent minimum  
17 tax rate, if you're operating in a country that has a  
18 real tax system and tax rates above 19 percent, then  
19 you're basically in a territorial world where there is  
20 no residual U.S. tax on your income, there is no tax  
21 due if and when you repatriate dividends from your  
22 foreign subsidiary.

23 But if you are operating in an extremely low  
24 tax jurisdiction, then what the minimum tax does is  
25 raise up your tax rate. So if you are shifting profits



1 to the Caymen Islands and you're paying zero, the  
2 minimum tax really whacks you.

3 So that's part of the intent, is to set a  
4 floor underneath the ability to shift profits and to  
5 engage in transactions that allow certain businesses to  
6 achieve very low tax rates while also allowing  
7 businesses operating in jurisdictions that have higher  
8 tax rates to compete on equal footing with their peers.

9 So I don't know how much the international provisions  
10 are of interest to this group, but I can talk more  
11 about how those provisions work.

12 A fourth principle of our plan is to simplify  
13 and cut taxes for small businesses. I think one of the  
14 intents here is to make sure that the broader reform to  
15 corporate tax doesn't impair the tax rates and doesn't  
16 impair the ability of small business to succeed, so the  
17 two biggest pieces, I think, in this area are the  
18 proposal to expand and permanently extend Section 197  
19 expensing, so the idea is to raise the limit for  
20 expensing up to a million dollars and have the phase-  
21 out start over \$2 million. That obviously affects a  
22 very large set of businesses, particularly small  
23 businesses, but obviously not all businesses.

24 The other big component is changes to  
25 accounting rules that would allow simplifications in

1 how businesses manage their books for tax purposes.  
2 Part of that is to harmonize the current rules that  
3 allow carve-outs for various things at a uniform level.

4 So if you have gross receipts below \$25  
5 million, then you get the same three basic things you  
6 are allowed. One is cash accounting for your books. If  
7 you're a pass-through that probably doesn't affect you,  
8 but for a C-corporation it's obviously a big thing.  
9 Non-application of UNICAP rules under that limit.

10 I don't know how big an issue that is but  
11 that's obviously a large complexity. Then for  
12 businesses with inventories, simplified methods of  
13 inventory accounting. Basically the idea is that you're  
14 allowed to use whatever inventory methods you use for  
15 your real books, to use those for tax purposes.

16 So we think that that suite of things really  
17 provides a lot of cash flow benefits, a lot of  
18 simplification benefits for a vast majority of  
19 businesses that are small. Then last but not least,  
20 the administration has a goal of strengthening American  
21 manufacturing and innovation.

22 In this regard, the administration's view is  
23 that manufacturing plays an out-sized role in the U.S.  
24 economy for job creation, innovation, and growth, and  
25 that many of those benefits stem from the spill-over

1 benefits that accrue from building productive capacity  
2 here at home and to co-locating the idea generation,  
3 the product conception, innovation engineering  
4 alongside the actual production of these goods.

5 So the administration views it as an important  
6 route to securing high-paying jobs and to encouraging  
7 growth here in the U.S., and so as part of our plan we  
8 have also proposed to lower the effective tax rate on  
9 manufacturing in the corporate sector of 25 percent.  
10 We have a proposal to expand and to enhance the R&E  
11 credit.

12 We also have a number of policies in there to  
13 extend and expand certain provisions targeted to clean  
14 energy. So I hope that provides an overview of what  
15 we're trying to do in our tax plans, and if you'd like  
16 to dive into any of the details I'm happy to try to  
17 answer any of your questions.

18 CHAIRMAN SMYTH: Thank you, Deputy Assistant  
19 Secretary Looney. Do we have any questions or comments  
20 around the table, especially from the chairs of the  
21 subcommittee that will be targeting this area?

22 (No response)

23 CHAIRMAN SMYTH: I think you're getting off  
24 lightly.

25 MR. LOONEY: I feel like I rarely get off

1 lightly.

2 (Laughter)

3 CHAIRMAN SMYTH: Okay. We have Christie.

4 MS. BARRETT: Yes. Thank you for the detailed  
5 briefing.

6 CHAIRMAN SMYTH: Thank you.

7 MS. BARRETT: It was very, very deep content.

8 CHAIRMAN SMYTH: Yes.

9 MS. BARRETT: Would you be able to share your  
10 notes, actually, for the broader group so that we can  
11 review them offline separately? It's a very long list  
12 of information.

13 MR. LOONEY: Yes. Absolutely.

14 CHAIRMAN SMYTH: If you need to sanitize it or  
15 whatever, but if we could get even a high-level that  
16 would be really useful.

17 MR. LOONEY: Yes, it's easy.

18 MS. MARTINEZ: Since we have a minute may I  
19 jump in real quick?

20 CHAIRMAN SMYTH: Please. Please.

21 MS. MARTINEZ: Sir, I'd like just to tell you,  
22 on behalf of the small businesses around the table and  
23 around the country, we really appreciate that you are  
24 taking a serious look at how the tax rate is affected  
25 very differently. The vast percentage of all of small-

1 and medium-sized manufacturers are organized as LLCs or  
2 S corporations/pass-through entities.

3 So if you're a lawyer like myself, I'm always  
4 going to advise everyone to develop that way to protect  
5 yourself from liability, so in our particular case our  
6 family businesses have 19 different corporations and  
7 the complexity and levels at which we pay compared to  
8 the C-corps was a very key topic that we went into for  
9 our last Council.

10 I think it was one of the first letters that  
11 the Tax Subcommittee put forward that had sort of a  
12 list of ideas, including sort of the C-corporation  
13 driven initiatives. Those of us in small businesses  
14 said, hey, this is great, we support these initiatives,  
15 but where are the initiatives for the small businesses?

16 So organically what happened then is we  
17 created a sub-subcommittee of tax and we had it from  
18 volunteer efforts from other committees where small  
19 businesses and large businesses came forward together  
20 to write another letter of recommendations.

21 So I hope that this Council will adopt those.

22 That's what we'll be getting to in our subcommittee  
23 meetings today, but we'll be reviewing those with you  
24 shortly. So, keep up the good work on the small  
25 businesses. We really, really appreciate it and we

1 really need the help.

2 MR. LOONEY: Well, we spend a lot of time on  
3 these issues and we hear from a lot of people. I think  
4 one of the big challenges we faced in business tax  
5 reform is how to address the needs and the interests of  
6 small businesses, particularly those that are not  
7 necessarily organized as C-corporations. So there are  
8 many challenges in that area, but one of them is how  
9 integrated the taxation of pass-throughs are with the  
10 rest of the individual tax system and trying to find  
11 ways to target it to those groups without kind of  
12 disrupting the broader individual schedule. So I'm  
13 very interested to hear what you have to say about  
14 those issues.

15 MS. MARTINEZ: And it's not just on the  
16 corporate tax side, but it's also on the estate  
17 planning side. If you're in a family-owned business  
18 such as I am, and there are several family businesses  
19 represented here today, we have severe tax  
20 implications.

21 If we want to continue and buttress the growth  
22 of the previous generation so they just keep going  
23 forward and forward and forward, you can't really hold  
24 them back when they have estate planning situations.  
25 So if you could keep that in mind as well we would

1 really appreciate it.

2 CHAIRMAN SMYTH: Okay. I'm going to spend the  
3 last minute and call on Bill Yeargin, who is co-chair  
4 of the Tax and Trade Subcommittee.

5 MR. YEARGIN: Thank you very much for the  
6 input. We appreciate it very much. One of the things  
7 that I found interesting over the last few years as  
8 I've spent time on Capitol Hill and with administration  
9 officials is the general agreement on some of these  
10 principles, but the lack of ability to make progress on  
11 actually getting them implemented. So I think one of  
12 the things, among other things, our subcommittee will  
13 be looking at is how can we be influential, if at all.

14 How can we be influential in actually getting  
15 the things that we agree on -- let's set aside the  
16 things we disagree on, but the things that we agree on,  
17 how do we actually make some progress on there? So  
18 that's one of the things I'd like our committee to --  
19 and we'd love to be able to call on you. I know you're  
20 not on the political side, but in terms of information  
21 and data, this is very helpful and we appreciate it.  
22 Thank you.

23 MR. LOONEY: On that, I think we're all very  
24 interested in moving forward on tax reform. I know the  
25 Secretary -- it's among his highest priorities, and I

1 think everybody is a little bit frustrated at the pace  
2 of improvement in this regard.

3 So it's obviously been a struggle to get the  
4 trade issues through and that level of -- it just has  
5 seemed very challenging to me to make progress, even on  
6 areas where there seems to be a lot of consensus. So I  
7 think making your voice heard to all of the institutes  
8 that are responsible for legislating the tax system, it  
9 is the only way to make progress to this.

10 CHAIRMAN SMYTH: Okay. Thank you.

11 MR. LOONEY: Thank you very much.

12 CHAIRMAN SMYTH: Thank you, Deputy Assistant  
13 Secretary Looney.

14 And I would like to introduce our next  
15 speaker, JJ. Raynor, who is Senior Policy Advisory for  
16 the National Economic Council. Welcome.

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**WHITE HOUSE PRIORITIES****J.J. Raynor, Senior Policy Advisory****National Economic Council**

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5 MS. RAYNOR: Good morning. It's good to see  
6 some familiar faces around the table. It's good to see  
7 you. Thank you so much for the time. I wanted to spend  
8 a little bit of this morning sharing with you a new  
9 initiative that we have under way from the White House,  
10 in deep partnership with Department of Commerce, the  
11 Small Business Administration, Department of Defense,  
12 and Department of Energy focused on really  
13 strengthening those small manufacturers who are playing  
14 a larger and larger role in U.S. supply chains and U.S.  
15 manufacturing competitiveness overall.

16 So two weeks ago today the President was in  
17 Cleveland, Ohio, and he announced the White House  
18 Supply Chain Innovation Initiative. Yes. Yes. As  
19 well as a \$320 million competition, the second round of  
20 manufacturing extension partnership competitions, to  
21 compete the entire network and also give you resources  
22 to the network to help build the tools for technology  
23 acceleration in addition to the traditional  
24 manufacturing and process improvement consulting  
25 they've done.

1           The White House Supply Chain Innovation  
2 Initiative is focused on doing two things. One, and  
3 this is the real public/private part of this, is to  
4 identify high-road practices in place today where  
5 companies working across our supply chain are coming  
6 together to help adapt new technologies to, in the case  
7 of larger OEMs or tier ones, to mentor the smaller  
8 manufacturers and give them the assurance that they  
9 need to really adopt and upgrade their capabilities to  
10 the latest technology and provide some consistency and  
11 really celebrate and lift up and highlight those  
12 practices from the bully pulpit that we have.

13           The second piece is, through those  
14 conversations and feedback and ideas from you, to  
15 identify new and novel ways that we can use the unique  
16 innovation assets of the Federal Government to assist  
17 small manufacturers in testing and proving out  
18 technologies, in performing collaborative R&D and  
19 really seeing how many of these transformative  
20 technologies that we'd invested in, such as 3-D  
21 printing, digital simulation, advanced composites, can  
22 be applied in their business and thereby strengthen the  
23 entire supply chain and manufacturing base here  
24 overall.

25           Also alongside the President's announcement,

1 with the Department of Commerce--and Sue Helper, who is  
2 here, her team was integral in this, as well as many  
3 faces around the table--released a White House-  
4 Department of Commerce report documenting just how  
5 important these small manufacturers are to U.S.  
6 manufacturing overall.

7 So one thing that you may not know, over the  
8 past 20 years small manufacturers had increased their  
9 share of the U.S. manufacturing workforce by 10  
10 percentage points. They're now 42 percent, almost half  
11 of all manufacturing workers are employed by a company  
12 of fewer than 500 employees.

13 The second piece, is they have actually been  
14 responsible for the majority of all new manufacturing  
15 jobs created since the late 1990s and in the early  
16 years of the recovery were responsible for three-  
17 quarters of all new manufacturing jobs. Of course, the  
18 data only goes back so far, but that's a pretty  
19 impressive trend and I think it's one that seems set to  
20 continue.

21 At the same time, if you look at the larger  
22 manufacturers, 60 percent of their cost is coming from  
23 inputs, many of them from the small manufacturers that  
24 are in that supply chain. So the strength of that  
25 supply chain is essential for the strength of

1 manufacturing overall, and that's a piece that we're  
2 very focused on.

3           However, with small manufacturers, while  
4 there's many who make a business model out of being  
5 nimble, innovative, and out ahead of their peers, the  
6 average small manufacturer faces a real challenge.  
7 This is something that I think, and Christie's work  
8 with the Advanced Manufacturing Partnership, she really  
9 brought to the fore in identifying, testifying, and  
10 trusting between the capital and the margin to really  
11 make that investment in a new technology that may not  
12 have been proven for very long, and so therefore could  
13 be an existential business risk.

14           As you see, only 2 percent of these small  
15 manufacturers are performing their own R&D. On  
16 average, they're less than half as productive as the  
17 larger manufacturers. A third of them are really, on  
18 surveys, reporting that they're not even at the point  
19 of being able to consider adopting new technologies  
20 like the 3-D printing or digital simulation because of  
21 some of those barriers.

22           So we are interested in hearing from you all  
23 on best practices that you're seeing out there in your  
24 businesses and the businesses that you work with. We  
25 would love to have some of those examples and to speak

1 with you one-on-one about those.

2 They are also hearing your feedback and  
3 suggestions for how we can use those unique assets,  
4 like the Department of Energy's national labs or like  
5 the Manufacturing Extension Partnership's 60 centers  
6 across the United States to help encourage that  
7 technology diffusion to every manufacturing company,  
8 regardless of size.

9 So I am very excited to see you all here, to  
10 see this group back together. You've been an integral  
11 voice. As you know, it's going to see so many familiar  
12 faces back together again.

13 CHAIRMAN SMYTH: Okay. Thank you very much.  
14 I think we have a few minutes for questions.

15 Hiro? Al?

16 DR. GREEN: So one question I have, you know,  
17 you were talking about partnering with the national  
18 labs and so on. Going back 20 years ago or so, I mean,  
19 the primary mechanism has been through CRDAs,  
20 Cooperative Research Development Agreements, which are  
21 cumbersome at best, primarily because of know-how and  
22 IP and how it's treated, and you can't do proprietary  
23 stuff.

24 So it just all sounds very good to build and  
25 use the resources and the assets, but when it comes

1 down to it you just can't because CRDAs, companies  
2 don't necessarily want to share all the stuff with  
3 their competitors, and the government really wants to  
4 play equally. So I'm just wondering what your comments  
5 on that might be, because if that's not addressed then  
6 I just have a difficult time understanding how it can  
7 really work.

8 MS. RAYNOR: I think you bring up an integral  
9 point, where it is a continuing effort, an effort where  
10 actually within NIST there is a Center of Excellence on  
11 Technology Transfer that's been set up across the  
12 Federal Government to address issues like the challenge  
13 of streamlining the various CRDA structures that are  
14 out there, and that's a real challenge.

15 So I don't want to simplify it because just  
16 the uniqueness of each individual agreement that is  
17 being struck right now across each of these different  
18 assets is itself a challenge, especially for those who  
19 want to work across assets. They do, to your point,  
20 have their limits.

21 A couple of the interventions that we have  
22 heard very positive reviews of and are interested in  
23 scaling up that I think can be a little bit orthogonal  
24 to that issue, and so hopefully will open up new  
25 opportunities, one is the ability to use -- for small

1 manufacturers in particular, innovation vouchers  
2 similar to what's being done at the Sandia National  
3 Laboratories in New Mexico, or the Oak Ridge  
4 Laboratories in Tennessee.

5           Rather than a CRDA, you are actually getting a  
6 research grant which then goes and is proprietary to  
7 you to purchase time in research at the lab. So that's  
8 one model that is different, so it's not necessarily a  
9 sort of shared model.

10           The other piece, and this is something where,  
11 again, the Department of Energy group at Oak Ridge has  
12 been very innovative and forward-leaning. We're trying  
13 to learn from their practices. It has been the MDF,  
14 Manufacturing Demonstration Facility, there. It's a  
15 little bit like building a national lab structure  
16 outside of the national labs.

17           Absent some of that, encumbering strictures  
18 that can make it so hard to actually access research  
19 inside, but just on the other side of the fence, as  
20 they would characterize it. I think there you're  
21 seeing a leaner model that's more accessible and we're  
22 hoping to learn from what's working there, to replicate  
23 it across more of those labs.

24           CHAIRMAN SMYTH: Hiro?

25           MR. FUJITA: I think that the supply chain is

1 such a profound subject to talk about. We are a  
2 medical device manufacturing company in Cleveland,  
3 Ohio. Recently we were audited by the FDA for two  
4 month. They were at our facility for two months to  
5 inspect and examine all the processes.

6           What we understand now is that the  
7 expectations set by the FDA on a medium-sized medical  
8 device company like ours is increasing, and is  
9 increasing more and more. What I mean by that is, for  
10 example, you buy a plastic from a plastic supplier. We  
11 do a final inspection at our company when everything is  
12 put together, but the auditor's question was, how do  
13 you know that those plastics are made in a consistent  
14 way? Our response was, well, they are ISO-9001  
15 certified, therefore they do have processes. It's  
16 their responsibility. FDA's response was, no, you use  
17 this plastic in your product, therefore, you are  
18 responsible for it. So we now have to go into these  
19 suppliers to validate their processes to see if they  
20 are adequate. That is one end. The other end is the  
21 supply chain -- I'm talking still about the supply  
22 chain.

23           Our customers are the world's biggest  
24 companies, such as G.E. and Siemen's. Let's take  
25 Siemen's, as an example. We make our product and ship



1 our products to export to Germany. They go to the  
2 Siemen's facility. Within the premises there is a  
3 curity consignment store. Therefore, although it's  
4 there, they haven't registered it as their -- yet  
5 because they want to reduce inventory. No.

6 What this means is we as a medical device  
7 company are obligated to audit our products by the FDA  
8 to a point ourselves, so I had to send my team to make  
9 sure that our products are stored correctly, managed  
10 correctly. So what I'm saying is this sets a lot --  
11 imposes a lot of burdens on the medium-sized companies,  
12 takes more resources and costs. So if we do not  
13 address it somehow, manufacturing -- high-tech  
14 manufacturing will be diminished in the long run.

15 My point is, I think, for those policy makers,  
16 they must have a sense of balance. They just cannot  
17 keep regulating, let's add more over here, there. That  
18 is not how they should do it. Therefore, they have to  
19 have an overview of the entire supply chain as to how  
20 it impacts industry. That's my comment.

21 CHAIRMAN SMYTH: I think there's a lot of  
22 learnings in that, in the cradle-to-grave scope that we  
23 can bring them in.

24 I'll call on one more question. Claudine?

25 MS. MARTINEZ: Well, I just wanted to really

1 praise you for the collaborative work you did over at  
2 Sandia. I'm from Albuquerque, so I have actually taken  
3 advantage of that. What I would give is advice to all  
4 the Council members to really try to look into the  
5 depth and the experience that we are trying to educate  
6 you on.

7 We know it's learning by fire hose, but there  
8 are so many amazing programs that are out there. One  
9 of the main outcomes of the IRD Subcommittee last  
10 Council is you don't know what you don't know. So when  
11 you start to really delve into these and you really see  
12 the value that they can bring you, it's really amazing.

13 So we got introduced to NIST and the MEP, so  
14 they made me the guinea pig because I'm the small  
15 business. So I went out and consulted my local MEP and  
16 learned about this program. The way that it is handled  
17 in New Mexico is through the State government. So  
18 there's a State government stakeholder as well as local  
19 government stakeholder.

20 When they work together and they give a tax  
21 incentive to Sandia and Los Alamos National  
22 Laboratories, in order to have that charge-back time  
23 the principal investigators, the scientists, maybe the  
24 technology, the 3-D printing technology, whatever it  
25 is, back to the small businesses that don't have those

1 resources.

2 So I really want to champion that and hope  
3 that it gets out to all 17 national laboratories,  
4 because I really am an example of one of those success  
5 stories so I am very appreciative of that.

6 MS. RAYNOR: And that's fantastic to hear. So  
7 there is a team over at Department of Energy that I  
8 will take this back to that has been working for over a  
9 year now to stand up pilots to expand that, and I think  
10 we'll have some exciting news for all of you this  
11 summer.

12 MS. MARTINEZ: So that's where it's related to  
13 all of you all and the onus is on you to take it back  
14 to your communities.

15 The second part, I have to comment very, very  
16 briefly on what Hiro said. I cannot tell you enough.  
17 I am in the defense and energy sector, so everything  
18 that he just said with respect to the regulations he  
19 faces, I face it with DCAA.

20 So I even got an audit lately that they've  
21 asked me, how much money does the bubble wrap cost, how  
22 much is the tape, how much is the cardboard box, and  
23 they want the divvying out of the parcels of time of  
24 each individual to justify our cost on DLA mechanism.  
25 We have gone so far.

1           The pendulum has swung so far the other way on  
2 the regulatory side because there have been some bad  
3 actors, but it should not be at the expense of the good  
4 actors, especially the small- and medium-sized  
5 businesses where, if you have got a profit margin on a  
6 firm fixed price contract, I bid a vehicle job or a  
7 ground support system for the Air Force, we build every  
8 maintenance platform for the entire fleet, we really  
9 need to have a fixed cost because if our overhead goes  
10 up by X percent, you've missed your metric. So that's  
11 really an important point for us.

12           MR. LOONEY: Okay.

13           MS. HOUSTON: And I would like to voice that  
14 exact same experience in terms of DCAA, in terms of  
15 audit.

16           CHAIRMAN SMYTH: So I'm going to ask for one  
17 last comment. Eric, then Jan.

18           MR. KELLY: Hi, JJ. How are you doing?

19           MS. RAYNOR: Good to see you.

20           MR. KELLY: Good to see you.

21           I'm curious. Outside of the tax reforms, what  
22 are some of the programs or initiatives that are  
23 actually helping U.S. companies that already have  
24 manufacturing facilities outside of the U.S. to bring  
25 them back?

1 MS. RAYNOR: So this supply chain focus was in  
2 part motivated by one of the things that we are hearing  
3 from many of those companies we were trying to bring  
4 back, which is, the last decade was really a decade of  
5 decline. We saw 40 percent of all factories of more  
6 than 1,000 people wiped out and disappeared.

7 So a lot of those linkages you would naturally  
8 expect between companies, between the supplier base  
9 here have gone. So I know we had a conversation about  
10 this, but we've also heard from folks like Wal-Mart  
11 with their \$50 billion initiative, where they are  
12 seeing, across hundreds of manufacturers they're trying  
13 to bring back, this challenge of, how do I locate the  
14 folks who would make the input that I knew how I could  
15 do it overseas, but now I'm having a real struggle with  
16 it here.

17 Similarly, we hear a conversation on workforce  
18 of, okay, how do I rebuild partnerships with local  
19 institutions that can help me train the people that I  
20 need and enough supply to really expand in scale here.

21 So two things on that. One, just a shout out  
22 to the MEP team here. I know there's a number of folks  
23 around the room, Mike Molnar and Phil. They have done  
24 a fantastic job in launching 10 business-to-business  
25 pilots that I think are very cool and use a range of

1 different approaches, testing to see what works on how  
2 can we help companies that are looking to source  
3 suppliers here navigate without having to do sort of  
4 intensive supply chain mapping and get those  
5 deductions. That's one piece.

6 On the workforce piece, we have invested  
7 almost a billion dollars in manufacturing-specific  
8 workforce training through the TAACCCT program which  
9 has now expired and we are working hard to basically  
10 re-authorize that in an expanded form, the American  
11 Technical Training Fund, which would be on an ongoing  
12 basis, \$200 million a year to invest in scalable  
13 workforce training programs such as those programs  
14 we've invested in on the manufacturing side.

15 So I don't know how seriously you take the  
16 budgets they put out recently, but they certainly don't  
17 leave room for those types of investments. We think  
18 that's a problem, but I think if we get the opportunity  
19 and we see the investment levels that you would need to  
20 keep us at the forefront of this and to help  
21 manufacturers who really need those resources and  
22 opportunities to scale here and we can make some  
23 progress on that, but that would require a different  
24 conversation of the importance of investment.

25 CHAIRMAN SMYTH: Okay. We're getting very

1 tight on time, so thank you. Do you have one more  
2 comment, Jan?

3 MS. ALLMAN: My only comment kind of goes with  
4 Claudine and Hiro's, was just around not only is it the  
5 burden for us from an audit perspective, but also if  
6 you want to introduce new technologies into these  
7 processes it's on the burden of the manufacturer to be  
8 able to prove that out. So even if your groups approve  
9 this technology, we still have to go provide  
10 incorporation. It's on the burden.

11 Their specs go back to when they were building  
12 wooden ships, I think, just as an example, is they have  
13 not been updated, nor have they recognized these new  
14 technologies. So how do we get government agencies  
15 aligned to these new technologies and embrace that as  
16 small corporations because we don't have the bandwidth  
17 to be able to that and it becomes very costly for us.

18 MS. RAYNOR: Well, I know that we're out of  
19 time, but thank you. This is very important to hear.  
20 I appreciate the feedback.

21 CHAIRMAN SMYTH: Well, I think you're going to  
22 get a lot of offline dialogue on this one.

23 MS. RAYNOR: I was going to say, actually on  
24 that point, we would love to have conversations with  
25 you all about what you're seeing in supply chain, about

1 good practices and where we can really amp up those  
2 efforts.

3 Vikram Iyer on my team, who actually we stole  
4 from the Department of Commerce--definitely stole,  
5 definitely stole--has come over to the White House to  
6 help with this effort, so we will look forward to  
7 engaging with you. I appreciate the time to --

8 CHAIRMAN SMYTH: Thank you. Thank you very,  
9 very much. We appreciate it.

10 MS. BROWN: I just want to add one final note  
11 on this. Obviously there's a huge amount of discussion  
12 on supply chain. This comes out partially from the  
13 recommendations of the previous Council, so kudos given  
14 that this is such a critical thing.

15 CHAIRMAN SMYTH: Right. Right.

16 MS. BROWN: Here's the direct relevance.

17 CHAIRMAN SMYTH: Right.

18 MS. BROWN: And in the break-outs, I know  
19 we're having a lot of discussion here and these  
20 discussions need to be quick, but once we go into the  
21 subcommittee meetings after this where Sue is going to  
22 hopefully be there and be able to brief on much more  
23 detail about some of these initiatives, we have  
24 questions that we can pose, there's a lot of work to be  
25 done. Again, in the subcommittees later on this



1 afternoon we'll have lots more time to comment on this  
2 very critical and important issue.

3 CHAIRMAN SMYTH: Right. And there's a lot of  
4 dialogue. I'm going to ask you to hold questions  
5 because we are five minutes over. We have a shift on  
6 the agenda and we are going to invite Mr. Mike Molnar,  
7 who's the Director of the Advanced Manufacturing  
8 National Program Office for National Institute of  
9 Standards and Technology who's with Commerce, and also  
10 Dr. Phil Singerman, who's the Associate Director for  
11 Innovation and Industry Services also with NIST. So  
12 I'm not sure. Phil, are you going to go first? Okay.

13 MR. SINGERMAN: I'm Mike's boss so I go first.

14 CHAIRMAN SMYTH: Okay. Thank you and welcome.  
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1                   **THE INNOVATION AGENDA: NNMI and MEP**  
2                   **Phil Singerman, Associate Director for**  
3                   **Innovation & Industry Services**  
4                   **National Institute of Standards and Technology**  
5                   **U.S. Department of Commerce**  
6

7                   MR. SINGERMAN: So thank you, Susan and  
8 Claudine. Claudine, thank you. Thank you again for  
9 your service and leadership on this committee.

10                  MS. MARTINEZ: Appreciate it. Thank you for  
11 yours.

12                  MR. SINGERMAN: I want to also recognize Ray  
13 Yeager. Ray is the chair of the Pittsburgh MEP, Summer  
14 Catalyst Connection, which is probably one of our most  
15 dynamic and innovative centers in the 60-center State-  
16 wide system, so I want to thank Ray for joining the  
17 board.

18                  So JJ and others have really taken all of my  
19 remarks, so basically I'm going to have a footnote to  
20 JJ's remarks and then I'm going to turn the podium over  
21 to Mike.

22                  When the President visited Cleveland two weeks  
23 ago, he made a major address to the City Club and there  
24 was a fact sheet that was released by the White House  
25 that highlighted three initiatives: 1) the

1 Manufacturing Innovation Institute, the ninth institute  
2 and the ongoing program. Mike will talk at length  
3 about that.

4 The fact sheet also released a white paper on  
5 supply chain that JJ alluded to. JJ was a little  
6 modest, but this was really a joint effort by she and  
7 Sue Helper, who you will hear from later this  
8 afternoon. It's a really terrific piece of work which  
9 identifies the issues and highlights some of the  
10 efforts that have been made to address those issues.

11 But in my mind there's really a question about  
12 what the role of the public sector -- I've been giving  
13 away public money my whole career, but on this issue  
14 there's a real question about, what is the appropriate  
15 role of the public sector in supporting supply chains?

16 It's a very complex issue. It's obviously a market  
17 failures so there's some role, but what the nature of  
18 that role might be is really up for grabs.

19 So we are eagerly looking to this Council's  
20 guidance on this issue. This is the first body that is  
21 really going to have an opportunity to weigh in and  
22 provide us with some policy guidance.

23 The third element that was released in the  
24 fact sheet addressed the status of the ongoing re-  
25 competition of the national system of MEPS, so that's

1 what I'd like to take five minutes to address and then  
2 have Mike speak about the Manufacturing Institute.

3 So in your packages is a one-page flyer. It  
4 looks like this, which summarizes the program and also  
5 discusses the new competition. As JJ did, this ties in  
6 to the capacity and the flexibility of this program to  
7 respond to these initiatives, not just supply chain but  
8 technology transfer, workforce development, reaching  
9 out to very small rural and start-up manufacturing  
10 firms.

11 All of these have been issues that this  
12 Council, in its prior iteration, are addressed as well  
13 as other bodies. We recognize that these are important  
14 national priorities and we need to make sure that the  
15 programs that we have in place are aligned to support  
16 these activities. The re-competition of the system is  
17 the mechanism to provide the flexibility and additional  
18 resources across the Nation to address these problems.

19 There is a summary history on the flyer, but  
20 just let me say that this program is run by the  
21 National Institute of Standards and Technology. It's  
22 been in existence for 25 years. It was created by the  
23 Omnibus Trade and Competitiveness Act of 1988. There  
24 are 60 centers in every State and Puerto Rico. It's a  
25 \$130 million Federal investment which is matched at

1 least one-to-one by non-Federal funds, primarily cash,  
2 primarily cash from State and local governments and  
3 small manufacturers who pay for services.

4 So the program really is an attempt to address  
5 the market failure that one sees in the supply chain.  
6 The incentives within the private sector are not  
7 aligned to provide the kind of support to the small  
8 firms--and JJ described some of limitations that they  
9 have--that larger firms are able to access through the  
10 marketplace.

11 So it's a good program. It's very rigorously  
12 managed. I'm the Acting Director. I can't take any  
13 credit for it. It's really well-run, they're a highly  
14 professional organization. But it's become, as these  
15 organizations become, a little ossified over the years  
16 and so the administration directed us to undertake a  
17 systematic re-competition of the operators of the  
18 centers in every State.

19 The white paper announces -- the fact sheet  
20 announces that the first round, 10 States. We are now  
21 in the midst of a competition for 12 States and we will  
22 complete the entire national system by December of  
23 2016. The goals of this re-competition are, first, to  
24 provide more money to the centers and to allocate those  
25 funds in accordance with the importance of

1 manufacturing across the country.

2 In order to provide additional funds we have  
3 taken money out of overhead in Washington, \$20 million,  
4 which is more than 20 percent of the funding that the  
5 centers previously received, by freezing hiring,  
6 cutting back on travel and eliminating or significantly  
7 reducing contractors so that we were able to split  
8 money out of overhead and deploy it into the base of  
9 the system at the State level.

10 Secondly, the formal competition provides an  
11 opportunity to align the Federal goals with State and  
12 local strategies. We are reducing administrative  
13 burden and we are providing greater flexibility to the  
14 centers to undertake these kinds of activities that I  
15 have mentioned earlier.

16 So I have a request to the Council. The  
17 deadline for submitting proposals for this next round,  
18 and the States that it affects are indicated in the  
19 flyer, is June 1st. We have a series of public  
20 webinars: we had one yesterday with over 60 attendees;  
21 we have one next Monday; and we have one Monday the  
22 6th; and we have one on Thursday the 16th. We may do  
23 more if there's more demand, so I would encourage you  
24 to take a look at that.

25 Many of you are affiliated with nonprofits or

1 other types of organizations, universities. Please  
2 spread the word. We are doing it through all the  
3 mechanisms. The ITA and EDA have been extremely  
4 helpful in this.

5 So we want to get the word out to as many --  
6 we want to have a robust competition and the start of  
7 that is, we have a very rigorous review process but the  
8 key is to get as many qualified applicants into the  
9 pipeline. One other comment about -- so that's all I  
10 wanted to say about MEP.

11 On supply chain, so I've asked to have a  
12 document handed out. Was it handed out?

13 CHAIRMAN SMYTH: It's in your packets.

14 MR. SINGERMAN: No, this is something that was  
15 just handed out. You will receive a document. It's a  
16 report on an effort to explore creative ways to support  
17 supply chains. So we funded five regions around the  
18 country to establish Manufacturing Technology  
19 Acceleration Center programs or projects, and each one  
20 identified a specific supply chain.

21 It's working from the bottom up, so working  
22 with the small firms that the MEP centers currently  
23 have as clients and organizing them and then reaching  
24 out to the large firms. The ask that the Secretary and  
25 JJ put to you is we need to do this from the bottom up

1 and from the top down, so addressing the issue of  
2 supply chain innovation requires the cooperation of  
3 both -- the whole supply chain, both the small firms,  
4 the tier one, two, three and four suppliers, as well as  
5 the OEMs.

6 So this is, as I suggested--and you know  
7 better than I do--a complex problem so we want to  
8 address it from various angles. So the report that you  
9 will get is a status report on these efforts.

10 So that concludes my comments and I'd be glad  
11 to take any quick questions or just stop here.

12 MR. YEAGER: First of all, I would like to  
13 thank you, Phil, for coming and kind of explaining a  
14 little bit about the MEP centers. Manufacturing  
15 Extension Partnerships, as you know, they address all  
16 of the issues that we're going to be talking about:  
17 workforce innovation, trade, and energy.

18 So they benefit small- and medium-sized  
19 manufacturers and oftentimes we will in our center go  
20 to the large manufacturers to help them to help us with  
21 best practices. So I encourage all of you. I could  
22 talk about this forever, so that's all I'm really going  
23 to say, is that there is a tremendous amount of value  
24 that we can, as a group, get from there, the centers.

25 CHAIRMAN SMYTH: Yes. And I think it is



1 really key for us to understand the existing mechanisms  
2 and policies and innovation processes that already have  
3 some momentum that we can be part of.

4 Steve, then Cody.

5 MR. BRAIG: Yes. Thank you, Phil. Can we get  
6 a copy or a reference to a link to that white paper  
7 that you mentioned about supply chain?

8 VOICE: Actually, in your packet there's a  
9 little set of questions for everyone, not just  
10 innovation -- supply chain. Not just innovation or the  
11 -- about supply chain, and in there is a link.

12 MR. BRAIG: Okay. Great. Thank you.

13 CHAIRMAN SMYTH: Right. I'm going to suggest  
14 as well that as we hear the speakers, if there's any  
15 specific material or reference, if you'd just make a  
16 point of it and we'll capture it at the end and  
17 communicate it back to Shannon and Niara and get all of  
18 the documentation in context, that would be very  
19 useful.

20 Cody?

21 MR. FRIESEN: Thank you for your comments. Is  
22 there a -- which we can get visibility on the next  
23 tranche of States will be coming up?

24 MR. SINGERMAN: Yes. So actually we're  
25 talking to our lawyers about that, so we're restricted

1 by Federal guidelines, Department of Commerce grants  
2 manual, the preferences of our grants officers, and the  
3 prejudices of our lawyers so we have to work -- don't  
4 repeat that. We actually have great lawyers.

5 So our goal this spring is to announce the  
6 next two rounds. The next round is slated to be  
7 announced. The next solicitation will be on the street  
8 in January of 2016 and then July of 2016, and so we  
9 want to also announce what States will be in each  
10 tranche.

11 MR. FRIESEN: And the intent is that you will  
12 get full 50-State coverage?

13 MR. SINGERMAN: So right now the system  
14 exists. We have strong incumbents in every State. This  
15 is not about the performance of individual centers,  
16 this is about refreshing the system and providing a  
17 mechanism for resetting the table, reallocating the  
18 funding, giving the centers an opportunity to identify  
19 new partners and new board members, new tools. So  
20 that's our goal, to lay that out in more detail.

21 MR. FRIESEN: Okay. Thank you.

22 CHAIRMAN SMYTH: Thanks a lot, Phil. Really  
23 appreciate it. Good energy on that one.

24 I'd like to re-introduce Mike Molnar. Mike is  
25 the Director of the Advanced Manufacturing National

1 Program Office based at NIST, and we look forward to  
2 your insight, Mike.

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1                   **THE INNOVATION AGENDA: NNMI and MEP**

2                   **Mike Molnar, Director of the Advanced Manufacturing**  
3                                   **National Program Office**  
4                   **National Institute of Standards and Technology**  
5                                   **U.S. Department of Commerce**

6  
7                   MR. MOLNAR:    Great.  Thank you, Susan.  I  
8                   know that we are running short on time, so we wanted to  
9                   have a very brief overview of NNMI.  Some of you are  
10                  very familiar with it.  In fact, Christie and Eric,  
11                  they were principal members of the Advanced  
12                  Manufacturing Partnership, or AMP, that were in essence  
13                  writing the rules of the National Network for  
14                  Manufacturing Innovation.  So we thought Phil should go  
15                  first because we have a national network of  
16                  manufacturing partnership centers that are focused on  
17                  small and mediums.

18                 It turned 25 this year.  What we do not have  
19                 is something that addresses that missing middle.  So  
20                 very quickly, to understand NNMI, there are three  
21                 PCAST, President's Council of Advisors on Science and  
22                 Technology.  I promise to only give three acronyms.  
23                 That's one of them.  And by the way, all of these  
24                 reports, everything that you see in this deck are  
25                 available on our website, manufacturing.gov.

1           So all of them. I wanted to call your  
2 attention because this all started from the private  
3 sector. And so from these three reports, that is  
4 really the basis of it. And again, Eric and Christie  
5 are integral members of that. So if you drill down  
6 into this, what NNMI is about on Slide 3 is about this  
7 missing middle.

8           It is not about government spend on applied  
9 research, but rather we have a structural failure, that  
10 valley of death and other countries and other regions  
11 have really focused on this. So NNMI is to create a  
12 new space that makes sense for industry to invest more,  
13 but not in a way that is directly helpful to their  
14 competitors. There are reasons why long thinking  
15 companies are under-investing in this space.

16           So we involved 1,200 experts over an entire  
17 year, national workshops and such, and we came up with  
18 a framework design and that's on Slide Number 4. So if  
19 you wanted to understand what NNMI is about, there is a  
20 White House report about this.

21           So those of you from industry, okay, let's not  
22 read a report, what's the elevator speech? Slide 5 is  
23 that elevator speech.

24           (Laughter)

25           So if you open up the NNMI report on the very

1 first page, there is a blue box. We call it the blue  
2 box, and that is copied for the blue box. You are far  
3 too important to read that right now, so Slide 6 is if  
4 you read the whole report, what is NNMI about?

5 (Laughter)

6 It is about four things. One is it is that  
7 investment to create the space for the private sector  
8 to work together. It is hard enough for small  
9 companies. They don't know how to work with  
10 universities. They don't know how to work with  
11 national labs.

12 They don't know how to work with those folks  
13 in government agencies. So it is there to create the  
14 space for collaboration. It is an investment in  
15 creating the space where the government does not own it  
16 and if we do it right, it is self-sustaining.

17 So what happens in this space? Collaboration.

18 It is hard enough to do this and it is very difficult  
19 for even companies that know how to collaborate, to  
20 suddenly collaborate on something that is pre-  
21 competitive, but they need to work with their  
22 competitor.

23 So this is the neutral convening space where a  
24 Ford and a GM can work, not violate any rules, on these  
25 pre-competitive technologies. The goal is we discover

1 it in the lab. Time is short. Let's scale it up and  
2 de-risk it. So it is the collaboration space.

3 The third is applied R&D to get this  
4 transferred more effectively and faster. And then the  
5 fourth one, it is not just about applied research, it  
6 is about the education of workforce for these advanced  
7 technologies.

8 So that in a nutshell is NNMI. Why am I  
9 talking to you about this today? Well, on Slide 7 the  
10 President really took this. He set the vision. The  
11 vision, much like NEP, is a national network of 60  
12 centers in every state.

13 The vision here is that we have a national  
14 network of manufacturing innovation institutes. The  
15 goal is 45 institutes in ten years. How are we doing  
16 on that? Secretary Pritzker mentioned these in her  
17 introductory remarks. On Slide 8 we have five that are  
18 already awarded, becoming established.

19 Beginning, she specifically mentioned America  
20 makes 3D printing, digital manufacturing and  
21 lightweight and modern metals in Detroit, so power  
22 electronics and the one she did not mention is advanced  
23 composites manufacturing.

24 Well, if you haven't been following this  
25 closely, she also mentioned the President announced two

1 weeks ago the Ninth Institute, so that's advanced  
2 textiles. We have four more that are already going.

3 In the President's budget request, there are  
4 seven more, including the very first two, the very  
5 first two utilizing the new authorities.

6 CHAIRMAN SMYTH: Seven beyond that four,  
7 Mike?

8 MR. MOLNAR: So, yes. So on this slide, we  
9 have nine in process and what is in the FY16 is five  
10 more agency sponsored and the very first two that are  
11 open topic.

12 So also there is a proposal for a mandatory  
13 fund for the remaining 29 that would be open topic.  
14 Why is this important? Because under existing budgets  
15 and authorities, we could only stand up an institute in  
16 defense that there was a current defense need.

17 The RAMI bill that the Secretary mentioned  
18 opens that up to we can now award an institute in an  
19 area that industry most needs. Perhaps there is little  
20 or no need by the federal government. It is all about  
21 the industry.

22 So if you look quickly on 9, this is what RAMI  
23 did. Actually RAMI was passed twice by the House of  
24 Representatives, 118 bipartisan sponsors. It was  
25 passed unanimously in September and then it was re-



1 passed as it was incorporated into the omnibus, and  
2 then the Senate passed it.

3 So very little strong but what was very key  
4 here was that manufacturing was a non-partisan, very  
5 strongly bipartisan bicameral issue. So ten is the  
6 real issue of why we wanted to highlight it to today.  
7 RAMI is three things. One is it makes NNMI official,  
8 it creates the National Program Office. We are  
9 including that in the already established Advanced  
10 Manufacturing National Program Office, the interagency  
11 team that Commerce in this sponsors.

12 The second is the program becomes official  
13 that we can create a network, and then the third I  
14 mentioned, we can create open centers on open topics.  
15 That's the bottom line. Our proposal, we have a  
16 billion people here from industry from all sectors. We  
17 want you to help design what is the valuation process.

18 So this afternoon in the innovation  
19 subcommittee, we are going to be giving more details.  
20 But rather than the government figuring this out, we  
21 would like the DOC manufacturing councils to lay out  
22 the strategy and the plan for these open competition.

23 In other words, RAMI specifically says that  
24 the evaluation not only done by government experts, but  
25 by experts in industry and academia. We think that's

1 harder to do, but it's going to give us a much better  
2 decision.

3 So with that, thank you very much for your  
4 time. This was the quick overview of NNMI. The other  
5 slides are there if you are interested in what an  
6 institute does and we appreciate your support. We very  
7 much look forward to working with this council on that  
8 process for how do we engage the private sector.

9 They have to be sure that unbiased, non-  
10 conflict of interest, but these are really important  
11 processes and we look forward to the manufacturing  
12 council to help us with it.

13 CHAIRMAN SMYTH: Thank you very much, Mike.  
14 You know, what you said really resonates. I think one  
15 of the key messages is manufacturing is a team sport  
16 and there are a number of forums for a pre-competitive  
17 collaboration and inside the automotive industry we  
18 have USCAR and that has been extremely successful in  
19 working with standards and working with safety and  
20 basically doing what Harold said.

21 You know, when you have too much burden and  
22 overrun and you need to do it, well then share a little  
23 bit of the pain, and that has been very successful. I  
24 think what the NNMI is poised to do is to take that  
25 kind of collaboration model and really take it to the

1 next level, whereas one is focused on standards in  
2 today's business, this is about enabling the future in  
3 the next business and I think this is something that we  
4 are all going to be very energized with. So thank you  
5 very much, Mike.

6 MR. MOLNAR: Thanks.

7 CHAIRMAN SMYTH: Great challenge. Do we have  
8 time? I think we are probably right on time there. So  
9 if we have any comments or questions, I would suggest  
10 we hold them for some of the subcommittee breakouts.

11 Mike and Phil have been very, very gracious in  
12 the past in allowing us access to them from Webex and  
13 face to face meetings and we will definitely take you  
14 up on that during the next year.

15 MR. SINGERMAN: One thing.

16 CHAIRMAN SMYTH: Absolutely, Phil.

17 MR. SINGERMAN: I don't know if Erin Sparks  
18 was introduced to you earlier today, but I want to  
19 recognize her.

20 Not that I really work for Erin.

21 (Laughter)

22 MS. SPARKS: I really work for them.

23 (Laughter)

24 MR. SINGERMAN: She and J.J. Rainer who you  
25 had the opportunity, they have been instrumental in

1 driving these initiatives forward, the manufacturing  
2 initiatives across the Department of Commerce and  
3 across the government.

4 So I really want to thank Erin for her  
5 leadership on this.

6 CHAIRMAN SMYTH: Thank you.

7 MS. SPARKS: Thank you.

8 CHAIRMAN SMYTH: And with that, I would like  
9 to introduce the speakers on the workforce briefing.  
10 We have Gerri Fiala. Gerri is the Secretary of  
11 Employment and Training Administration with the U.S.  
12 Department of Labor. I would also like to welcome  
13 Bryan Borlik who is the Director of Performance and  
14 National Programs, Director Trade, Adjustment  
15 Assistance for Firms, Economic Development  
16 Administration at the U.S. Department of Commerce.  
17 Thank you and welcome.

18 MS. FIALA: Thank you. Are you going to go  
19 first?

20 MR. BORLIK: Whatever you'd like to do.  
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**WORKFORCE BRIEFING**  
**GERRI FIALA, Secretary of Employment**  
**and Training Administration**  
**U.S. Department of Labor**

MS. FIALA: Well, I will just say that we are thrilled to be here today. There was an extraordinary development that occurred late last year. Congress with an overwhelming majority passed the new Workforce Innovation and Opportunity Act.

And this is a major transformation of the public workforce system and I am pleased to adhere and continue the term collaboration and partnership, because that is really what this new bill is all about.

The revitalized system is really characterized by a vision that we have where one, the needs of business and the needs of the workforce actually drive the workforce solutions. The answers are developed through evidence and best practice at the state, regional and local levels.

The second part of the vision is that one stop centers, we call them American Job Centers, provide excellent service to both job seeker and worker customers, but also to business so that they can build their talent pipelines and find the skilled workers

1 they need and individuals can get the skills and  
2 credentials they need to get good jobs and stay  
3 employed.

4           And the third part of that is that the  
5 workforce system supports strong regional economies  
6 within the states and across states where labor markets  
7 are integrated and that there is a critical role for  
8 the workforce boards at the local and regional level to  
9 play to be accountable for community, economic and  
10 workforce development.

11           So in a nutshell that is an overview of the  
12 vision of this new act that we are in the process of  
13 implementing.

14           I wanted to briefly talk to you a little bit  
15 about the Department of Labor's activities in this area  
16 to find and retain talented workers. There are over  
17 2,400 of these American job centers around the country  
18 and they are there to assist business and job seekers  
19 and workers in terms of matching, or Match.com as  
20 Secretary Perez is used to saying.

21           (Laughter)

22           But also in doing that, it can reduce  
23 recruitment costs and increase retention through  
24 developing workforce solutions as a partnership. There  
25 are business representatives at these centers and we

1 have been investing in developing products to train  
2 them and raise the quality of their services.

3 Also we have developed a business toolkit  
4 which is really an online guide to access virtual  
5 workforce planning tools and resources that any company  
6 could use, particularly small companies that may or may  
7 not have sufficient resources to have their own human  
8 resource development units.

9 Another thing I wanted to quickly mention is  
10 our opportunity Apprenticeship USA Opportunities. We  
11 are in the process of unfortunately it is at the end of  
12 the process. We have had a five month competition to  
13 grow our apprenticeship programs, which is an evidence-  
14 based approach to workforce training.

15 We want to grow them in industries. We in the  
16 solicitation for funding applications, identified high  
17 demand industries including advanced manufacturing, IT  
18 and healthcare, really want to be creative in terms of  
19 how do we use this proven model to actually help people  
20 acquire skills and credentials and help employers train  
21 those individuals precisely to the levels and the  
22 skills that they need.

23 The nice thing about the apprenticeship  
24 program is after it is over, the individual has no debt  
25 through college. So this is an earn and learn program.

1 I want to also say that in terms of the new  
2 act, there are a couple of things that I want to go  
3 back and just quickly mention. Congress really not  
4 only revitalized the system, but it also sort of  
5 transformed state and local workforce boards.

6 They are a business majority. There are  
7 business chairs at both the state and the local or  
8 regional level, wherever those boards are located. But  
9 there are new responsibilities given to those boards,  
10 and they are intended to be strategic boards, not  
11 operational boards.

12 So really looking for high level advice from  
13 business and other organizations so that governors in  
14 local areas, when they put together their strategic  
15 plans, they are really looking for how can the public  
16 workforce system, and that includes programs for  
17 adults, dislocated workers, young people in the  
18 pipeline, as well as employment services, adult  
19 education, vocational rehabilitation statements.

20 How can all of those programs strategically  
21 support the economic growth of the state and the  
22 regions and the development of the workforce to be able  
23 to continue that growth. So there are some roles to  
24 play and I don't know if any of you on the board now  
25 are part of a workforce board, but I hope that that is



1 something that you will look at yourselves and  
2 encourage your colleagues to think about at the state  
3 or the local level.

4 The other thing is for the first time,  
5 Congress put for the local boards to be able to use, it  
6 is a modest portion of their funds, to help employers  
7 actually to train their own employees to continue  
8 profitability, to upgrade or up skill if you will lower  
9 skill people for new equipment or new jobs within the  
10 companies and also to avoid layoffs.

11 So that is a new piece, and there are many  
12 others and I'm limited in time, so I have a fact sheet  
13 for you that will be passed out and I hope that you  
14 will read it. We would love to have a closer working  
15 relationship with the committee and the council this  
16 year.

17 We are standing up with the Department of  
18 Commerce a new Center for Workforce and Industry  
19 Partnerships, and we truly believe that although there  
20 are a number of great partnerships and we all have  
21 examples that they are important to raise the quality  
22 and make them the rule and not the exception if you  
23 will in localities and regions and states.

24 So you will be hearing more about the center  
25 in the future, but I wanted to mention that as well.

1           CHAIRMAN SMYTH:    Thank you, Deputy Assistant  
2    Secretary.

3           I would like to thank you for two things.  One  
4    for coming today and personally sharing some thoughts  
5    with us, and also to thank you in advance as we reach  
6    out to you and your staff for collaboration in the  
7    future, because I think around the table you are going  
8    to see a lot of passion with regard to workforce  
9    development independent of what group or subcommittee  
10   each of us are in individually.

11           I'm going to reach out right now to our co-  
12   chairs from the Workforce Development Subcommittee for  
13   a question or a comment.

14           MR. PAREEK:    Gerri, great to see you again.

15           MS. FIALA:    It's good to see you.

16           MR. PAREEK:    Very excited to hear about the  
17   American Apprenticeship Act that was \$100 million  
18   delegated to it and it was announced in December.  We  
19   were all very passionate about it, certainly the whole  
20   council but also our subcommittee.

21           One of the things that I feel as sort of a  
22   small, medium sized business owner with 400 employees,  
23   some of the things you talk about I don't hear them in  
24   my company.  I don't hear it from my general managers,  
25   I don't hear it from my HR people.  These are great

1 programs, the ones you describe here.

2 If there is a way to increase awareness, large  
3 companies might be made aware or certainly I don't hear  
4 much about this of the good work that is being done.

5 MS. FIALA: That's a point that is very well  
6 taken, and we are going to work very hard to change  
7 that and part of that, the center we are hoping will  
8 help us do that by reaching out to business at the  
9 regional and local level as well as nationally.

10 The other thing, we are also trying to get  
11 ourselves invited if you will to other business focus  
12 groups. I spoke to SHRM last week to let people know  
13 what we could do as a system to help with staffing  
14 needs.

15 So we will need your advice from your  
16 subcommittee as ideas and we will, if you have them,  
17 please let us know, but over this year that would be  
18 great to get some ideas.

19 CHAIRMAN SMYTH: That sounds great. Deputy  
20 Assistant Secretary, thank you very much for your  
21 comments.

22

23

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25

1                                   **WORKFORCE BRIEFING**

2                           **BRYAN BORLIK, Director of Performance and**  
3   **National Programs**

4           **Director Trade, Adjustment Assistance for Firms**

5                           **Economic Development Administration**

6                                   **U.S. Department of Commerce**  
7

8                           MR. BORLIK:    Thank you.    Good morning.    I'm  
9           again, Bryan Borlik of the Economic Development  
10          Administration here at Commerce, and I'll be quick.  
11          I'll provide a high level overview of the Investing and  
12          Manufacturing Community Partnership IMCP, which has a  
13          very important workforce component, along with some  
14          other DOC workforce related activities.

15                        In 2013, the administration announced again  
16          Investing and Manufacturing Communities Partnership.  
17          It is an initiative that brings together multiple  
18          federal agencies to award, reward communities that  
19          demonstrate that they can align their development  
20          efforts around key components like workforce training,  
21          infrastructure and research to implement an economic  
22          development plan that will attract, will retain and  
23          will expand manufacturing investment.

24                        There are several components to the IMCP.  
25          Again, it began in 2013 with a series of regional

1 roundtables hosted by seven federal agencies to do a  
2 couple things. First, help raise awareness of federal  
3 opportunities, funding opportunities related to  
4 manufacturing as well as to seek input from communities  
5 on the upcoming phases of the IMCP initiative.

6 Then additionally, Commerce's Economic  
7 Development Administration provided \$7 million, and  
8 other federal agencies provided \$7 million to 44  
9 communities across the country in September, 2013 for  
10 what we called IMCP Implementation Strategy grants.  
11 Essentially to support the development of long term  
12 economic development strategies to help communities  
13 attract and to expand private investment in the  
14 manufacturing sector and to increase exports and  
15 international trade.

16 And then in December of 2013, the  
17 administration announced a national competition led by  
18 Commerce to designate 12 manufacturing communities  
19 across the nation, these communities that exemplify  
20 best practice strategies at the local level that could  
21 be implemented in other manufacturing communities  
22 across the country.

23 In order to earn the designation, the IMCP  
24 manufacturing community designation applicant  
25 communities had to demonstrate first the significance

1 of the manufacturing activity that they have already  
2 present in their communities and their ability to  
3 develop strategies and make investments in six key  
4 areas and those are workforce and training, advanced  
5 research, infrastructure and site development, supply  
6 chain support, operational and improvements in capital  
7 access and trade in international investment.

8 We had really a tremendous response of 70  
9 applicant regions across the country for the  
10 designation. Essentially there was an interagency  
11 federal panel, including the Department of Labor that  
12 evaluated the applications based essentially on the  
13 extent to which communities have solid partners and  
14 plans in place to move their manufacturing sectors  
15 forward and the extent to which enhanced federal  
16 support would help move those plans forward.

17 Secretary Pritzker announced the 12 designees  
18 in May of 2014. The list of those communities are  
19 available on our website. It is EDA.gov. The  
20 manufacturing communities now are receiving coordinated  
21 support for their strategies from across the 11 federal  
22 agencies and programs with a \$1.3 billion set of  
23 funding available federal economic development  
24 resources.

25 That is not guaranteed, but they receive

1 preference from the participating agencies as they  
2 apply for these types of grants from those programs.  
3 They also receive dedicated federal liaisons and each  
4 of the agencies that can help the communities navigate  
5 federal resources, federal programs, and they also  
6 receive recognition on government websites and in other  
7 government materials that are available to perspective  
8 private foreign and domestic investors as they consider  
9 areas in the U.S. for increased manufacturing  
10 investment.

11           Additionally, last October, actually just to  
12 back up for a second, we have heard from the  
13 communities that applied but did not receive the  
14 designation that it was really a worthwhile process and  
15 that they benefitted from the required enhanced  
16 coordination and comprehensive planning that was  
17 required in the application process. They found that  
18 beneficial and will move forward with their plans, a  
19 lot of them.

20           And then additionally last October, the White  
21 House and Commerce convened about 70 communities that  
22 participated in the IMCP competition to share best  
23 practices in economic development planning and in  
24 attracting new jobs and investment in manufacturing.

25           Earlier this year the administration launched

1 a second IMCP competition to designate another 12  
2 communities in this next round and the deadline for  
3 application is actually today. We expect more than 80  
4 applicants this time.

5 So IMCP is just one area in which the Commerce  
6 Department is supporting job driven training which is  
7 now a high level priority for the department for the  
8 first time ever. One example is the Economic  
9 Development Administration which plays an important  
10 complimentary role with the Department of Labor's  
11 Employment and Training Administration in helping  
12 communities build the capacity needed for a highly  
13 skilled workforce.

14 EDA has invested about \$150 million since 2009  
15 in workforce related projects, mostly construction and  
16 improvement of workforce and training facilities. But  
17 then also other softer program types of assistance,  
18 technical assistance, strategic planning and research  
19 to help communities determine their training and  
20 workforce development needs and to better integrate  
21 those needs into their economic development strategies.

22 One example is EDA's CEDS program,  
23 Comprehensive Economic Development Strategies process  
24 through which EDA fund about 385 economic development  
25 districts. It is a very wide, broad portfolio of many



1 public/private partnerships across the country that  
2 essentially through EDA funding develop and update  
3 regularly their economic development strategies.

4 EDA provides a set of guidelines since we are  
5 funding these strategies. We like to see certain  
6 components, important components within those economic  
7 development strategies, so we provide a set of  
8 guidelines and we have recently significantly  
9 strengthened the workforce related components of these  
10 guidelines.

11 We are encouraging CEDS to include things such  
12 as employer engagement, connected education and  
13 training strategies, public and private partnerships,  
14 work based learning, labor market and career  
15 information and more just again to ensure that these  
16 strategies have a very strong training job driven  
17 workforce development component.

18 And then lastly, last November Commerce issued  
19 a federal funding opportunity announcing that it would  
20 seek a national partner to launch a regional learning  
21 exchange or several regional learning exchanges across  
22 the country to help identify, to promote and expand on  
23 successful best practices in industry driven regional  
24 partnerships for talent development.

25 Today this is a timely day to talk about these

1 things, Secretary Pritzker will announce the selection  
2 of the Aspen Institute Workforce Strategies Initiative  
3 or Aspen WSI as Commerce's national partner on this  
4 project through a \$500,000 EDA grant. We are really  
5 excited about this project. It is going to result in  
6 a set of case studies for economic and workforce  
7 development professionals and the public in general on  
8 successful regional job driven training models across  
9 the country and also offer insights and advice on ways  
10 that federal programs can better respond to the needs  
11 of both workers and employers.

12 So those are just a few of the workforce  
13 related activities of Commerce and we will continue to  
14 build on them in close collaboration with the  
15 Department of Labor and with other federal agencies. I  
16 appreciate the time.

17 CHAIRMAN SMYTH: Thank you very much. And in  
18 the interest of time, I'm going to ask people to hold  
19 the discussion points and I would like to thank our  
20 speakers very much for some very insightful comments  
21 and also for the material.

22 What I'm going to do is I'm going to  
23 paraphrase what I hear and it is a consistent theme  
24 across the agencies. I'm hearing the challenge to us  
25 is basically you can capture it with three C's. It is

1 create, course correct and communicate.

2 So we can create if we see a fundamental gap  
3 in an area, we can course correct where we see  
4 something that needs some effort and I think the NNMI  
5 is a fabulous example of that, and then we can help  
6 course correct it.

7 I think the third one that came across very  
8 strongly with the Department of Labor, it is  
9 communicate. So there are many mature initiatives that  
10 are out there that people are not aware of, so I think  
11 it is very important for us as a group of subcommittees  
12 to get together to realize that we do have three  
13 charters here, guys, and we have a lot of opportunity.

14 I mean, I think we have initiatives inside the  
15 Department of Labor and to the IMCP that we don't need  
16 to do a whole lot to except spread the good word. So  
17 again, I would like to thank the speakers and I think  
18 we are going to move to the public comment section.

19 Thank you very, very much. Much appreciate  
20 it.

21 MR. REAMER: I'm the public comment.

22 CHAIRMAN SMYTH: Welcome.

23 (Laughter)

24

25

1 **PUBLIC COMMENT**

2 **Andrew reamer**

3 **Research Professor**

4 **George Washington University in the**  
5 **Institute of Public Policy**  
6

7 MR. REAMER: Thank you. Good morning,  
8 everybody. I'm Andrew Reamer, I'm a Research Professor  
9 at George Washington University in the Institute of  
10 Public Policy and I focus on U.S. economic  
11 competitiveness policy.

12 I get funded by foundations to do research  
13 that looks at ways to promote U.S. economic  
14 competitiveness through federal policies. I want to  
15 talk to you today about some opportunities I think you  
16 have to inform the Commerce Department's efforts,  
17 particularly in the realm of better statistics for  
18 decision making.

19 First I want to congratulate you on your  
20 appointment. This council is the latest iteration of  
21 federal efforts to support manufacturing again with  
22 President Washington, 225 years unbroken. It has gone  
23 through many, many iterations in many new dimensions.

24 The Department of Commerce itself was created  
25 about 110 years ago really as the Department of

1 Manufacturing Competitiveness. I mean, that was its  
2 original mission. Congress said well, we have a  
3 Department of Agriculture, we need something for  
4 manufacturing. It was manufacturing focused.

5 Half of the Commerce Department was made up of  
6 statistical agencies. The Census Bureau was created  
7 specifically to be the steward of certainly the census,  
8 but manufacturing data. It took over the process that  
9 began in 1810, right? The first Census of  
10 manufacturers was 1810.

11 Congress wanted that information so it could  
12 set tariffs. So just to give some historical context  
13 here.

14 The advances in information technology going  
15 on now are enabling the Commerce Department to do  
16 things with statistics that were not possible even five  
17 years ago, and so collect much more information. You've  
18 heard the term big data.

19 In federal terms, pocket change. Very, very  
20 little money. Sue Helper is the Chief Economist, she  
21 is with the Economics and Statistics Administration.  
22 That ESA oversees the Census Bureau and the Bureau of  
23 Economic Analysis which you may be familiar with  
24 because it produces the quarterly GDP estimates.

25 Thank you. And I'm going to suggest that you

1 request briefings from BEA and Census regarding their  
2 emerging statistical programs that relate to  
3 manufacturing. I'm going to name three, but there are  
4 others.

5 One is BEA is interested in developing  
6 statistics that map global value change and measure  
7 trade in value added. As you know, our statistics on  
8 trade don't really illuminate anymore the current  
9 competitive situation of the U.S. manufacturing.

10 All we see are gross exports, right? If China  
11 adds 3 percent to the value of something and it comes  
12 to the U.S., it is treated as 100 percent Chinese  
13 import. So it is difficult to see the U.S.  
14 competitiveness strengths and weaknesses if we can't  
15 see the global value change.

16 BEA is beginning to look at ways to do this  
17 and they are part of an international movement led by  
18 the UN to develop the mechanisms for doing this. So I  
19 encourage you to ask them for a briefing. I think it  
20 is very relevant to the trade policy subcommittee.

21 In the realm of workforce, two things. One is  
22 the local employment dynamics program at the Census  
23 Bureau. This is big data. They have a database of  
24 unemployment wage records of all workers in the country  
25 and the establishments. They get them from the states,

1 and it allows them to do three kinds of things.

2 One is to look at hires, fires, separations,  
3 turnover by industry at the four digit NAICs codes, if  
4 that means anything to you. At the county level, at  
5 the metro level, this is not a sample. This is the  
6 entire workforce.

7 And so they can do analyses with demographic  
8 information, so you can see for your industries by age,  
9 by gender, by educational attainment what different --  
10 what the patterns are. They can map where people live  
11 in relationship to where they work. Clearly site  
12 selection is important for you. They can tell you  
13 where the workforce with certain characteristics lives  
14 in the areas that you're considering.

15 And then third, a new tool. It is called job  
16 to job flows tool. It is allowing them to track what  
17 happens to groups of workers over time. So at the  
18 beginning of the recession, there were a lot of layoffs  
19 in manufacturing.

20 Well, what happened to those people? Where  
21 did they move to? Did they end up back in  
22 manufacturing? Are they in service industries? How  
23 much are they making compared to what they used to  
24 make? Those are very important I think possibilities  
25 there.

1           The last program I want to mention is the  
2 American Community Survey which is the current  
3 iteration of what was once the decennial long form.  
4 That also goes back to the founding of the nation and  
5 that, I have handouts for each of these things,  
6 provides you with detailed data on the characteristics  
7 of the workforce at a neighborhood level and above.

8           It is a relatively new program and I think all  
9 these programs would benefit from getting feedback from  
10 you about the value of their products, how they can be  
11 valuable to businesses and manufacturers in particular  
12 for your decision-making.

13           CHAIRMAN SMYTH: Thank you very much.

14           MR. REAMER: Thank you very much.

15           CHAIRMAN SMYTH: Professor Reamer, I want to  
16 thank you for attending and for your comments. Due to  
17 the very short amount of time that we have, we would  
18 really value if you could give us your contact  
19 information, because I'm sure that many of the people  
20 sitting around in the subcommittees would like to  
21 outreach and have a deeper dialogue with you on that.

22           MR. REAMER: I'd be pleased to do that.

23           CHAIRMAN SMYTH: Very, very valuable.

24           MR. REAMER: I'd be pleased to do that. And  
25 also to make the context with the staff people in the



1 agencies.

2 CHAIRMAN SMYTH: Thank you. I would  
3 appreciate that. Do we have anymore public comment?

4 (No response)

5 Okay. Okay. Chandra?

6 MS. BROWN: Yes. So I get to clean up  
7 everyone and do a variety of things, including some  
8 things that we normally do at the beginning, but we had  
9 the honor of the Secretary coming, so we wanted to make  
10 sure that we were available on her agenda.

11 So we actually are going to have an official  
12 swearing in of each of you. Now, I will be reading  
13 basically what you'll be stating and you will basically  
14 repeat if after me, so I will kind of do it sentence by  
15 sentence.

16 I do like to add, because this is a very funny  
17 thing. The only part where you actually change what  
18 I'm saying and don't repeat back to me is when I say,  
19 I, state your name.

20 (Laughter)

21 You don't actually say state your name, right?

22 (Laughter)

23 So this happens all the time. So when I say  
24 I, and then it will be, state your name, please insert  
25 your own name.

1 (Laughter)

2 So if we'd all like to rise, please. Please  
3 raise your right hand and repeat after me.

4 (New members sworn in)

5 (Applause)

6 MS. BROWN: I do want to add too one more  
7 handout that was circulated. The Assistant Secretary  
8 was going to talk about this with Trade, but there is a  
9 market development cooperater program application. It  
10 is a \$300,000 grant program, so the details are on  
11 here, including the website.

12 It is a matching program, but it specifically  
13 goes to nonprofit entities who are trying to enhance  
14 trade in their region. So sometimes it goes to trade  
15 associations, sometimes it goes to chamber, so it is  
16 not to any individual private company. It is to a  
17 group and it is a matching grant program, but the  
18 details on how to apply and stuff are on the sheet that  
19 was handed out.

20 And in my concluding, I just want to thank our  
21 Chair, Vice Chair and everyone that was here, including  
22 the speakers, the wonderful staff. They have done an  
23 incredible job leading the first meeting which is  
24 oftentimes the most challenging because we have so much  
25 information and so much good work to be done.

1 I think this has been an incredible start and  
2 we really look forward to the future and to the closing  
3 marks of the Chairman. Thank you.

4 MS. MARTINEZ: Thank you so much. We  
5 appreciate that very much, Chandra.

6 Well everyone, as we transition into lunch,  
7 what I would like to make sure that you're aware of is  
8 how fortunate we are with the breadth and the depth of  
9 what we saw today.

10 A lot of the other committees or councils that  
11 serve 60 plus here at Commerce alone do not have the  
12 benefit of being inter-department. So our ex-officio  
13 members which include all the departments that you saw,  
14 including Defense, we didn't have a representative of  
15 defense this time around.

16 Last time around they sort of became a  
17 voluntary ex-officio member and we'll ask them to do  
18 the same this time around. But the depth and the  
19 breadth that we have at our fingertips, we really,  
20 really need to take advantage of those resources.

21 So we'd like you to start putting your  
22 subcommittee hats on. We invite you to maybe sit with  
23 your subcommittee members over lunch. We are going to  
24 get started on that. We are going to have our kickoff  
25 meetings and subcommittees right after that.

1           Susan and I will float between all of those  
2 meetings so that we can sort of give you what we think  
3 are pointers and parameters. We have already had the  
4 benefit of meeting with your co-Chairs as I alluded to  
5 before in my remarks to the Secretary.

6           They have already done an exceptional job and  
7 have already gotten off to a great start, so we look  
8 forward to collaborating with you there. I want you to  
9 know that a key output from your subcommittee breakout  
10 sessions today is going to be to generate a high level  
11 timeline for your subcommittees, okay? And we will be  
12 coming back to report in at about, what is it? 1:40?  
13 To come in and see where we are all headed. So you  
14 will have a chance to do some readout provisions as  
15 well.

16           I want to kick it off now to Niara who will  
17 explain the formal adoption of the letter. So if you  
18 would give us a brief description of that and then  
19 Susan will conclude.

20           MS. PHILLIPS: Absolutely. So apologies if  
21 this is repetitive for those of you who are returning  
22 members, but all letters of recommendation that are  
23 submitted to the Secretary must be approved by the full  
24 council.

25           So you can draft your letters within your

1 specific subcommittee, but they must be publicly  
2 deliberated and approved on by the entire council.

3           What that means is that you need to build in  
4 about a six week lead time before the actual meeting in  
5 which you hope to adopt that letter. For your  
6 information, it takes us about three weeks to have some  
7 of the formal structure in place for public  
8 deliberation, so keep that in mind if you want to have  
9 deliberation and maybe you need to come back to letter  
10 twice, that's another three weeks that we have to build  
11 out.

12           Public dliberation can be on the phone as well  
13 as in person, so keep that in mind as well. But just  
14 be awre of that timeline. So if you are planning, for  
15 example, for July which will be our next meeting, you  
16 would need to have a draft ready by end of next month.

17           CHAIRMAN SMYTH: Okay. Thank you, Niara. So  
18 I'm going to echo Niara and apologize for any  
19 repetition, but I'm going to re-label it as  
20 reinforcement.

21           (Laughter)

22           We do a lot of repackaging at times. In  
23 addition, the letters just describe the deliverables  
24 from the council are going to expand into other areas.  
25 I think we have got a lot of great challenges

1 articulated by both Secretary Pritzker and the  
2 interagency experts that were here from implementation  
3 plans on the NNMI's to clean energy initiatives, so it  
4 is very exciting.

5           Again, an emphasis. This is going to be an  
6 accelerated time frame. Due to the previous council's  
7 work, we have got a lot of areas which we can build on  
8 and really push for implementation, so I think as we  
9 look across the individual subcommittees, we are going  
10 to see different levels of maturity and different  
11 levels of readiness to get something out there in a  
12 meaningful time frame that we can deliver to the  
13 Secretary.

14           So as you brainstorm in your subcommittees,  
15 bear in mind your individual company focus should be  
16 replaced by your U.S. manufacturing sector hat and  
17 geographic region focus, because our charter is to  
18 advise the Secretary on broad initiatives and policies  
19 and not personal agendas.

20           As you witnessed today, with the collective  
21 talent of the manufacturing council, it is formidable  
22 as is the talent of our partner team inside Commerce,  
23 inside Labor and the other agencies.

24           Now we have learned firsthand how essential  
25 comradery is and you really need to focus on finding

1 common ground rather than differences, and this is  
2 something that Bill Yeargin alluded to earlier. We can  
3 spend all our time talking about 15 percent of  
4 something that we fundamentally disagree with. Pick  
5 the 30 or 40 that we do agree with and get something  
6 out of it, and I'm going to show a lessons learned.

7 I'm going to embarrass Dr. Al Green who is  
8 sitting two down from me on my left.

9 (Laughter)

10 It is pretty tough, but we are going to take a  
11 shot at it. Al chaired the IRD which was the  
12 Innovation Research and Development subcommittee that I  
13 was lucky to be Vice-chair on last year, thank you, Al,  
14 and I found a great deal of success that came out of  
15 that subcommittee was due to his drive for an immediate  
16 face to face engagement.

17 So the teams got a bond. The subcommittees  
18 have got to get face to face and then we expanded and  
19 drove that into regional outreaches and I would say the  
20 first 60, 90 days, Al, is when this team bonded, when  
21 you got the norming and storming out of the way. We  
22 don't have a lot of time to wait for six months for  
23 this to happen and I strongly suggest you consider this  
24 as a best practice, and I'm going to suggest that the  
25 co-chairs of the subcommittees look to see where they

1 can place on a time architecture where you guys can  
2 interface.

3           So in order to recap and develop a common  
4 understanding, we are going to have lunch and then the  
5 -- team is going to lead us to various breakout  
6 sessions. Then we're going to come back together and  
7 we're going to do very high level sharing or common  
8 understanding, but we are also going to encourage you  
9 to attend post-meeting reception at the W that is being  
10 very graciously sponsored by Claudia Martinez and MCT  
11 Industries and we hope your travel plans accommodate  
12 it.

13           If not, then we are going to make a real  
14 effort in subsequent meetings as well to give people a  
15 lot of time ahead of time so they can build into their  
16 travel time. It is essential that the subcommittees  
17 have a good working relationship and that there is  
18 cross-committee dialogue, and you can see how tightly  
19 our time in these events and it is really important if  
20 you can invest the extra couple hours or the extra  
21 night to sit and get to know your team ahead of time.

22           For those of you who fly out tomorrow, because  
23 I know a number of people have meetings in DC and they  
24 have rolled this in with it, if you are going to be in  
25 town tomorrow, there will be a number of us that will



1 be gathering for an informal dinner in the Sequoia  
2 Riverfront Restaurant in Georgetown. So I think with  
3 that, we look forward to working with you to advance  
4 U.S. manufacturing and learn from your invaluable  
5 expertise and I would really thank everybody for  
6 volunteering their services to this council and I  
7 personally look forward to working with each and every  
8 one of you. Thank you.

9 MS. MARTINEZ: As do I. Thank you so much  
10 everyone. Appreciate it.

11 MS. SMYTHE: Chandra, closing remark?

12 MS. BROWN: So you need to say --

13 MS. SMYTHE: Motion to adjourn. Thank you  
14 very much, Chandra. Thank you.

15 MR. FRIESEN: Second.

16 MS. SMYTHE: Second. Thank you, Cody.

17 VOICE: All in favor? Any opposed to  
18 adjourning?

19

20

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C E R T I F I C A T E

1  
2 This is to certify that the foregoing  
3 proceedings of a meeting of the Manufacturing Council,  
4 held on Wednesday, April 1, 2015, were transcribed as  
5 herein appears, and this is the original transcript  
6 thereof.

7  
8 \_\_\_\_\_

9 LISA L. DENNIS

10 Court Reporter

11