

THE MANUFACTURING COUNCIL

DOC Building
14th & Constitution Avenue, N.W.
Room 4830
Washington, DC

Tuesday,
April 30, 2013

The meeting was convened, pursuant to notice,
at 9:26 a.m., MR. JOSEPH B. ANDERSON, Chair, residing.

APPEARANCES:

MEMBERS OF THE COUNCIL

MR. MICHAEL LASZKIEWICZ
Vice President and General Manager
Automation Power Control Business
Rockwell Automation, Inc.

MS. MARY ISBISTER
President
GenMet

MR. JOSEPH B. ANDERSON, JR.
Chairman and CEO
TAG Holdings, LLC

MS. CHRISTIE WONG BARRETT
CEO
Mac Arthur Corporation

MR. STEPHAN G. BRAIG
President and CEO
Trexel Incorporated

MR. J. JOSEPH BURGESS
President and CEO
Aegion Corporation

MR. MICHAEL J. CADIGAN
General Manager
Microelectronics Systems and Technology Group

MR. CARLOS M. CARDOSO
Chairman
President and CEO
Kennametal Incorporated

MR. MARK CHANDLER
Senior Vice President
Cisco Systems Incorporated

MR. CODY FRIESEN
President and Chief Technical Officer
Fluidic Energy

MR. HIROYUKI FUJITA
President and CEO
Quality Electrodynamics

MR. ALBERT M. GREEN
CEO
Kent Displays Incorporated

MR. DAVID HASTINGS
President and CEO
Mount Vernon Mills Incorporated

MR. ERIC L. KELLY
President and CEO
Overland Storage

MR. JOEL LORENTZEN
CEO
Genesis Systems Group

MS. CLAUDINE MARTINEZ
President and General Counsel
MCT Industries

MR. SHIRISH PAREEK
Founder and CEO

Hydraulex Global

MS. ANDRA RUSH
CEO
The Rush Group

MS. SUSAN SMYTH
Director - Manufacturing Systems Lab
General Motors Company

MR. ROY SWEATMAN
President
Southern Manufacturing Technologies
Incorporated

MR. JEFF WILCOX
Vice President - Engineering
Lockheed Martin Corporation

MS. CAROL WILLIAMS
Executive Vice President - Manufacturing &
Engineering, Supply Chain and Environmental,
Health & Safety Operations
The Dow Chemical Company

MR. BILL ZAHNER
President and CEO
A. Zahner Company

ALSO PRESENT:

DR. REBECCA BLANK
Deputy Secretary of Commerce

MR. FRANCISCO SANCHEZ
Under Secretary of Commerce

DR. MARK DOMS
Under Secretary for Economic Affairs

MS. NICOLE LAMB-HALE
Assistant Secretary for Manufacturing
& Services
U.S. Department of Commerce

MS. CHANDRA BROWN
Deputy Assistant Secretary for Manufacturing

MR. NEAL ORRINGER
Senior Advisor to the Secretary
for Manufacturing

MR. MATT ERSKINE
Deputy Assistant Secretary for
Economic Development

MR. PHIL SINGERMAN
Associate Director for Innovation
and Industry Services

MS. JENNIFER PILAT
Director
Office of Advisory Committees

MS. ELIZABETH EMANUEL
Deputy Director
Office of Advisory Committees

EX-OFFICIO OFFICES

MR. DON GRAVES
Deputy Assistant Secretary for Small
Business, Community Development and
Housing Policy,
U.S. Department of Treasury

MS. JANE OATES
Assistant Secretary for Employment and
Training Administration,
U.S. Department of Labor

MS. LIBBY WAYMAN
Senior Advisor to the Assistant Secretary
for Manufacturing
U.S. Department of Energy

WHITE HOUSE

MR. JASON MILLER
Special Assistant to the President for
Manufacturing Policy

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Mike Laszkiewicz, Chair
Mary Isbister, Vice Chair

P R O C E E D I N G S

WELCOME & INTRODUCTIONS

1
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3
4 VICE CHAIR ISBISTER: Good morning, and
5 welcome. It's wonderful to see everyone here and so
6 enthusiastically meeting and networking with one
7 another. I'm going to ask that the Council members
8 please take their seats. Your seats are pre-assigned.

9 The Secretary will be joining us shortly and we'd like
10 to be ready for her when she gets here.

11 We have a very full agenda this morning so we
12 will work hard to stay on track and make sure that we
13 can allow everyone the opportunity to participate
14 fully. Thank you. We look forward to getting started.

15 (Pause)

16 CHAIRMAN LASZKIEWICZ: If we could come to
17 order, please. Good morning, everyone. Welcome to the
18 Manufacturing Council. My name is Mike Laszkiewicz. I
19 am the Chairman of this term of the Manufacturing
20 Council. Mary Isbister -- Mary is the Vice Chair. Mary
21 and I met at this meeting about two years ago and
22 learned that our facilities were only about a quarter
23 of a mile apart from one another, so I'm careful of
24 what might happen to you at this meeting. I've learned
25 already from our event last night that many of our

1 participants already have relationships and have been
2 teaming together with private partnerships to drive
3 manufacturing forward.

4 Secretary Blank, thank you very much for
5 joining us this morning. Nicole Lamb-Hale, who I'm very
6 sad to see is leaving, but has been a great friend of
7 the Manufacturing Council. We appreciate your
8 partnership. Chandra, good morning. You've switched
9 teams.

10 (Laughter)

11 CHAIRMAN LASZKIEWICZ: Last year you were
12 sitting on this side of the table. We appreciate
13 everyone's support. Jane, thank you for coming.

14 We're going to be going through a process
15 today where we on-board this team, and in that process
16 I'd like to introduce Secretary Rebecca Blank.
17 Secretary Blank has been extremely supportive of our
18 manufacturing initiatives and has ensured that the
19 Commerce Department has allocated resources and teamed
20 up with business executives on this Council and
21 throughout U.S. manufacturing, so we appreciate her
22 work and we congratulate her as she finishes her term
23 and hopefully sends us off in a good direction. So
24 thank you and welcome to Wisconsin.

25 SECRETARY BLANK: Good. Well, thank you,

1 Mike, and thank you, Mary. I'm not quite in Wisconsin
2 yet, but I'm getting there. I want to thank everyone
3 for coming this morning. These committees are
4 incredibly important to us and I know that they are a
5 labor of love on your part. So I appreciate all of the
6 advice and work that you are going to do in the next
7 several years as a part of this new committee.

8 I want to start with brief introductions. I
9 know there are some faces here of people I've met and
10 there are some new faces as well, if I can see you down
11 there at the end. So let's just go around the table
12 and tell us your name, your company, where you're
13 located, and just a phrase or two on what it is that
14 you actually make. We'll let the Commerce people
15 introduce themselves as well like good government
16 people.

17 So, Nicole, you want to start?

18 ASSISTANT SECRETARY LAMB-HALE: Nicole Lamb-
19 Hale, Assistant Secretary for Manufacturing & Services.

20 MS. BROWN: Chandra Brown, Deputy Assistant
21 Secretary for Manufacturing.

22 SECRETARY BLANK: Who used to be...

23 MS. BROWN: Who used to build boats and bridge
24 and space launch complexes, and streetcars.

25 MS. PILAT: Jenna Pilat, Director for the

1 Office of Advisory Committees.

2 MS. EMANUEL: Liz Emanuel, Deputy Director for
3 the Office of Advisory Committees.

4 MR. ORRINGER: I'm Neal Orringer. I'm
5 Secretary Blank's advisor on manufacturing.

6 MS. WAYMAN: Libby Wayman. I'm the Director
7 of the Clean Energy Manufacturing Initiative from
8 Department of Energy.

9 MR. PAREEK: Shirish Pareek, Hydraulics
10 Global, manufacture of hydraulic pumps and motors.

11 MR. HASTINGS: David Hastings, with Mt.
12 Vernon Mills, located in South Carolina. Most of our
13 facilities are in the Southeast and we manufacture
14 denim and apparel finished fabrics for work wear,
15 specialty flame-resistant type fabrics, and the
16 military.

17 MR. KELLY: Good morning. My name is Eric
18 Kelly, president and CEO of Overland Storage. We're a
19 technology company in California. We manufacture data
20 storage systems, network systems.

21 MR. SWEATMAN: Roy Sweatman, SMT, Tampa,
22 Florida. We are basically a machine shop. We make --
23 for aircraft and aerospace defense.

24 MR. ZAHNER: Bill Zahner, June City, Missouri,
25 the A. Zahner Company. We manufacture original

1 architecture.

2 SECRETARY BLANK: I should say, I had the
3 pleasure of visiting Bill's facility. I don't know
4 when this was, sometime in the last year, and it is the
5 most fascinating place to go through. You guys all
6 know how much fun manufacturing tours are, but he gives
7 you a great one. You need to get to Kansas City.

8 MS. BARRETT: Hi. I'm Christie Wong Barrett,
9 the CEO of MacArthur Corporation. We're a small
10 manufacturing company headquartered in Michigan and we
11 make labels and die-cut components. So you might find
12 our parts in almost every vehicle in the State and a
13 number of electronics.

14 MR. LORENTZEN: Joe Lorentzen, CEO of Genesis
15 Systems Group. We do a lot of -- serving customers
16 worldwide, headquartered in Davenport, Iowa. We have
17 offices in Mexico and Japan.

18 MR. WILCOX: Good morning. I'm Jeff Wilcox
19 with Lockheed Martin. I'm the vice president for
20 Engineering, which also includes production operations
21 at Lockheed Martin. We make lots of things, although
22 truth be told we're more of an innovator than a
23 manufacturer. We typically develop systems that use
24 parts for many of the companies in this room and other
25 manufacturing companies.

1 MR. FRIESEN: Cody Friesen, president and CTO
2 of Ludic Energy, which is based in Scottsdale, Arizona.
3 We make large-scale, sustainable batteries that we
4 export to Southeast Asia, Central America, et cetera,
5 and essentially displace dirty lead/acid batteries and
6 diesel generators and offset substantial amounts of CO₂
7 and mercury, et cetera. So I'm happy to be here.

8 MR. GREEN: Albert Green. I'm the CEO of Kent
9 Displays. We're located in Kent, Ohio. We manufacture
10 a line of products called the Boogie Board LCD Heat
11 Writers.

12 VICE CHAIR ISBISTER: Mary Isbister. I'm the
13 president of GenMet in Wisconsin. We are a custom
14 metal fabricator and part of the very large supply
15 chain for companies that sit on the Council like this.
16 I am happy to be the Vice Chairman.

17 CHAIRMAN LASZKIEWICZ: Hi. Mike Laszkiewicz.
18 I'm from Rockwell Automation. We're located in
19 Milwaukee, Wisconsin, a global business. We are
20 focused on manufacturing. We design and manufacture
21 information and control systems. As I learned last
22 night, we're in many of your facilities. I'm the Chair
23 of the Council. Again, thank you for coming.

24 MS. SMITH: My name is Susan Smith. I run
25 Manufacturing R&D for General Motors. We make cars and

1 trucks.

2 (Laughter)

3 MR. CARDOSA: Good morning. I'm Carlos
4 Cardosa, chairman and CEO of Kennametal. We are
5 headquartered in Pittsburgh. We are in 60 different
6 countries. We are a tungsten carbide company. We
7 provide tooling for most of the companies here. We
8 like to think that we make America -- we're everything
9 from any -- you can think about, we're involved in it:
10 underground mining, oil and gas drilling, to making
11 airplanes and so forth.

12 MR. ANDERSON: I'm Joe Anderson, chairman and
13 CEO of TAG Holdings. It's an entrepreneurial endeavor
14 that I own and we own several manufacturing companies,
15 do a lot of machining, a lot of modular assembly for
16 the auto industry, historically, moving more into the
17 machining of heavy equipment like Caterpillar,
18 aerospace, and defense, located in the suburbs of
19 Detroit.

20 MS. MARTINEZ: Good morning, everyone. I'm
21 Claudine Martinez and I am the president and general
22 counsel of MCT Industries. This was created 40 years
23 ago by my parents, so my brother and I are now heading
24 up the second generation in the family business. We
25 focus on defense, all four branches.

1 We build maintenance platforms for the
2 aircraft, as well as various transportation systems,
3 and then as well on the energy side we build various
4 transportation systems that range from nuclear and
5 chemical platforms for an Air Force base, as well as
6 the various labs.

7 MR. FUJITA: Good morning. My name is
8 Hiroyuki Fujita. I'm from QED, a medical equipment
9 manufacturer and exporter. We are located in
10 Cleveland, Ohio.

11 MR. BURGESS: I'm Joe Burgess, CEO of Aegion
12 Corporation. We're based in St. Louis, Missouri. We
13 manufacture coatings and linings products primarily
14 used for tech line repair across water, waste water,
15 and energy and mining applications.

16 MS. WILLIAMS: My name is Carol Williams and
17 I'm the executive vice president for Operations, which
18 includes manufacturing, for the Dow Chemical Company.
19 Since many of you probably didn't like chemistry in
20 high school, we manufacture everything from the
21 coatings on this table to materials that go into the
22 water bottle, to the seat cushion, to the paintings on
23 the wall, to the agricultural chemicals that are used
24 every day to make our products. So, globally around
25 the world we participate in 120 countries but the U.S.

1 is our history and our largest facility.

2 MR. BRAIG: Good morning. I'm Steve Braig.
3 I'm CEO of Trexel, located outside of Boston,
4 Massachusetts. We manufacture capital equipment. We
5 provide a processing solution to provide a micro-
6 cellular material structure in plastic parts, so it's
7 mostly used for automotive light-weight applications.
8 Thank you.

9 MR. CADIGAN: Good morning. My name is Mike
10 Cadigan for IBM. We run IBM's semiconductor business.

11 As you can all imagine, it's a very challenging
12 business in high technology development and innovation.

13 Innovation, of course, is one of the key things we're
14 going to talk about as a committee. You all recognize
15 that we are a multi-national company, so Carol and
16 Carlos, I catch your beat on country coverage. I think
17 we're in about 158 countries at present today. I
18 really feel good about being part of this team.

19 MS. RUSH: Hi. I'm Andra Rush, president of
20 The Rush Group, and we service primarily the auto
21 industry but I'm open to other industries.

22 (Laughter)

23 MS. RUSH: We build interior systems and
24 components, primarily like your instrument panel
25 overhead systems, everything that you see in a car.

1 We're happy to be here.

2 MR. CHANDLER: I'm Mark Chandler. I'm general
3 counsel at Cisco Systems. We make internet
4 infrastructure and systems built around that, such as
5 video systems, telephone systems, physical security,
6 and so forth.

7 MR. SINGERMAN: Good morning. My name is
8 Philip Singerman. I'm with the Commerce Department's
9 National Institute of Standards and Technology. I'm
10 the Associate Director for Innovation and Industry
11 Services.

12 MS. OATES: Good morning. I'm Jane Oates.
13 I'm the Assistant Secretary at Labor for Employment and
14 Training.

15 UNDER SECRETARY SANCHEZ: Francisco Sanchez,
16 Under Secretary of Commerce for Trade.

17 SECRETARY BLANK: So thank you all again for
18 being here. And Jane, thank you for coming over from
19 Education, or Labor. Labor is always a great partner
20 with us, as is Education.

21 So I was going to say a few words and then I'm
22 to swear you all in. So anyone who is having second
23 thoughts, this is your chance to dash from the room
24 before we get to the swearing in part. I just thought
25 I'd let you know that.

1 (Laughter)

2 SECRETARY BLANK: So we are going to look to
3 this group to really drive strategies, policies,
4 programs that are going to build on the growth that we
5 have seen in manufacturing as we've been coming out of
6 this recession. And I should note, while this group
7 officially sits inside the International Trade
8 Administration, I, and I think all of us around the
9 Department, consider this a group to work with broadly
10 across all of the different issues that we work on in
11 this Department because ITA has only a piece of the
12 manufacturing portfolio, NIST has a piece of it, the
13 Patent & Trademark Office obviously has a piece of
14 this, our Economic Development Administration does.

15 So over the time in your committee I think
16 you're going to be meeting people from a number of our
17 different bureaus and working on a number of different
18 issues and I hope that your advice will span the range
19 of issues that we care about.

20 Manufacturing, as you know, has been a top
21 driver of economic growth through the last three years.

22 Last year, manufactured goods were 11.5 percent of
23 GDP, \$1.7 trillion. We have added more than half a
24 million jobs in manufacturing over the past three
25 years, which is quite a contrast to the previous decade

1 where we lost jobs.

2 I should say the job loss wasn't just in the
3 recession, the job loss was actually steeper in the
4 first part of the 2000s than in the second part. We
5 had this longer term trend that we have turned around
6 here in the last few years. Our goal is to keep that
7 trend turned around, to keep manufacturing growing.

8 In its previous term this Council was active
9 in a number of areas: it gave very strong support to
10 the new trade agreements with Colombia, Korea, and
11 Panama; it called for more support into research and
12 development; it advocated for more STEM education and
13 training; and it pushed for an even stronger U.S.
14 energy environment and a whole set of other
15 recommendations which I know a number of you are very
16 familiar with.

17 We took those recommendations seriously and
18 many of them are reflected in the administration's
19 actions and plans for the future. I am quite confident
20 that the recommendations that you make, building on the
21 last Manufacturing Council, are going to help further
22 drive our program ideas and help drive innovation and
23 competitiveness in manufacturing on a broader scale.

24 The President's proposed budget for fiscal
25 year 2014, which came out just a few weeks ago,

1 includes a strong national strategy for manufacturing
2 and you're going to be hearing more about some of these
3 programs in this meeting and in others, including
4 support for an education workforce, 21st century
5 infrastructure, strong basic R&D, and more.

6 So to jump-start the discussions today I want
7 to share a few samples of some of the budget proposals
8 that are in there and how they support some of the key
9 programs inside the Department of Commerce to just sort
10 of get us to a base of, what are we doing here at
11 Commerce that relates to manufacturing?

12 So I should note the budget proposals are
13 based on a belief that over the next 5 to 10 years the
14 U.S. will have an increasingly attractive competitive
15 advantage in bringing manufacturing investment into the
16 United States, either U.S.-based manufacturers or
17 foreign-based manufacturers locating here.

18 This is, of course, in part due to what is
19 really a revolutionary change in our energy situation
20 that I think you probably are quite familiar with but
21 too many people in the United States don't quite
22 realize how much the energy environment in the U.S. has
23 changed and how much more change is coming quite
24 quickly.

25 Our labor costs, our level of productivity in

1 the U.S., the productivity levels have risen steadily
2 so we are now one of the most productive countries in
3 the world. You compare that together with all the
4 other advantages that the U.S. has of pretty strong
5 intellectual property protections, stable rule of law,
6 an environment with very strong research and
7 innovation, partners in university and research
8 settings, and there are just a lot of reasons to
9 believe that anyone who is going to be looking to
10 invest, and particularly people who want to put
11 investments in the developed world, are going to be
12 looking at the U.S. and we need to be competing hard
13 for those investments and creating the opportunity to
14 really expand, particularly advanced high-tech
15 manufacturing in the United States, over the next 5 to
16 10 years. We need to take advantage of this moment.

17 That is why the budget supports a new
18 Commerce-led initiative called the Investing in
19 Manufacturing Communities Partnership. The IMC is what
20 this goes by, Investing in Manufacturing Communities.

21 I went out and announced this program publicly
22 two weeks ago in Mesa, Arizona, and in West Valley
23 City, Utah, two communities that have really worked to
24 create an environment to attract particular industry
25 segments in manufacturing and have been very successful

1 at building a cluster of industries in those
2 communities through smart strategic planning and
3 targeted investments.

4 Through the IMC, the idea is that the Federal
5 Government will help incentive more communities to
6 follow the lead of these two communities, developing a
7 strategic plan, figuring out what the assets are that
8 they have in place, what are the industries that they
9 are particularly well-suited to attract, both the
10 larger manufacturers as well as supply chain
11 industries, and asking what additional targeted
12 investments do they need to make in order to be more
13 attractive as a place to attract manufacturing
14 investments.

15 Our idea is that we will provide seed money,
16 with matching money coming from the community, to help
17 them make some of those targeted investments. We are
18 going to start this year with 25 planning grants,
19 asking communities to start building those strategic
20 plans and to start really thinking strategically, and
21 it's particularly true for some of the depressed
22 Midwestern cities who have spent the last three decades
23 figuring out, how do we deal with shutting factories
24 and loss of jobs? We want to incentivize them to start
25 thinking in a very different way. How do we take

1 advantage of what is now a very different environment
2 to actually attract manufacturing back and to build the
3 strategic plan that is going to do that?

4 We then propose next year to ask for some new
5 money, together with money that exists not just in the
6 Department of Commerce but in a number of other
7 agencies around government, to try to fund a couple of
8 pilot projects, to put out six or eight competitive
9 proposals for communities to match our dollars with
10 their dollars to implement those strategic plans, to
11 actually invest in either infrastructure in some sort
12 of research-private sector linkage, workforce
13 development, whatever it is that they most need to make
14 their community even more attractive for investments in
15 the industries that really fit into that particular
16 community.

17 Now, I know that all of you represent U.S.-
18 based companies. One of the things I'm curious about
19 as we move forward is what you think best practices are
20 for communities here. What do communities need to do
21 to be attractive sorts of investments that you are
22 going to be making in the next five years? We're going
23 to come back and ask you that advice as we're
24 implementing this and trying to work on the community
25 front: how do we get communities to prepare for this

1 and look attractive to you? What is it that you want
2 to see?

3 A second area of the budget supports is
4 innovation in manufacturing and its supply chain. I
5 know a number of you are familiar with the proposal
6 that the President put out, now a year and a half ago,
7 the National Network for Manufacturing Innovation--that
8 acronym, of course, NNMI. We always have to have
9 acronyms.

10 The President has, this year as last, called
11 for up to \$1 billion to launch up to 15 of these
12 National Network for Manufacturing Innovation
13 Institutes. Each of these institutes will bring
14 together businesses, universities, community colleges,
15 local communities, governments, State and Federal, to
16 focus on a particular technological area.

17 This is sort of a regionally based consortia
18 that is going to focus on a specific technological
19 problem that is of interest to the industries in that
20 area, helping move that technological issue forward.
21 So last year we launched a pilot project on 3-D
22 printing that is located actually in eastern Ohio and
23 western Pennsylvania and northern West Virginia.

24 I'm going to get these numbers wrong, but it
25 brings in something like 8 major research universities,

1 36 private sector manufacturing companies, a number of
2 community colleges on the workforce development side, a
3 number of these tech transfer community-based
4 institutes, and it's really designed to say, what are
5 the next set of questions around 3-D printing that
6 these industries need, and how do you get the research
7 universities working on those problems?

8 How do you get a much better collaboration
9 between the research and the private sector so there's
10 a much shorter time period of both, you're working on
11 the right problems and you're transferring that back
12 into the industry as quickly as you can to move 3-D
13 printing forward and keep the U.S. on the real front
14 end of that. That's the sort of thing we want to be
15 doing.

16 Finally, we need to help manufacturers build
17 on the all-time record of \$2.2 trillion in U.S. exports
18 last year. As you know, we care a lot about exports.
19 That's what ITA is all about. This is a challenge
20 right now because as you know a number of the countries
21 that we export to have been slowing down in economic
22 growth.

23 Europe has slowed down, China has been growing
24 more slowly than some of the forecasts predicted. As a
25 result, we came out of this recession with huge

1 increases in exports. It has slowed a little this year
2 and we want to keep that momentum going.

3 So the new budget proposes a 14 percent
4 increase over two years ago for the International Trade
5 Administration, the organization that Francisco runs
6 here in Commerce. The issue here is to particularly
7 allow us to strengthen our support of U.S.-based
8 exporters overseas.

9 One of the complaints I hear all the time when
10 I go overseas is we do not have enough boots on the
11 ground among our Foreign Commercial Service,
12 particularly in some of the fast-growing overseas
13 markets that particularly help small- and medium-sized
14 businesses who want to get into these markets.

15 We want to expand our Foreign Commercial
16 Service by about 50 or 60 new warm bodies with this
17 money and target the resources to the fast-growing
18 markets so that we can help more U.S. exporters do more
19 in terms of trade missions, bringing people back and
20 forth, helping companies understand how they get into
21 some of these rapidly growing overseas markets.

22 We are, of course, going to move forward to
23 realize the Council's recommendation from last term to
24 complete negotiations on the Trans-Pacific Partnership.
25 That sits a little bit more in the U.S. Trade

1 Representative's office, which is in the White House,
2 than here but we are very close partners with USTR in
3 putting the materials together that are part of those
4 negotiations.

5 And as the President announced, we are
6 launching this summer talks with the European Union to
7 talk about a U.S.-EU free trade agreement. We've been
8 working very closely again with USTR to put together
9 some of the regulatory issues and specifically--NIST is
10 very involved in this--to what is it that we want to
11 talk about.

12 This is a really fundamentally different free
13 trade agreement than we have ever done before. It is
14 between the two most developed regions of the world in
15 some ways, right? It's going to include some things
16 that other free trade agreements do not include.

17 Quite honestly, the manufactured and tariff
18 issues are some of the easier parts of this, and the
19 harder parts I think are talking about services.
20 Agriculture is going to be hard; it always is, right?
21 But really we want to see, what do we want to put on
22 the board as best practices around some coherence with
23 regulations, particularly moving forward with new
24 products so that we can try to do a better job in
25 creating a global market, at least between us and the

1 EU, on some of the regulatory fronts.

2 If we in the EU do this, you know this is
3 going to become best practice to much of the rest of
4 the world. So that is one that you really will want to
5 watch over the next few years, and I suspect if there
6 are some places where we can get you involved in terms
7 of some key issues where we want some advice we will do
8 so.

9 It is clear that the administration believes,
10 as everyone here does, that a vibrant and a dynamic
11 manufacturing sector is absolutely crucial to creating
12 good jobs here in the United States and strengthening
13 our middle class. I am looking forward to hearing your
14 thoughts on some of the things that I have mentioned,
15 other questions, issues, ideas, comments that you want
16 to take on.

17 But before we do that, let's do a bit of
18 housekeeping. I have the pleasure of swearing you all
19 in. So if I can ask everyone who is on the committee,
20 or is about to be on the committee, if you will stand.

21 Raise your right hand.

22 (Whereupon, the members of the Manufacturing
23 Council for 2013 were duly sworn.)

24 SECRETARY BLANK: Congratulations.

25 (Applause)

1 SECRETARY BLANK: Mike? I don't have my
2 agenda in front of me.

3 CHAIRMAN LASZKIEWICZ: Madam Secretary, if you
4 have a minute or two we wanted to know if you could
5 take a question or two from the --

6 SECRETARY BLANK: I would be happy to take a
7 question or two. I think I can do that. What is our
8 agenda? I actually don't have it in front of me.

9 ASSISTANT SECRETARY LAMB-HALE: 10:05 is
10 Francisco.

11 SECRETARY BLANK: Okay. I thought I had a
12 little bit of time. Yes. I'd love to hear, in terms
13 of either comments, things you want to put on the
14 table, things you want me to hear. Go for it, Mike.

15 CHAIRMAN LASZKIEWICZ: What I'd like to do is
16 open it up to the committee. I know that this is
17 always a little intimidating first meeting, but this
18 group has proven not to be shy.

19 SECRETARY BLANK: It never is.

20 CHAIRMAN LASZKIEWICZ: So I think any comment
21 related to -- these are representative positions. As
22 you think about manufacturing in your business, in your
23 industry, in your geographies, this is the time to
24 maybe put burning issues that you have on the table for
25 us this morning. Any comments?

1 MS. WILLIAMS: If you look at last year's, I
2 wasn't on the Council last year and I read through the
3 wonderful piece they did. What do you think the main
4 contributions were from that panel, and then how do you
5 look to us for moving forward with some of your focus
6 areas?

7 SECRETARY BLANK: Yes. I'm going to ask
8 Nicole to respond to that in part as well because she
9 worked very closely with that Council. So I thought
10 the last Council had a lot of very good things to say,
11 particularly on the workforce development front, as
12 well as on, how do we move forward with innovation and
13 creating an innovation-based society that is actually
14 helpful to the manufacturing community here, which is
15 not just about the research universities but how you
16 move that into the development of something like the
17 National Network for Manufacturing Innovation.

18 That came out of a lot of different
19 recommendations but some of those were the
20 conversations that went on here in this Council. It's
21 not like we have solved those problems, if you will. I
22 mean, I think the question of innovation and how we
23 keep the U.S. on the front edge of that particular --
24 you know, whatever your industries are, if we're going
25 to stay competitive the U.S. has to be on the front end

1 of it.

2 I have said a number of times that if you look
3 out 10 to 20 years and say what is going to be
4 important for the United States to remain competitive
5 as really the global leader in the world economy, I
6 think there are three issues there, right? One of them
7 is being on the front edge of innovation, one of them
8 is having the skilled workforce that we need, and the
9 third is having the infrastructure that serves all of
10 our industries, but particularly manufacturing.

11 That is, of course, not just traditional
12 infrastructure of roads, airports, and railroads, but
13 new infrastructure, a smart grid, and satellites,
14 broadband systems, that sort of thing. At some level I
15 suspect almost anything that the Council worked on the
16 last time and will work on in the next several years
17 fits into those three categories because those are the
18 key categories.

19 Do you want to add to that, Nicole?

20 ASSISTANT SECRETARY LAMB-HALE: I would just
21 add, generally speaking, the recommendations on energy,
22 particularly as it relates to natural gas, are very
23 helpful in the debate that we are engaged in on whether
24 natural gas should be exported and the like. I mean,
25 that kind of input helps in the policymaking process.

1 Again, as Dr. Blank mentioned, workforce
2 development issues were very key. The trade agenda was
3 key. The recommendations of the Export-Import
4 Committee very much were put into the process as we
5 have been developing the TTIP negotiation stance and
6 TPP. Competitiveness, generally.

7 I think all of the issues around making the
8 R&D tax credit permanent. I mean, the President still
9 has that on the table and it's largely due to the fact
10 that you and others have said this is important to us
11 so that we can have longer range plans for our
12 businesses.

13 CHAIRMAN LASZKIEWICZ: Maybe just one more
14 comment, please.

15 VICE CHAIR ISBISTER: And if I could just add
16 something for new Council members. When you receive
17 the phone call from Liz or Jenna asking your opinion on
18 something, it really matters. I will never forget one
19 of the first phone calls that I got, and here I am, the
20 smallest business at the time on the Council, I think,
21 and they wanted to know what I thought about the
22 import/export and the trade agreement. They wanted to
23 know from a small business perspective. So, it really
24 does matter and I suggest you answer fully.

25 SECRETARY BLANK: And I can tell you, when

1 we're talking on the Hill they really don't want to
2 hear what Nicole and I think. They're much more
3 interested in hearing, what does our Manufacturing
4 Advisory Committee, made up of people on the ground,
5 think. Given you are a very diverse group, what is the
6 range of opinions and where are people coming from?

7 MR. GREEN: I was a bit surprised to hear your
8 comments on the support for medium and small businesses
9 abroad and more boots on the ground. I think you were
10 referring to sort of the Gold Key service.

11 UNDER SECRETARY SANCHEZ: That's one of our
12 services.

13 MR. GREEN: One of the services. We have had
14 just a great experience with Gold Key. My only comment
15 is, and I think I've said it before, it's one of the
16 best kept secrets. I think you could do a whole lot by
17 just publicizing it. The boots on the ground we found
18 to be excellent, so I just wanted to pass that on.
19 More would be better, I assume, but I think it's really
20 good to publicize it.

21 SECRETARY BLANK: Yes. And there are things
22 that we would like to do and we're actually just
23 constrained from doing because we cannot carry through
24 with them. We just don't have the people to do it. We
25 do try to serve everyone as excellently as possible,

1 but there are markets where we have to really pick and
2 choose and prioritize.

3 MR. GREEN: Yes. It's harder in some markets,
4 for sure.

5 SECRETARY BLANK: Yes. Yes. Thank you. Yes.
6 There was another question. I'll take one more
7 question. Eric? Yes.

8 MR. KELLY: Sure. Could you explain the
9 linkage between the innovation strategy and the new
10 patent offices that you've been opening up?

11 SECRETARY BLANK: Oh, sure. Yes. So some of
12 you may know that the America Invents Act, which was
13 this major reform at the Patent Office that passed a
14 year and a half ago, included a requirement that the
15 Patent Office, rather than just all being located in
16 Washington, DC, establish regional offices around the
17 country, at least three. We have opened one in
18 Detroit, as some of you may know, and announced that
19 we'll be opening one somewhere in Silicon Valley,
20 around the San Jose area, one in Dallas, and one in the
21 Denver area.

22 The issue here is to be able to attract a
23 broader group of people working for the patent office
24 because there is some industry expertise in those areas
25 and not all of those people want to move to Washington

1 and work here, right, so that we can actually attract
2 people to work in some very key areas of intellectual
3 property for the Patent Office who then stay in place
4 in those locations.

5 But it also means we then have a local place
6 that people can come to, can search our databases, can
7 from there go out and work as consultants and just work
8 more effectively with the local communities. So this
9 is one piece of a larger innovation agenda, but only
10 one. Yes. Thank you.

11 CHAIRMAN LASZKIEWICZ: Could I have 30
12 seconds?

13 SECRETARY BLANK: Yes. Absolutely.

14 CHAIRMAN LASZKIEWICZ: First of all, Madam
15 Secretary, thank you again for participating.

16 SECRETARY BLANK: Yes.

17 CHAIRMAN LASZKIEWICZ: And Francisco, I was
18 going to give you a brief introduction. Are you going
19 to make a comment on this point? Can you stay with us
20 for a minute?

21 UNDER SECRETARY SANCHEZ: I wanted to make a
22 comment on the person to my right. Actually, the two
23 people to my right.

24 So Mr. Chairman, if I could have a point of
25 personal privilege before I go into my remarks, Becky

1 is going to be leaving us soon. Our loss is
2 Wisconsin's gain because she'll be going to Wisconsin.

3 But you could have no stronger advocate, no more
4 committed public servant than Rebecca Blank. She has
5 made manufacturing one of her top priorities. The
6 Department of Commerce and the U.S. Government will
7 feel her loss. It has been a joy to work with her and
8 I wanted to personally recognize her. If you would join
9 me in a round of applause.

10 (Applause)

11 SECRETARY BLANK: I'm just working on
12 manufacturing under a different name because what am I
13 going to do? Go to an institution that basically does
14 workforce development and innovation. So that's what
15 it's about.

16 I'm going to take off because I unfortunately
17 have a full day. I would much rather listen to this
18 conversation but I can promise you that I get a full
19 report on the conversation from the folks who are here
20 on the ground. All of you, if there are things you
21 want me to hear, you can get in touch with me. Just
22 let Nicole know and I'm more than happy to talk. So
23 thank you again for all that you're doing. Thanks.

24 CHAIRMAN LASZKIEWICZ: Thank you.

25 (Applause)

1 UNDER SECRETARY SANCHEZ: If I could have one
2 more point of personal privilege before you formally
3 introduce me. We also are losing another great talent
4 that those of you who have been on this Council for a
5 while have gotten to know, and that's Nicole Lamb-Hale.
6 I take personal pride in having identified talent in
7 bringing her into ITA. Before I came along she was
8 just a lawyer.

9 (Laughter)

10 ASSISTANT SECRETARY LAMB-HALE: It's true. I
11 can't deny it, it's true.

12 UNDER SECRETARY SANCHEZ: Nicole was our
13 Deputy General Counsel for the Department of Commerce
14 and I was looking for an Assistant Secretary for
15 Manufacturing and Services. I had gotten to work with
16 her ever so briefly, but I knew immediately that there
17 was real talent there.

18 So I took her to lunch upstairs in our
19 executive dining room and she thought we were just
20 having a get-acquainted lunch, two colleagues, and I
21 was doing a full-court press to get her to take the job
22 that she ultimately took. I can tell you that she took
23 this job and came in with guns a'blazing and gave it
24 150 percent.

25 One of her great prides, I believe, is working

1 with this Council and taking the recommendations that
2 you have provided this Department and making them
3 meaningful, into policy, into advocacy before Congress.

4 We're going to miss her, too. I'd ask you to give
5 Nicole Lamb-Hale a round of applause.

6 (Applause)

7 CHAIRMAN LASZKIEWICZ: The introduction I'd
8 like to make next is for Under Secretary of Commerce
9 for International Trade Francisco Sanchez. One of our
10 objectives with this Council is to make sure, from the
11 first meeting, we're all a bit more aware of the
12 partners in the Commerce Department that we work with.

13 I actually took a few notes here because this
14 is a busy guy. Secretary Sanchez really is a key
15 leader in the President's Export Initiative, which we
16 talked about and worked on extensively in the last
17 Council.

18 He is also responsible for overseeing the
19 development of trade policy so he's the guy, or his
20 team is oftentimes calling us when there's a piece of
21 trade legislation where there is a sincere interest and
22 understanding from us as business leaders as to what we
23 think is important in terms of content and focus on
24 these trade agreements.

25 He is all about promoting U.S. companies and

1 the global economy, helping us focus on our
2 competitiveness and hopefully working on policy and
3 legislation that makes sure there's a level playing
4 field, enabling new market access. He's also
5 responsible for managing compliance issues, I think,
6 both ways and he's responsible for the administration
7 of trade law.

8 So when you think of a resource and if you are
9 concerned about the changes, I believe the Commerce
10 still has a strong leader in Under Secretary Sanchez,
11 and we appreciate your participation today.

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NATIONAL EXPORT INITIATIVE

**Francisco Sanchez, Under Secretary for
International Trade**

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5 UNDER SECRETARY SANCHEZ: Well, thank you,
6 Michael. Thank you for that introduction. Thanks to
7 you and Mary for your leadership of this Council.

8 Joe, I want to recognize you for your past
9 leadership as Chair. Those of you that are returning
10 members, thank you for your continued service. Those
11 of you that are new members, we are delighted to
12 welcome you to this very, very important Council that
13 we rely on a lot.

14 I also want to take a moment to recognize--
15 she's been recognized before--one of your very own,
16 Chandra, who we also, in recognizing talent, we plucked
17 her out. In just a short time she is already doing an
18 outstanding job for us. To her right, Jenna. Thanks
19 to you and your team for making this Council's work
20 meaningful to what we do.

21 I want to tell you that for me the
22 manufacturing sector is more than just a job that I
23 have some responsibility for, it's personal. My father
24 ran a candy factory for 25 years and my uncle also was
25 an innovator, a manufacturer.

1 How many of you have ever been to a Wal-Mart
2 or a CVS and you're waiting for a prescription and you
3 go and you sit down in this chair, put your arm in, hit
4 a button and it checks your blood pressure? Show of
5 hands? So, my uncle invented that machine and
6 manufactured it, then ultimately sold it.

7 I'm very proud of both my dad and my uncle for
8 the work that they have done. So it's something that I
9 recognize not only from the work I do, but from my own
10 family, the impact that manufacturing has on
11 communities, on States, on our country.

12 I have the great privilege of helping
13 manufacturers reach out to the 95 percent of the
14 world's consumers that live outside our borders, the
15 one, Carlos, that your company seems to be doing so
16 well at. Mike, I think you topped him, right, with 160
17 countries? And if we do that right, if we help you
18 reach out to those markets, you're going to be
19 strengthening your businesses, you're going to be
20 creating more jobs.

21 Ultimately, you are contributing to the
22 competitive edge of the United States and so it's no
23 surprise that Barack Obama, in 2010, recognized how
24 important this was and he launched the National Export
25 Initiative. He had two goals: to substantially

1 increase exports from the United States and to support
2 an additional two million jobs through exports. We
3 here at ITA have done a lot through the Gold Key
4 program that you mentioned, but also through a whole
5 lot of other programs.

6 If I can just pat ITA on the back, I want to
7 tell you about some of the things we have done. We
8 have helped 17,000 companies. About 95 percent of
9 those are small- and medium-sized companies with about
10 54,000 export successes, and we've done that just in
11 the last three and a half years. That's something I am
12 very proud of.

13 It's very important work, what we do on the
14 trade policy front, but it just gives me a real sense
15 of accomplishment when a company actually makes a sale
16 and we have some small role in helping make that
17 happen.

18 You heard Secretary Blank talk about our
19 record year. In 2011, we had a record year of \$2.1
20 trillion worth of exports, and last year we beat that:
21 \$2.2 trillion. That has supported 1.3 million
22 additional jobs since 2009, so we are about 60 percent
23 of our way to the President's goal of having \$2 million
24 additional jobs supported by exports.

25 So we are going to keep working away and we've

1 got about two years left--actually, about a year and a
2 half--to meet the goals that the President set forth.
3 He set these goals to be accomplished by December of
4 2014. We're going to do it in a number of ways. We're
5 going to continue to do the export promotion that,
6 Albert, your company has benefitted from. We're also
7 going to support USTR on trade policy through the
8 Trans-Pacific Partnership and through the talks that
9 should begin in July with the EU.

10 Let me just focus on a little bit of what
11 we're doing internally and then talk briefly about the
12 TPP and the EU talks. Internally, and this is a little
13 bit of inside Washington so I'm not going to go into
14 great detail, but we're constantly seeking ways to
15 deliver our services more effectively and more
16 efficiently.

17 So we have put forward a consolidation plan
18 with an ITA that brings our four business units to
19 three. We are trying to align our services in a way
20 that make it easier for you to have access to them and
21 we are about, I hope, a day or two away from getting
22 approval from our Senate appropriators to go forward
23 with this consolidation. But I'm excited about it.

24 I just whet your appetite with it because
25 until we actually get approval from Congress I don't

1 want to go into too much detail, but I am excited about
2 the work we've done. Nicole has been instrumental in
3 helping us develop this plan and the ultimate
4 beneficiaries of this will be you.

5 The second thing I want to focus on is the
6 work we are doing on trade policy. The TPP, as you
7 know, is a 21st century Gold Standard agreement. The
8 President has made clear a couple of things: 1) he
9 wants it done quickly and he has directed his
10 negotiation team to get this done in the
11 October/November time frame.

12 When we accomplish that, we will have done
13 this in three years. Now, to do a trade agreement
14 bilaterally within two or three years is quite an
15 accomplishment. To do one with, now, 12 nations is
16 lightening speed.

17 To do one that not only tackles the
18 traditional things that you see in a trade agreement,
19 which are reducing tariffs, but also to tackle creating
20 a level playing field as it relates to State-owned
21 enterprises, putting language in there about corruption
22 and language hopefully--we're still negotiating this
23 piece--that will be enforceable so that if you can
24 identify acts of corruption it isn't just a slap on the
25 hand, but there will be consequences to this, focusing

1 on specific issues that make it harder for small- and
2 medium-sized companies to compete in the Asia-Pacific
3 region.

4 So this is going to be a comprehensive
5 agreement that touches on a whole bunch of barriers
6 that have to date made it hard to do business in these
7 12 countries. Beyond these 12 countries I think it is
8 going to have implications as a precedent for future
9 trade agreements with other countries. I'm very
10 excited about that.

11 We appreciate the input you've given us. Keep
12 giving it to us. We're going through, I believe, our
13 16th round that will take place in Lima, Peru, in about
14 two and a half weeks. There will be subsequent rounds
15 leading up to the October/November time frame.

16 Then the second one that I'm extremely excited
17 about is the talks between the United States and the EU
18 to have a trade agreement with the European Union.
19 This, too, is exciting not so much for the tariff side,
20 because our tariffs with the EU are relatively low to
21 begin with, but to work on standards.

22 I suspect this would be important in the
23 automobile sector, whether it's cars or parts, but to
24 be able to have cooperation on standards, to have
25 regulatory cooperation, will be huge, and not only in

1 terms of reducing barriers between the EU and the
2 United States, but again in terms of precedent and in
3 terms of other markets that have been, shall we say,
4 reluctant if you will to engage in meaningful trade
5 barrier reduction to take notice that, my God, if the
6 United States has a TPP and it has a U.S.-EU agreement,
7 we're going to get left out in the cold. All of a
8 sudden, you have other countries wanting to engage with
9 us in reducing barriers.

10 A great example of this, is Secretary Blank
11 went to Brazil about three weeks ago. Now Brazil,
12 whenever anyone--whether it's us or business people--
13 has talked about engaging in any kind of a trade
14 agreement with them, whether it's bilateral,
15 multilateral, they said, oh, absolutely but not now.
16 Maybe in four years. I'm exaggerating a bit, but they
17 have not been too thrilled with this.

18 Becky goes and she doesn't raise it. They
19 tell her, you know, we should really talk about trade
20 agreements that we could work on. Now, they weren't
21 talking about a comprehensive one, but they put on the
22 table this. I can assure you that that came as a
23 result of the work we're doing in the Asia-Pacific
24 region and what we're about to embark on with the
25 Europeans.

1 So this is exciting stuff and it's going to
2 have an impact in your sectors. I encourage you. I
3 have a feeling I don't have to encourage this crowd,
4 but I encourage you to engage with us as we go forward
5 with the EU. It's going to be very, very important and
6 have huge, positive implications to manufacturers. So
7 I hope my enthusiasm comes through because I think it's
8 going to have a great impact for our economy, and
9 particularly for you.

10 With that, I thank you, Michael, for letting
11 me have a few minutes here to share some of what we're
12 doing internally, as well as externally. I very much
13 look forward to working with this Council going
14 forward. Thank you.

15 CHAIRMAN LASZKIEWICZ: Well, thank you very
16 much for taking the time. We appreciate your work and
17 we look forward to working with you.

18 UNDER SECRETARY SANCHEZ: Thank you.

19 CHAIRMAN LASZKIEWICZ: I know you're on a
20 tight schedule and I know you'll be leaving us, but
21 thank you again for your time.

22 UNDER SECRETARY SANCHEZ: Thank you very much.

23 CHAIRMAN LASZKIEWICZ: Our next introduction,
24 which I think you're all now familiar with Nicole, but
25 the Under Secretary of Commerce to the Assistant

1 Secretary for Manufacturing and Services, Nicole Lamb-
2 Hale. She'll talk about her role, but on a personal
3 note, Nicole has been one of the representatives from
4 the Commerce Department who has always been at our
5 meetings and she's very close to our work.

6 She's provided, at meetings and between
7 meetings, advice and counsel to the Council about
8 initiatives and activities. We've always appreciated
9 that and we're very happy for you and your future. But
10 thank you for attending today.

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1 **THE MANUFACTURING COUNCIL'S WORK**

2 **Nicole Lamb-Hale, Assistant Secretary**
3 **for Manufacturing and Services**

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5 ASSISTANT SECRETARY LAMB-HALE: Thank you so
6 much, Mike. Thank you, Mary. Thank you, everyone, for
7 your service. This has been one of our most active and
8 I think in many ways innovative Councils. You guys
9 roll up your sleeves and you really get into the issues
10 and we so rely upon all the work that you do. It has
11 been a joy for me to be a part of this. For those of
12 you that don't know me, I am a recovered lawyer, I
13 think, officially now.

14 (Laughter)

15 ASSISTANT SECRETARY LAMB-HALE: I will not be
16 returning to the practice of law when I leave, so I've
17 really done it. I've crossed the rubicon and I'm going
18 to do something different. But I have to say that my
19 18 years of law practice before coming into the
20 Department was in Detroit, representing manufacturers.

21 So this Council--and if there's media here,
22 please don't print this--is my favorite Council because
23 of that, because of the fact that I get it. I get what
24 you do every day. I get the impact that it has on
25 communities around this country. I have the personal

1 experience.

2 My dad was an executive at Chrysler in the
3 1970s when Chrysler had its first financial woes. I
4 was afraid as a child because I didn't know what would
5 happen with my family. So, I get it and that's what
6 drives me every day to give the service that I give to
7 these issues and to the country because that's just so
8 important.

9 So I want to acknowledge Joe and Chandra--
10 Chandra is on the other side of the table here--for
11 their leadership on the last Council. You guys have
12 been great. Thank you. We decided that Chandra had to
13 come on the other side to continue the work. But
14 thanks for the leadership that you showed, and thanks
15 to the returning members for going another round with
16 us, and the new members who are here to contribute.

17 I also want to acknowledge Jenna Pilat, who
18 has been just a fearless advocate for industry input
19 into our policy process. Jenna, thank you so much for
20 all of your work. Liz, thank you. Liz is relatively
21 new to our team but she has jumped in with both feet.

22 We have all kinds of charts. We have our
23 stop-light chart, which some of you have seen, and we
24 work those charts. It's really because of Jenna's
25 leadership that that gets done. Anyone in the inter-

1 agency can testify to that. The White House knows
2 she's coming with her chart, and where are we on these
3 things. So, thank you for that.

4 I also want to acknowledge some of the team
5 for Manufacturing and Services that's in the room.
6 Todd Valentine, who is my special assistant, has been
7 fabulous. He is going to be working very closely with
8 Chandra as I depart.

9 But he's been very helpful in the interagency
10 process, ensuring that again the recommendations that
11 Councils like this give us get into good use in the
12 policymaking process. We have Jeff Grant here, who
13 runs our Health and Consumer Goods office. He is a
14 tireless advocate as well. All of them are. I should
15 say ditto for everyone: tireless advocate.

16 Praveen Dixit, who is our Assistant Secretary
17 for Industry Analysis. Many of you have been involved
18 in some of his trade briefings, trade data briefings,
19 and his team is very involved in the process in terms
20 of the TPP and the TTP--all these acronyms--the U.S.-EU
21 agreement.

22 They are very much involved in making sure
23 that, again, your input is in the process because USTR
24 can't negotiate if they don't know what their talking
25 points ought to be, right? So Praveen's office makes

1 sure that those issues get in there.

2 Maureen Smith, who is my fabulous principal
3 Deputy Assistant Secretary for Manufacturing and
4 Services is here, and she is really, again, a tireless
5 advocate and has been in industry. This is her second
6 round in government. I think many of you have worked
7 with Maureen over the years and will certainly continue
8 to provide the continuity of leadership that we need in
9 these issues.

10 We have Scott Kennedy here who heads up our
11 aerospace team, and Scott was very active in our auto
12 team prior to that so he's well steeped in all issues
13 manufacturing and will be a resource to you as well.

14 We have Fred Elliott who is here from our
15 aerospace team as well. Fred is a tireless advocate.
16 We sometimes get involved in some inter-agency
17 squabbles to make sure that regulations don't get in
18 the way of commerce. We work very hard. Is there
19 anybody else in the room that I missed from
20 Manufacturing and Services? I think I got everybody.

21 So I just wanted to give all of these folks
22 recognition. You should know that they will continue
23 to be here and to work hard on all of these issues. I
24 have to say proudly that Chandra is here. I'm so glad
25 that she arrived before I departed. Chandra is

1 consistent with the model that I established for the
2 Deputy for Manufacturing, to have fingernails with some
3 oil under them, you know, somebody who really
4 understands manufacturing.

5 So Chandra, having been on the other side of
6 the table, I think will be excellent in terms of making
7 sure that there's the proper balance between what the
8 government can do and what you can do in this
9 public/private partnership. I just want to thank all
10 the inter-agency colleagues who are here and who have
11 continued to support us.

12 They'll introduce themselves, I know, but I
13 really just think that the decision to bring in folks
14 from Energy, Labor, Education, and to bring the Jobs
15 Council perspective in as well has been really helpful
16 to ensure that all of the issues are dealt with that
17 affect manufacturing because it's not just a silo, as
18 we know, it's really very much a comprehensive,
19 holistic set of issues, so I am just happy to have had
20 the support of the inter-agency in this process.

21 So I guess I've said my goodbyes, right? But
22 I just wanted to thank you all for the work that you've
23 been doing. As Becky and Francisco talked about, I
24 mean, your input goes into the policy process. We
25 can't always get everything done but I think that the

1 fact that we have that input, your credible input and
2 we can put it into the policy process, I think we get
3 more done than we would otherwise.

4 So, thank you for your help on that. I think
5 that, again, your input will continue to be valued.
6 Even though you'll see some leadership changes, the
7 administration's focus on manufacturing continues. It
8 is steadfast. We have got to do in the next three
9 years, so we're counting on you to be partners in that
10 regard.

11 So with that, I'm going to introduce Chandra
12 Brown, whom you all know. Chandra left her private
13 sector life in Oregon to join us. I think that one of
14 the most fun kind of off-campus, so to speak,
15 Manufacturing Council meetings we had was when we
16 visited her facility and got to see these new
17 streetcars. Streetcars are back in the U.S., and so
18 it's very exciting that under Chandra's leadership we
19 have those streetcars being manufactured in the U.S.
20 So, it's fabulous. So I just want to turn it over to
21 her.

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1 **THE MANUFACTURING COUNCIL EXPERIENCE**

2 **Chandra Brown, Deputy Assistant Secretary**
3 **for Manufacturing**

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5 DEPUTY ASSISTANT SECRETARY BROWN: Well,
6 welcome, everyone. I have to say--and I'll be brief--
7 when I first came in I instinctively went to the other
8 side of the table. I have now been with the Department
9 of Commerce for basically one month and I am so, so
10 very happy to be here because this is the first group I
11 actually understand and know. I'm learning so much
12 information here, it's fantastic.

13 I have to tell you, one of the reasons why I
14 chose to leave the private sector and a job I adore,
15 which has been manufacturing for the last 19 years,
16 whether it's streetcars, boats, or bridges, I'm
17 incredibly proud of the work we've done. But I came
18 over because now is the time. This is what's really
19 great, I think, about this Council in particular.

20 As we all know, this is a huge issue.
21 Manufacturing is talked about every day. It's
22 mentioned in all the speeches by the President. It's
23 something that we are absolutely pushing forward. So I
24 am here, and hopefully you are here, at a time when
25 good change can be effected.

1 There has been such incredible work done by
2 the past Councils. I know we've sent around the
3 previous recommendations. What we're really looking
4 for is to take that forward to the next level and use
5 these next few years to move forward.

6 I am very happy to be basically your liaison,
7 your translator. I'm learning the government side as
8 we go. It's fantastic. I think one thing I can't
9 emphasize enough, and another reason why I came over,
10 it really is the quality of support of the folks here
11 in Commerce.

12 I had no idea the depth and breadth of the
13 team. Obviously Nicole already talked about and
14 mentioned it, but how much industry analysis and
15 expertise is imbedded within this Commerce group. So
16 we are here as your resources, we are here to help, we
17 are here to advocate for anything that we can within
18 our scope.

19 I'd just welcome anyone to come visit me at
20 any time, to come see me here in Commerce. Again, even
21 with the transitions, I will be here and I'm really
22 looking forward to an active agenda that we can move
23 forward in the next few years. So, I thank everyone
24 for your time and service.

25 CHAIRMAN LASZKIEWICZ: Thank you, Chandra. We

1 really appreciate your participation. And let me just
2 take a minute and I want to remind everyone of our
3 objective here again today. Please make this as an on-
4 boarding process. I know we're not into the work, and
5 also with the all the Type As we have in here everyone
6 wants to charge forward.

7 But what Mary and I ask you to consider is
8 it's important to understand the resources that are
9 available to you. As we break out in the subcommittee
10 work, the people that are here will be very valuable
11 resources to you in your work. So I want to make sure
12 that we all are banking this. It'll be the easiest
13 meeting we have and hopefully we're using this for
14 future success.

15 One off-script point I want to make is most of
16 the members are new but it was mentioned earlier, and I
17 wanted to acknowledge Joe Anderson who was the previous
18 Chair. Chandra was the Vice Chair. So if you see me
19 making some mistakes, I've asked Joe to call me out, or
20 at least use his eloquence to coach me.

21 So if you have questions or you want to know
22 how the previous Council worked or you have some
23 thoughts or opinions that we need to consider going
24 forward, I hope it's okay, Joe, that we can rely on you
25 as another resource because you did a great job leading

1 the previous Council. So, thank you.

2 The next introduction--and I will admit, some
3 of these people now I don't know, some I do. The one
4 thing you'll learn working with government is there's a
5 lot of movement. People go from one job to another
6 maybe more than what we're familiar with in the private
7 sector. But the Senior Advisor to the Secretary on
8 Manufacturing Policy, Dean Orringer, I believe is here.

9 Okay. Sorry, I couldn't read your card from here.
10 Thank you. Good morning. You have the floor.

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OFFICE OF THE SECRETARY

**Neal Orringer, Senior Advisor to the Secretary
for Manufacturing Policy**

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5 MR. ORRINGER: All right. Well, thank you
6 very much. I don't want to take up too much time here.
7 You're going to be hearing from my counterpart from
8 the White House, Stacy Miller, as well, soon.
9 Hopefully they won't overlap.

10 This Council has a really unique opportunity.
11 A lot of similar groups have been assembled over the
12 last couple of years. I've been in Washington,
13 watching a lot of similar committees for about two
14 decades. Those groups have ended their tenure writing
15 reports full of generalities and platitudes. This
16 group is different.

17 We'd like to challenge you. You're tasked
18 with advising the Secretary of Commerce on
19 manufacturing matters, so I'd like to lay down two
20 basic thoughts: one, understand her responsibilities
21 and priorities; and number two, provide specific
22 recommendations based on your experience and expertise.

23 So really briefly, let's begin with the
24 responsibilities. Many of you know the various bureaus
25 she oversees. We walked you through a couple and

1 you'll be hearing from a lot of the bureau heads here
2 today. We're going to be passing out a summary of some
3 of the FY 2014 budget initiatives.

4 These are new programs that are in our FY
5 budget that Dr. Blank sat down, and most importantly
6 the OMB Director, to try to get some programs in there.

7 We want you to examine them and look at how we're
8 developing and give us some serious evaluations and
9 critique about how we're going to do it and how to make
10 these things work most effectively.

11 So you all know about ITA, which promotes
12 exports and fair trade and investment in the U.S.
13 You're going to hear some more about the Economic
14 Development Administration, which provides grants to
15 U.S. communities to make them more attractive for
16 growth.

17 You know about the U.S. Patent and Trade
18 Office, which helps inventors and protects intellectual
19 property. You're going to hear a lot about the
20 National Institute of Standards and Technology from my
21 colleague Phil Singerman. But there's more. That's
22 just a few places within our Department.

23 The Secretary of Commerce is also the co-chair
24 of the White House Office of Manufacturing Policy.
25 Together with Gene Sperling, she presides over meetings

1 with her fellow Cabinet secretaries, many of whom are
2 represented here today, to help develop manufacturing
3 policies and programs. This is something that the
4 President established back in December of 2011.

5 Within the President's Cabinet, she's tasked
6 with being both the thought leader on manufacturing, as
7 well as the public face for the administration. So to
8 do this job successfully she's going to need your help
9 in keeping us connected and fully informed.

10 So I just want to focus on one of the
11 priorities that she highlighted here today and flesh it
12 out a little bit, and again solicit your help as we
13 start to design this initiative because this is really
14 the signature initiative. She's way too modest to talk
15 too much about what she's done in her role in pushing
16 this forward.

17 We've developed a program, she's developed a
18 program which basically is a race to the top for
19 economic development. We believe, when companies like
20 yours are making decisions on where to locate a
21 factory, you're going to look at a number of factors:
22 access to skilled workers, good infrastructure, low-
23 cost centers, healthy supply chains, and advanced
24 research institutions.

25 Rather than pursue short-term policies, we

1 want to condition Federal funding to these communities
2 on long-term plans. So through her chairmanship, Dr.
3 Blank is working with heads of the Departments of
4 Transportation, Energy, Labor, Agriculture, HUD,
5 Defense, the National Science Foundation, SBA, EPA, and
6 we want to award best practices by communities,
7 communities that have identified industries, as she was
8 saying, where they have a comparative advantage and
9 then form partnerships with community colleagues to
10 tailor training for needed skills with universities and
11 create specialized research centers with utilities and
12 airport authorities with the right kind of
13 infrastructure.

14 We're looking for you to provide us with
15 specific data on best practices of what you're seeking,
16 what motivates you to locate a plan in a given region.

17 We need your specific anecdotes, we need your specific
18 case studies to help us develop metrics for measuring
19 progress. How can the Federal Government ensure its
20 partnership with local communities and industries are
21 being developed effectively?

22 As you look forward to helping us pull out
23 these best practices, we'll begin to shape some of
24 these new initiatives. I think Matt Erskine, who's the
25 Acting Assistant Secretary for Economic Development, is

1 going to talk in more detail about these and other
2 initiatives.

3 You have got a solicitation going out in FY
4 2013 to help communities plan, but in FY 2014 we're
5 going to go full bore ahead with a grant challenge
6 that's going to award these kinds of best practices and
7 we need your help and your input. So we're really
8 looking forward to working with you and I hope that
9 you'll use us as a resource, particularly going through
10 you folks here, so that we can be good partners.

11 CHAIRMAN LASZKIEWICZ: Thank you very much.
12 Appreciate that.

13 Next, the Associate Director of Innovation and
14 Industry Standards, Phil Singerman.

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1 **NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY**

2 **Phil Singerman, Associate Director for Innovation**
3 **and Industry Services**

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5 MR. SINGERMAN: Thank you for that generous
6 introduction.

7 (Laughter)

8 CHAIRMAN LASZKIEWICZ: Pretty matter-of-fact.

9 MR. SINGERMAN: Thank you very much. Good
10 morning. I'm very pleased to be invited to represent
11 my sector. Some of you may be more familiar with this
12 as the old National Bureau of Standards. We've been
13 around since 1901. Actually, the authority to set
14 standards for weights and measures is in the
15 Constitution, Article 2. It gives us kind of a solid
16 constitutional framework.

17 We are the Nation's national measurement
18 institute, similar to those of other countries. We
19 conduct fundamental research in measurement science and
20 support industry-led standards development in the
21 consortial matter. We also provide specialized funding
22 and services to small- and mid-sized manufacturing.

23 Under Secretary Pat Gallagher liked to
24 describe us as industry's national laboratory, and I
25 suspect every company and every industry in this room

1 at one level or another, at one time or another, has
2 been affected by the work that NIST does. We are a
3 non-regulatory agency and we have an explicit
4 congressional mandate to work closely with industry --
5 flexible authority to work with your firms.

6 Physically, we have two major facilities, one
7 in Gaithersburg, Maryland, the other in Boulder,
8 Colorado. I guess one way to think about NIST is
9 physically it's like a national laboratory, a Los
10 Alamos or Sandia.

11 Operationally, it's like an engineering school
12 with a \$1 billion budget and no -- so there's a lot of
13 good research that goes on there. We work in a great
14 variety of areas, such as cyber security, aero science
15 and technology, forensic science -- our engineer
16 laboratory -- research on the collapse of the World
17 Trade Center -- organizations to develop appropriate
18 standards.

19 Our Boulder facility specializes in time
20 frequency measurement and we're very proud that in the
21 last 15 years our scientists in Boulder have won four
22 Nova prizes in physics.

23 Let me turn to our public/private
24 partnerships, the Hollins Manufacturing Extension
25 Partnership, and our proposed national network for

1 manufacturing and integration of --

2 The Hollins program provides technical support
3 to small firms. There are 60 centers in every State
4 and Puerto Rico, 1,400 non-Federal specialists --
5 support is provided one-on-one to firms and they
6 recognize its value by compensating the work -- so we
7 provide about \$100 million a year at 60 centers.
8 Industry provides about \$100 million in fees for
9 services.

10 The program is overseen by the Federal
11 Advisory Board similar to this and each center has its
12 own nonprofit board. We are very pleased that your
13 Vice Chair, Mary Isbister, is the chair of the
14 Wisconsin Manufacturing Extension Partnership and has
15 been on that board for six years.

16 We don't have to worry about the program --
17 but it's very important to have that kind of connection
18 to those bodies. Jeff Wilcox from Lockheed Martin is
19 joining our national advisory board and so he'll be
20 another point of liaison.

21 One of the new programs we're launching this
22 year is to work with small firms organized in supply
23 chains to help with resilience and robustness. We are
24 particularly interested in looking to this Council for
25 their advice about what is the best way that the public

1 sector will support the small- to mid-sized firms as
2 they work with their large OEMs.

3 Finally, let me turn to the program that
4 Secretary Blank mentioned, and perhaps Jason Miller
5 from the National Economic Council will also touch upon
6 the National Network for Manufacturing Innovation.

7 A key concept there, I think, that Secretary
8 Blank mentioned is that in order to have a strong
9 innovation ecosystem we have to have a strong
10 manufacturing base. Over the last 25 years, the nation
11 as a whole has under-invested in its advanced
12 manufacturing capabilities and technologies.

13 Because of the changes in the global factors
14 of production and legal conditions in this country, the
15 traditional continuing of from basic research to
16 applied research in the manufacturing sector has been
17 fractured.

18 We no longer have the Bell Labs institutions
19 that provide that bridge between basic research and
20 applied research. So the goal of the National Network
21 for Manufacturing Innovation is in part to replicate
22 and restore that manufacturing and continue that
23 advanced manufacturing -- R&D continued.

24 There's been a lot of work over the last year
25 and a half to develop a concept where models --

1 institutes -- and you serve as an example of what an
2 organized public/private partnership can do to guide
3 the manufacturing sector.

4 As we developed this program over this year
5 and over the next several years, we're particularly
6 interested in this Council's advice and guidance as you
7 move through this --

8 Thank you very much.

9 CHAIRMAN LASZKIEWICZ: Thank you very much. A
10 lot of activity and important work. We'll be working
11 together closely this year.

12 Next, we have the Deputy Assistant Secretary
13 for Economic Development, Matt Erskine.

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1 **ECONOMIC DEVELOPMENT ADMINISTRATION**

2 **Matt Erskine, Deputy Assistant Secretary**

3 **for Economic Development**

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5 DEPUTY ASSISTANT SECRETARY ERSKINE: Good

6 morning. Thank you very much. I appreciate the

7 opportunity to be here and join the Council and my

8 distinguished colleagues. The Economic Development

9 Administration, or the EDA, is one of the bureaus

10 within the Department of Commerce and one of the best

11 ways I think to think about it is we're the only

12 Federal agency with the sole mission of economic

13 development for the United States.

14 Just to give you a quick summary of the

15 organization, about 200 people distributed across the

16 country in six regions. We have six regional offices.

17 We do about \$300 million of grant co-investments every

18 year.

19 By grant co-investments, think of us in some

20 ways as a seed capital investor looking to make smart

21 strategic catalytic investments in communities across

22 the country and also in public/private higher education

23 partnerships. So we do not fund for-profit enterprises.

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25 What we do is provide competitive merit-based

1 grant funding to communities and to the partnerships
2 that are setting the foundation and creating the
3 environment for the private sector job growth, private
4 capital investment. Our grant funds require a local
5 match, so skin in the game from the community, from the
6 public/private higher education partnership, again, all
7 with an explicit link to long-term job creation,
8 leverage private investment and economic growth.

9 We have a portfolio of programs and services
10 that are actually quite flexible and that can be
11 tailored to the needs of the community. So what our
12 program is designed to do is to find those best locally
13 owned ideas on a regional basis, again, with the long-
14 term goal of job growth and leveraging that private
15 investment.

16 We can invest in both hard infrastructure, so
17 construction, buildings, equipment, the basics of
18 supporting infrastructure, whether it be broad band,
19 water/sewer, transportation, as well as soft
20 infrastructure, technical assistance, strategic
21 planning, helping to bring together the right partners
22 from all sectors in a particular community or region.
23 Specifically with regard to manufacturing, we play the
24 lead role in partnering with the other bureaus and
25 agencies that are here in terms of advancing the

1 President's agenda for manufacturing.

2 So I am sure Dr. Blank talked to you about the
3 window of opportunity we have, the cusp of the
4 resurgence of investment, whether it be foreign direct
5 investment, re-shoring or expansion and retention of
6 jobs here in the United States.

7 Our role in that is to help build the capacity
8 of the regions and the communities to both welcome that
9 investment, retain it, and make it lasting. So whether
10 it be a critical piece of infrastructure that a
11 community needs to attract, retain, or expand
12 investment, whether it is the planning and technical
13 assistance expertise that a community needs, a region
14 needs, that's where EDA plays a role.

15 So let me give you three specific examples of
16 what we're working on right now that I think go right
17 to the heart of this manufacturing push. The first is
18 this year we have launched what is called the Make it
19 in America initiative, which is a \$40 million national
20 challenge grant.

21 Together with Department of Commerce, both
22 EDA, NIST, and MEP, together with the Department of
23 Labor--and you'll hear from Jane Oates on the
24 Employment and Training Administration, who has been a
25 great partner of ours in terms of emphasizing the

1 workforce development importance in economic
2 development.

3 We will make up to 15 grant awards, again,
4 competitive grant co-investments across the country.
5 Applications are due the end of May, so May 31st.
6 Again, these will be both regional public/private
7 higher education partnerships and community groups,
8 partnerships that come to us with the ideas in terms of
9 how to best invest, whether again it's a piece of
10 critical infrastructure or a soft infrastructure
11 funding really to those three key parts of the
12 investment: new foreign direct investment, re-shoring
13 of American jobs, and retention and expansion of
14 existing manufacturing production in their regional
15 economy.

16 Those awards will be announced before the end
17 of September this year and it builds on what the Obama
18 administration has really led the way on in the last
19 three years, multi-agency coordinated or synchronized
20 funding in order to promote the capacity to attract,
21 retain, and grow the investment.

22 Also this year, as Neal Orringer mentioned,
23 we're launching a strategic planning grant challenge
24 for communities who have done some strategic planning,
25 economic development planning, but have not taken it to

1 the level of specifically focusing on manufacturing.
2 This grant challenge--we'll do about 20 to 25 across
3 the country--is to communities to take their existing
4 plans and create implementation-ready plans.

5 So they've done an assessment on their current
6 strengths and assets as a community for attracting and
7 retaining and growing investment and identified those
8 holes in their ecosystem.

9 Again, whether it be critical pieces of
10 infrastructure, whether it be the need for
11 partnerships, technical assistance, strategic planning
12 so that this will position them in a year to actually
13 have an implementation-ready plan for growing
14 manufacturing in their community.

15 Then finally, sort of the third part of that
16 progression, next year in the President's budget, \$113
17 million Investing in Manufacturing Communities Fund,
18 where we will have at-skill grant investments, again,
19 both hard infrastructure and sort infrastructure with
20 those community and regional partnerships to actually
21 start investing and filling those holes in their
22 ecosystem as it relates to attracting the investment,
23 retaining the investment, and growing the investment
24 going forward.

25 This again is part of the progression of

1 multiple agencies, whole-of-government approach.
2 You'll hear from Jason Miller from the White House and
3 the NEC in terms of how this fund will represent the
4 corpus of coordinated and synchronized Federal funds
5 from other departments and agencies in a much more
6 coordinated way in terms of investing in the
7 communities going forward. So, thanks again for the
8 opportunity. We're excited to work with you.

9 CHAIRMAN LASZKIEWICZ: Very good. Thank you.
10 Thank you, Matt. Appreciate that.

11 Our next introduction is Jane Oates, the
12 Assistant Secretary for Employment and Training. A
13 little background here. Jane was very helpful to the
14 last Council, specifically the Workforce Development
15 Subcommittee, in that as we were drafting our
16 recommendations Jane and her team actually made
17 arrangements for us.

18 I think, at her recommendation to me, the
19 Secretary of Labor, where there was a private meeting
20 that Joe Anderson, Mary and I attended, where for well
21 over an hour he discussed our recommendation letter.
22 To help everyone rest easy, it wasn't so that Labor or
23 anyone could influence how or what we recommended, but
24 it was based on a real sincere desire on the Secretary
25 of Labor, Hilda Solis, to understand our

1 recommendations and to collaborate with us.

2 So Jane, we really appreciated that
3 opportunity. I think it made the work that we did all
4 the more valuable. Welcome to our meeting.

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1 **U.S. DEPARTMENT OF LABOR INTRODUCTION**

2 **Jane Oates, Assistant Secretary**

3 **for Employment and Training**

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5 ASSISTANT SECRETARY OATES: Michael, we really

6 appreciated you, Joe, and Mary taking the time to talk

7 with us because we really think that workforce

8 development, along with education and economic

9 development, are a three-legged stool. You can't

10 support yourself without any one of those vibrant

11 entities. So your discussion with us was life-changing

12 within the Department of Labor, and certainly in

13 Employment and Training.

14 I want to tell you just a little bit about

15 what we did in order to change. First of all, I'm the

16 in-law here at Commerce but I'm surrounded by such

17 wonderful friends and partners. Jason and his alter-

18 ego Gene Sperling have just been amazing partners. The

19 administration has put a huge magnifying lens as a

20 reality check on all the words that we use, so the

21 first word I'm going to use is partnership.

22 Our partnerships have to be real or we're

23 called out about it. You heard Matt mention that we

24 share money: unheard of in Federal Government. I mean,

25 I have a rather large budget at ETA but most of it goes

1 out in formula funds.

2 I have about a \$10 billion budget. But we
3 fund the Workforce Investment Act programs in your
4 communities that are the local -- and the American Job
5 Centers or Career Centers that you see. We have a dual
6 customer there, the job seeker and the employer.

7 Sadly, unless we had these partnerships,
8 sometimes our business customer gets the short end of
9 the attention at those local areas and we try to
10 improve that. But our partnerships have been
11 extraordinarily catalytic in terms of how we use our
12 money.

13 The second thing we do is give out
14 discretionary grants. As Matt mentioned, they have
15 some grants. We also contribute with some of these
16 cross-agency grants. But usually in a given year we
17 have about \$1 million that we can put out
18 competitively. The biggest ticket item that we have
19 right now is the community college capacity-building
20 grant. That's \$500 million for you to engage. It has
21 to be business driven.

22 It has to be two-year degree-granting
23 institutions, looking at areas where they're not
24 meeting business needs as defined by business. Now,
25 Wisconsin has fabulous technical colleges. Michael

1 knows I have a soft spot in my heart for Gateway
2 because they were out there not only with Rockwell, but
3 with Snap-On Tools and other manufacturers early on
4 before there was any real government money.

5 But we want every community to have community
6 colleges like that that are knocking on your door
7 saying what can we do for you, not showing you an
8 antiquated course catalog, about how maybe they could
9 piece together this and that, but looking at you and
10 saying, what can we develop and speaking to you in
11 business time, making sure they don't say to you, well,
12 the new semester begins in September, making sure that
13 our community colleges, and all of our colleges,
14 understand that not meeting your needs for six months
15 means that you're either going to become reliant on
16 foreign workers or you're going to move your production
17 offshore.

18 We don't want that to happen. We want you to
19 know that we're talking real time. If no one has
20 approached you about the next round of this, which is
21 on the street right now, please call your local
22 community college president and say, what are you
23 putting forward?

24 Finally, the administration uses another word
25 called transparency. It's a lot like love and

1 accountability and all these things. We all use the
2 words. But in this administration you have to show
3 exactly what you're doing in order to meet that
4 definition of transparency.

5 Some of the things that I'm going to tell you,
6 you're going to say, why wasn't that done 100 years
7 ago? I don't know. But we never put our winning grants
8 up on our website so that other people could see what
9 they were doing. A company like IBM has information
10 going out. They're a big partner in a number of our
11 H1B grants.

12 They have all these entities all over the
13 country. They should see what other people are doing
14 to see how they can change. General Motors should do
15 that. All manufacturers should do that. You should be
16 looking to say to your community college, why are they
17 doing this at North Idaho Community College? Why can't
18 we do that here?

19 So we have developed and put those grants up
20 so you can see them. We've developed core competency
21 models, the bottom ends of the pyramid, for 16
22 different sectors. The one I'm most proud of is the
23 utility sector, because then CEWD went off and just
24 made it real for utility employers all over the
25 country.

1 But we also have made them to our grantees
2 that we own the curriculum. We, the taxpayers, paid
3 for it, we own it. We've seen some amazing things,
4 some things that have grown organically like Amtech and
5 E3, which we're not funding, but they grew from our
6 grant dollars.

7 But also wonderful things like the
8 opportunities in western Pennsylvania that we funded in
9 shale technology, from certificates all the way up to
10 associates degrees. This is the way government should
11 work. That same curriculum went to the Vulcan
12 development, so now in North Dakota and in Montana they
13 did not have to start at square one. They had the
14 curriculum that was developed at Westmoreland Community
15 College that they could start with.

16 The same thing, the curriculum we developed,
17 our grantees developed, in mechatronics in North
18 Carolina, mainly for manufacturing there, is now being
19 used in central Pennsylvania for food manufacturing.
20 We're going to get that same degree because the same
21 skills were needed, so central Pennsylvania didn't have
22 to figure out how to bring you better potato chips and
23 better pretzels on their own, they used what was
24 developed in metal manufacturing in North Carolina. So
25 I end where I began: thanks, Nicole. What a partner

1 you've been. Unbelievable. Matt, everyone here, Phil,
2 has just been a terrific partner.

3 But you need to tell us what's next. You need
4 to rate what we've done. You need to tell us not only
5 how we can use our competitive grant money, but also
6 our \$3.7 billion in formula money that funds into your
7 communities now as well as our unemployment insurance
8 program. What do we do when people are unemployed to
9 get them where you need them to be?

10 How do we put those skills -- just like we
11 have job boards, how do we develop a skills board so
12 you don't tell me--or tell Jason, worse--that you need
13 100 welders and can't find them? So I look forward to
14 the continued partnership with ETA. I hope, as our new
15 Secretary hopefully gets through confirmation quickly,
16 Tom Perez, I hope you'll give him the same partnership,
17 the same professional friendship that you gave
18 Secretary Solis. Thanks very much, Michael, and to all
19 of you for your service.

20 CHAIRMAN LASZKIEWICZ: I want to make two
21 quick comments here. First of all, last night when we
22 were meeting people asked how we measured results.
23 It's a different method here than what we're used to.
24 It's not a quarter or annual business.

25 One way, though, we measure results is in

1 action. In the Workforce Development recommendations
2 there was a specific focus on ensuring that community
3 colleges didn't duplicate efforts, as they have been,
4 in creating their own curriculum, unfortunately even
5 within States.

6 We've seen it in a good system like Wisconsin,
7 where you have competition between the technical
8 colleges or community colleges. They're all developing
9 their own unique curriculum when in fact industry is
10 looking for a standard across the university.

11 So the examples Jane gave of where technical
12 colleges are being rewarded and recognized and are
13 seeing success is where they've gained that leverage,
14 so we appreciate that. That's an example I thought you
15 might like to be aware of.

16 Secondly, administratively, we're going to
17 plan to run about 20 minutes late. So we aren't that
18 far behind, but we are a bit behind. Just so people
19 are aware, we want to keep it moving, but I hope you're
20 finding this as valuable as I am.

21 So, Jane, thank you. We appreciate that.

22 ASSISTANT SECRETARY OATES: Thank you.

23 CHAIRMAN LASZKIEWICZ: Next, is another
24 regular guest to the Manufacturing Council meetings,
25 the Deputy Assistant Secretary for Small Business,

1 Community Development, and Housing Policy, Don Graves.

2 Welcome back.

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1 **U.S. DEPARTMENT OF THE TREASURY INTRODUCTION**

2 **Don Graves, Deputy Assistant Secretary for**
3 **Small Business, Community Development**
4 **and Housing Policy**

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6 DEPUTY ASSISTANT SECRETARY GRAVES: Well,
7 thanks so much, Mike. Thank you for yours and Mary's
8 leadership on this, and Joe and Chandra, for what you
9 did over the last few years. The Manufacturing Council
10 -- I won't say it's the unsung star because it is sung
11 by the choir in the administration loudly.

12 You all -- for those that are new to the
13 Council, you don't know but you have some really big
14 shoes to fill because the work of the Manufacturing
15 Council over the first few years of the administration
16 has really changed the way that we go about doing our
17 work, both at a policy level and also programmatically.

18 So there's a lot of great things that you've
19 already done, and hopefully you'll continue that. It's
20 also good to see some old friends. Andra, hello again.
21 Andra and I got to work together--I won't say how many
22 years ago--during the Clinton administration when she
23 was just out of high school and starting into business.

24 (Laughter)

25 DEPUTY ASSISTANT SECRETARY GRAVES: Anyway,

1 it's good to be here with you. As all of my colleagues
2 have already said, the work that we do together really
3 makes a huge difference for the American people, for
4 American business.

5 I can't tell you the amount -- the good number
6 of suggestions that have come from folks like you that
7 have led to specific policy changes or program changes.
8 No issue is too small to target, no program or problem
9 is too inconsequential. You should be sure to let us
10 know, let the team here at Commerce know, what you're
11 seeing and what you're hearing because it's really
12 important.

13 What Mike didn't mention is that I have come
14 to the Council in the past wearing two different hats,
15 one is in my Treasury role and one has been as the
16 Executive Director of the President's Jobs Council for
17 the past couple of years.

18 I think the work of the Jobs Council was
19 specifically informed by what you did. In fact, we
20 adopted and supported and got behind a good number of
21 the recommendations that you had that were cross-
22 cutting issues that would help to lead to greater job
23 creation, greater competitiveness.

24 I won't go through those lists. If you
25 haven't had the chance, I'm sure you've looked at the

1 reports from the previous Manufacturing Council's
2 meetings, but go to the Jobs Council website. You can
3 look it up online.

4 We did three reports, including the final or
5 the 2011 year-end report, that were built off of, to a
6 large extent, the work that had been done here.
7 Ninety-plus recommendations to the President. About
8 two-thirds of those recommendations were specific
9 recommendations that the administration could tackle.

10 We actually have already fully accomplished or
11 substantially accomplished 90 percent--a little over 90
12 percent--of those recommendations. So when people say
13 the administration doesn't listen and doesn't actually
14 do things, we actually did, and you can go through the
15 reports and see for yourself.

16 I won't spend more time on that other than to
17 say that one of the things that we learned very early
18 on, and I know that the Manufacturing Council has taken
19 this to heart, is that no matter how smart this group
20 is--and this is a very smart and talented group--you
21 don't have all of the ideas, you don't see all of the
22 problems facing this country. Go out and talk to folks
23 in your own communities.

24 We held dozens of listening-and-action
25 sessions with the Jobs Council around the country where

1 we learned what was going on in those communities. We
2 met with business owners, we met with folks who lived
3 in those communities, we met with local leaders. All
4 those ideas came into the Council, and we shared it
5 with our colleagues here as well, and informed the
6 process going forward.

7 I'll just cover, quickly, some of the things
8 that we've been looking at at Treasury. Part of what
9 Jane, what Matt, and so many others have said is we're
10 looking at making sure that we have a manufacturing
11 ecosystem that works for this country, that continues
12 to allow this country to be the world's leader in
13 manufacturing.

14 The President has said manufacturing is back.
15 He's talked about manufacturing all over the country.
16 Part of what we do at Treasury is think about ways
17 that we can assist your businesses as you go about
18 doing the work that you do, which is making products
19 and employing people and revving up the economy.

20 So we focus on financing, we focus and look at
21 ways to make sure that businesses have accurate access
22 to credit and capital when they need it. We focus on
23 taxes and making sure that our tax regime works for
24 your businesses. We also focus on economic policy,
25 both domestically and internationally. Those are sort

1 of the big three areas that I think apply to the work
2 that you do. We are looking for your ideas.

3 I think the President is absolutely committed
4 to getting a new tax system that works for this
5 country. Tax reform is important and we need to have it
6 accomplished. Hopefully our friends down the street are
7 willing to work with us at some point in the next few
8 years to accomplish that.

9 I will mention there are several specific
10 things that we're doing at Treasury that you may not
11 know about but could be of use to you or your friends
12 in the manufacturing space. In addition to making sure
13 that our financial institutions are in a place where
14 they're able to make loans and commit investments of
15 capital into your organizations, we have several
16 programs that are specifically focused on ensuring that
17 you have adequate access to credit and capital.

18 The Small Business Credit Initiative that I
19 oversee is \$1.5 billion that goes out through States.
20 It was created specifically to meet the needs of
21 manufacturers that were dealing with the impact of
22 collateral deterioration coming out of the crisis. We
23 can get you more information about that.

24 The Small Business Lending Fund. Four billion
25 dollars has gone out to community banks across the

1 country that have an incentive to increase their
2 lending. If they don't increase their lending they get
3 a higher interest rate, if they increase their lending
4 their interest rate goes down.

5 We also have tax credits. I mentioned that we
6 have specific tax credits that are focused on your
7 companies and your communities. The New Markets Tax
8 Credit Program, \$3.5 billion annually, helps to ensure
9 that projects in your communities get that little bit
10 of extra gap financing to make those projects work.

11 In addition, the President has proposed the
12 Manufacturing Community's Tax Credit for the last two
13 years. Congress hasn't acted on the President's
14 proposed budget, but it is \$2 billion of tax credits
15 specifically targeting communities that have
16 manufacturing needs, that are looking to attract
17 manufacturers, or to grow manufacturing in those
18 communities.

19 So with that I am available at any point to
20 you, Mike and Mary, and to the rest of you. Feel free
21 to call on me. Obviously we can't get out to
22 communities like we could before the sequester, but I
23 make myself available to you and to the team at your
24 discretion.

25 CHAIRMAN LASZKIEWICZ: Don, thank you. And

1 you have made yourself available and your team has
2 provided excellent information, so we appreciate that.

3 Our next introduction, I just met earlier
4 today, but we have a new representative from the
5 Department of Energy, Libby Wayman, Senior Advisor to
6 the Assistant Secretary for Manufacturing. Welcome.

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1 **U.S. DEPARTMENT OF ENERGY INTRODUCTION**

2 **Libby Wayman, Senior Advisor to the**
3 **Assistant Secretary for Manufacturing**

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5 MS. WAYMAN: Thank you. Thank you to the
6 Department of Commerce for inviting us here. Thank
7 you, Nicole, and thank you to the Council for also
8 having us here and for letting me fill you in on a
9 little bit of what we're doing in manufacturing at the
10 Department of Energy.

11 As Chandra brought up earlier, it really comes
12 down to timing. I think, first of all, we're
13 experiencing a time where we are seeing a little bit of
14 upsurge in manufacturing, and also at this time it's a
15 great opportunity within the administration to develop
16 manufacturing priorities. As President Obama has said,
17 it should be our first priority in the U.S. to make
18 manufacturing and jobs happen in America.

19 Then switching over to Energy, we really are
20 at a unique time in Energy. First, we're at a point
21 where, after decades of innovation in clean energy
22 products, these products have come to a kind of a five-
23 yard line of where they're starting to be competitive
24 with incumbent energy sources. It's time for us to
25 switch -- not really fully switch, but also expand our

1 focus into manufacturing from just the R&D.

2 Secondly, we're experiencing a time of
3 prevalence of natural gas. We've gone from a
4 relatively energy poor country looking to develop
5 natural gas terminals at our shores to import natural
6 gas, and now we're going to an energy rich country
7 where we're experiencing a competitive advantage due to
8 our energy resources.

9 So this period of time is an opportunity for
10 us to invest in manufacturing of clean energy products
11 and invest in what we can do with manufacturing to
12 leverage our advantages of natural resources. This
13 also includes investing in energy efficiency in the
14 manufacturing sector so that our advantage in energy
15 and manufacturing is sustained far beyond just the
16 prevalence of natural gas.

17 Looking around the room, energy really touches
18 a substantial portion of the manufacturing or really
19 all of the manufacturing enterprises represented here,
20 from companies developing energy technologies, to
21 companies using energy in logistics, to companies who
22 use energy in their manufacturing processes. Energy is
23 really a significant driver in manufacturing.

24 To switch over to the Department of Energy,
25 the Department of Energy also has many offices, many

1 different technologies under development there and all
2 of those offices touch manufacturing in unique ways.

3 So the Clean Energy Manufacturing Initiative
4 was recently launched at the Department of Energy,
5 actually just a few weeks ago, for a couple of reasons:
6 1) to integrate all of the manufacturing work that we
7 have gone on at the Department of Energy and to be a
8 conduit for private sector partners and administration
9 partners to access and to guide the Department of
10 Energy's efforts in manufacturing; and 2) to put
11 forward to new goals for energy and manufacturing.

12 One goal is to increase the competitiveness of
13 the U.S. in manufacturing clean energy products. The
14 second goal is to increase manufacturing
15 competitiveness broadly through investing in energy
16 efficiency and also understanding how we can take
17 advantage of our low-cost natural resources.

18 There are several things that we can do within
19 the Department of Energy to further these goals. The
20 Department of Energy funds manufacturing and energy
21 R&D, so we would like to understand how we can orient
22 this R&D to further the goals of the initiative. We
23 also fund manufacturing R&D facilities with several
24 partners here. We also invest in industrial energy
25 productivity. The fourth thing, is that we conduct

1 analysis to inform our priorities and our objectives.

2 So the analysis that we have currently been
3 doing has been the type of analysis we've done for
4 several years. It basically looks at the cost of
5 producing technology today and the cost of producing
6 technology in the future.

7 Our new competitiveness analysis is looking at
8 the cost to produce energy technologies in the U.S.
9 versus other regions so we can understand how our R&D
10 priorities affect both the cost of production of energy
11 technologies and our ability to produce those
12 technologies competitively in the U.S.

13 Two other things that we're doing through this
14 initiative are really more about what we can do beyond
15 just the Department of Energy. One is that we are
16 going into the community and collecting new ideas.

17 We are doing this through two avenues. One--
18 and I'd really like this group to know about both of
19 these--we have a partnership with an organization
20 called the Council on Competitiveness, where we are
21 working with several partners on the council to
22 understand how we can build a public/private
23 partnership to advance these goals.

24 This is a dialogue series that will be carried
25 out over the next nine months with executive level

1 folks to really understand what we can do to come
2 together between the public sector and the private
3 sector to increase manufacturing competitiveness as it
4 relates to energy.

5 The second thing that we're doing is a series
6 of regional summits, and we'll be doing those in a
7 couple of locations around the country. These
8 convenings are a slightly different focus. One of the
9 objectives is to raise the profile of manufacturing and
10 of energy and manufacturing, so to understand and to
11 spread the understanding that energy manufacturing is
12 happening in the U.S. It's thriving, it's growing, and
13 it is a good industry for the future. The second
14 objective of those convenings are also to collect new
15 ideas for what the Department of Energy and its
16 partners can do.

17 The last thing that we're doing through this
18 initiative is we are really trying to expand our
19 partnerships, both with the private sector, as I
20 mentioned, through the Council on Competitiveness, and
21 also between other agencies.

22 So we are really honored to be here today with
23 such strong leaders and partners in manufacturing and
24 we are already kind of working across the board with
25 almost all of them.

1 With Treasury, we're working on an advanced
2 energy manufacturing tax credit. We're working with
3 the Export-Import Bank. We work with many facets of
4 the Department of Commerce through the Manufacturing
5 Extension Partnership and through many of the
6 initiatives that Dr. Blank mentioned earlier today,
7 like the National Network for Manufacturing Innovation
8 and investing in manufacturing communities.

9 We are working with partners on workforce
10 training and education. We think that it's through
11 these partnerships that we'll be able to really drive
12 toward the goals that I mentioned of our Clean Energy
13 Manufacturing Initiative because those goals are really
14 beyond just only what DOE can do, which is really
15 primarily the R&D focus that I mentioned a little bit
16 earlier.

17 So thank you for the opportunity to share with
18 you what we're doing at Department of Energy, and
19 thanks to our many partners and especially to the White
20 House for its leadership in manufacturing and
21 priorities there.

22 CHAIRMAN LASZKIEWICZ: Thank you, Libby.

23 We have just two more presenters. I do want
24 to introduce someone I think is in the room as a
25 resource from the Department of Education, Greg

1 Henschel.

2 MR. HENSCHTEL: Yes, I'm here.

3 CHAIRMAN LASZKIEWICZ: Thank you. Again,
4 Department of Education has worked very closely with
5 this committee in the past and I'm sure we'll call on
6 you in the future to give you an opportunity to give
7 your update at one of our next meetings.

8 MR. HENSCHTEL: Yes. We look forward to
9 briefing you. Just briefly, I will say we work closely
10 with Jane's office on community college issues. One of
11 the big problems we hear from so many manufacturers is
12 about the lack of skills. Many of the problems that
13 community colleges are facing is that students don't
14 have the preparation they need to succeed in the
15 training programs. That is our particular part of this
16 mission.

17 We see the work of the Manufacturing Council
18 and the drive for this as something that can help
19 propel quality programs that have good career pathways
20 from secondary into post-secondary so students are
21 prepared, having taken the right courses to succeed in
22 those training programs. We'll talk more later.

23 CHAIRMAN LASZKIEWICZ: Thank you very much,
24 Greg. I apologize for the short time, but we'll make
25 sure that --

1 MR. HENSCHER: Another time.

2 CHAIRMAN LASZKIEWICZ: Next, is Jason Miller,
3 representing the White House. He is a Special
4 Assistant to the President for Manufacturing Policy and
5 was nice enough to invite us to the White House for our
6 final meeting of the last Council. So, welcome.

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WHITE HOUSE INTRODUCTION

**Jason Miller, Special Assistant to the President
for Manufacturing Policy**

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5 MR. MILLER: Thank you. Thank you for having
6 me. It's good to see a lot of familiar faces around
7 the room. Thank you to Michael and Mary for your
8 leadership this year. Apparently we seem to be, at
9 least in the recent past, using your positions as a key
10 talent pipeline into the administration.

11 (Laughter)

12 MR. MILLER: So we can talk offline about what
13 jobs you're gunning for.

14 (Laughter)

15 DEPUTY ASSISTANT SECRETARY BROWN: Hi, Jason.

16 MR. MILLER: Good to see you. Over the last
17 several years the administration has made a very
18 serious commitment to investing in the manufacturing
19 sector broadly, not just because of a need to
20 strengthen manufacturing in and of itself but because
21 of the broader impact it has on the economy.

22 We created a dedicated focus within the White
23 House and Office of Manufacturing Policy that is led by
24 the National Economic Council and the Department of
25 Commerce, in part to develop a robust agenda around

1 manufacturing over the first term.

2 One of the things that was always challenging
3 for us in 2011 and increasingly in 2012 as we talked
4 about what we thought were a pretty strong set of
5 manufacturing policies was that we couldn't overcome
6 the cynicism that this was all part of a strategy to
7 win Ohio in 2012 and, at last for those of us around
8 the room in the administration who work on our
9 manufacturing agenda I think it was nice in the State
10 of the Union that the very first thing that the
11 President talked about, his very first policy, was
12 something that we're trying to do on manufacturing.

13 The day after the State of the Union, the
14 first State of the Union amplification on that was
15 about our manufacturing agenda. So I think that says
16 pretty clearly about where our priorities lie, at least
17 within the economic team, one of our key areas of focus
18 of the second term.

19 Now, I mentioned the Office of Manufacturing
20 Policy. I think as you see around this table we have a
21 very broad set of agencies that are working very
22 closely amongst themselves and with the White House on
23 our entire agenda.

24 What touches the manufacturing sector and all
25 the things that you submitted back were priorities for

1 you, for the sector, for your companies, does not sit
2 neatly in any one place across the Federal Government
3 so this effort has very much been about, how do we
4 create a process across the entire Federal
5 administration to align multiple policies, but also if
6 you look at specific things that we're doing.

7 The folks before me have talked about some of
8 them, the Investing in Manufacturing Communities
9 Partnership, the National Network for Manufacturing
10 Innovation. Those, while both led by the Department of
11 Commerce, have a very strong partnership across the
12 administration from the Department of Energy,
13 Department of Defense, Department of Labor, et cetera.

14 So we really see this as a whole-of-government
15 approach, which from a management standpoint is always
16 challenging, but I think we have had a great
17 partnership across the administration.

18 Taking a half step back, when we think about
19 our agenda and when we've talked about our agenda we
20 tend to put it in four general buckets, the first being
21 making the U.S. a cost-competitive location for
22 manufacturing production. That includes a number of
23 things, from corporate tax reform, to investing in
24 infrastructure, to harnessing our natural gas resources
25 and taking advantage of the current moment in energy.

1 The second is about spurring innovation in
2 manufacturing. That includes increases in Federal R&D
3 for advanced manufacturing platform technologies. That
4 includes our National Network for Manufacturing
5 Innovation. That includes the Clean Energy
6 Manufacturing Initiative at the Department of Energy.

7 The third around skilling up our workforce and
8 our businesses, at the center of that of course are the
9 things that Jane and Department of Labor are doing
10 around community colleges, what the Department of
11 Education is doing around technical and vocational
12 education, and also the Manufacturing Extension
13 Partnership and others working directly with businesses
14 to strengthen their skills and capabilities.

15 Then the fourth is around leveling the playing
16 field. That is both the things that the President
17 talked about in the State of the Union, making progress
18 on our Trans-Pacific Partnership and launching the
19 Trans-Atlantic Trade and Investment Partnership, as
20 well as strengthening our ability to put in place
21 strong enforcement action when our trading partners are
22 not living up to their part of the bargain.

23 Then we have talked about a fifth pillar which
24 Matt highlighted, which really cuts across all of
25 those, which is strengthening and enabling locally and

1 regionally developed strategies to take hold and
2 aligning our Federal resources to strengthen
3 communities to support manufacturing ecosystems and
4 manufacturing investment.

5 So we recognize the breadth and need of an
6 agenda in the manufacturing space. We have called for
7 a lot of things in this area across those different
8 pillars. We really look forward to your feedback, both
9 on the specific things that we've implemented and gaps
10 or areas for us to push.

11 I think when Don, who has disappeared, was
12 talking about the Jobs Council, I think it's very
13 useful, as you're pushing forward with your priorities
14 and agenda, to think both about, what are the areas
15 where legislation is absolutely needed and how do we
16 generate some momentum behind it.

17 But specifically where are there areas where
18 the administration can take action with its
19 capabilities and its authorities in place? I think the
20 example of working directly with Jane at the Department
21 of Labor is a good one.

22 But we are at a point where a lot of the
23 things that we have called for are not always getting
24 the traction that we would like them to get up on the
25 Hill, so the question there is, how do we prioritize

1 and put some momentum behind them?

2 But we always ask the question, are there
3 things that we can do? While we have a broader vision
4 for what needs to get done, that vision requires either
5 a major investment or legislative change.

6 Is there something that we can do
7 administratively that either highlights that vision or
8 makes progress some of the way there that can sort of
9 generate additional momentum behind it? I think in
10 that, in particular, I would encourage you to really
11 push on us where you think there are things that we can
12 be doing administratively to be more aggressive on this
13 agenda.

14 That is something that is obviously fully
15 within our control and we can start acting on. So,
16 thank you to the folks at the Department of Commerce,
17 Nicole, Chandra, Dr. Blank, for including me. But I
18 think the opportunity set is very wide for you so the
19 challenge will be one of prioritization and identifying
20 areas that you can have impact.

21 So, thank you. I look forward to continuing
22 to work together.

23 CHAIRMAN LASZKIEWICZ: Thank you, Jason.

24 Our last introduction is Mark Doms, who is the
25 Chief Economists for the Department of Commerce. Thank

1 you.

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1 ECONOMIC BRIEFING

2 **Mark Doms, Under Secretary for Economic Affairs**

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4 UNDER SECRETARY DOMS: Thank you. I'm
5 actually something called the Under Secretary for
6 Economic Affairs now. What that job is, I'm basically
7 the Chief Economic Advisor to the Secretary of
8 Commerce. I participate in policy meetings. I think
9 part of my job is to convey the concerns that
10 businesses have on various policies.

11 So when I'm in a deputies' meeting about, say,
12 immigration policy or corporate tax reform, I try to
13 bring the point of view of businesses into those
14 discussions. So, I really enjoy these meetings. I do
15 these quite often.

16 One of the reasons I enjoy these meetings so
17 much is that part of my job is to oversee all the
18 statistics that are collected about the U.S. economy,
19 or most of the statistics collected on the U.S.
20 economy, often that you hear in the news every day.

21 I can show you just charts and charts and
22 lines and lines of bar charts and pie graphs, but it's
23 you
24 folks --

25 CHAIRMAN LASZKIEWICZ: And we enjoy every

1 minute of it.

2 ASSISTANT SECRETARY LAMB-HALE: Isn't he good
3 at it?

4 UNDER SECRETARY DOMS: A real data nerd. But
5 more importantly, it's the businesses who make the
6 decisions on what hiring is going to be, what
7 investment is going to be, how much you're going to do
8 with R&D, whether or not you're going to export. So
9 it's you folks who then tell me why these lines are
10 doing what they're doing. So I'm going to go ahead and
11 show you some of those.

12 I really would like this, over the next 20
13 minutes, just to be kind of a real conversation. If
14 you have any questions, just go ahead and pipe in.
15 Like the others said, I'm here for you. If you have
16 any questions that I can't answer we'll get back to
17 you. If you have questions in the future, just go
18 ahead and drop me a line. Okay.

19 So again, my name is Nicole Lamb-Hale. Just
20 go ahead and email me. I'd be more than happy to --

21 (Laughter)

22 UNDER SECRETARY DOMS: -- to get back to you.

23 So as soon as we get this going, what I'd like
24 to do is let me give you an outline of some of the
25 things I want to talk to you about.

1 The first thing I want to talk to you about,
2 and this is in your binder and we'll have this up in a
3 second, is just to talk about some facts about
4 manufacturing. You know a lot of these facts about
5 manufacturing. I might tell you some more.

6 Basically when we hear these facts and we
7 think about these facts it explains why this
8 administration takes manufacturing so seriously, why we
9 have somebody like Jason in the White House, why we
10 have somebody like Nicole here at the Department of
11 Commerce, why there are so many of us on this side of
12 the table from all across the administration. There is
13 kind of really good economic reasons why we had to do
14 that.

15 The second thing I'd like to do is talk about
16 what's happening currently in the economy. Again, I'd
17 like this to be much more of a conversation. I'll show
18 you some charts and I'll tell you some numbers.

19 When we think about the U.S. economy, I think
20 we have to talk about what's currently happening in the
21 current fiscal climate. There's just a lot of noise
22 out there and I want to provide perhaps a little bit of
23 signal as to the effects of what is happening here in
24 Washington and what effects that might have on the
25 economy more generally.

1 Then I want to talk about just the outlook a
2 little bit, especially kind of foreign events. So
3 foreign events is especially important for the people
4 in this room because if we look at, say, durable goods
5 manufacturing, about 25 percent of what you produce is
6 shipped overseas and there are a lot of things
7 happening overseas and we face some pretty significant
8 headwinds.

9 So if that is okay with you, I'm going to
10 pretend that there's pictures on the screen and
11 verbally try to describe what those pictures are. So
12 let's talk about manufacturing and jobs. You all hear
13 the phrase "manufacturing is good jobs", right? So
14 everyone says that. The President says that. But let
15 me amplify that a little bit because this is, I think,
16 incredibly important.

17 So if we look at like average wages, the
18 average person in manufacturing earns more than in
19 other private industry. So if I compare myself to
20 someone just like me who has the same amount of
21 education, same age, there's something called a
22 manufacturing wage premium. That's true regardless of
23 education. So that is part of it.

24 The big part of total compensation where
25 manufacturing leads other private sectors is in

1 benefits. So if we're looking at retirement, we're
2 looking at vacation, we're looking at health care, all
3 sorts of benefits, manufacturing has significant
4 advantages over this other.

5 So if we look at the total compensation
6 package then on an hourly basis, the typical
7 manufacturing worker gets about 16 percent more than
8 somebody else. So I think you've probably heard
9 something like that before. Those numbers are floated
10 around the press.

11 What isn't reported as much is not only on a
12 per-hour basis do manufacturing workers do better, but
13 they tend to work more hours, and they work two more
14 hours in two different dimensions. One, in a typical
15 work week they work more hours per week than your
16 typical worker, and then they also tend to work more
17 weeks per year.

18 You take those in combination and you multiply
19 those you get that manufacturing workers work about 17
20 percent more hours per year than other folks in the
21 private sector. So you're earning more and you're
22 working more hours, and combined you have a bigger
23 take-home pay.

24 Now, why is that really important? Well, that
25 is very consistent with what the President has always

1 talked about in terms of promoting the middle class.
2 Manufacturing are good middle class jobs. If you just
3 look at the data, you go back the past couple of
4 decades, the data show that the middle class has been
5 hollowed out. Okay. If you just look at the income
6 distribution in the country it has widened. I don't
7 care what side of the hollow you're on, those are the
8 data and that's what's happened.

9 So manufacturing plays this very key role in
10 maintaining the middle class, as I said, because they
11 earn more, they get good benefits, they work more hours
12 and it really contributes to these middle class jobs.
13 So the fact that you all have added half a million
14 manufacturing jobs over the past couple of years is
15 really great. That's really good news.

16 The next picture on the screen -- again,
17 imagine -- maybe we should have some alcohol here to
18 help this.

19 (Laughter)

20 UNDER SECRETARY DOMS: So the next picture on
21 the screen is a map of the United States. This map of
22 the United States, imagine it, it's kind of
23 rectangular, Florida hangs off, we've got the whole
24 Michigan thing going on. Then there's always Alaska.
25 It's like, whatever.

1 (Laughter)

2 UNDER SECRETARY DOMS: So when you look at
3 that map of the United States, then you have all these
4 different counties that are color coded. What this map
5 basically shows is that manufacturing is really
6 important to a large number of communities.

7 So, you know how many jobs there are in
8 manufacturing, it's like 11.5, 12 percent of GDP, stuff
9 like that. But it is also incredibly important to a
10 large number of communities. So in fact there are over
11 600 counties where over 20 percent of their earnings
12 come from manufacturing.

13 So let me run that again. Let's say we all
14 live in the county, right? Everybody in the county is
15 right here. So what I'm basically saying is that there
16 is over 600 counties where it's the case that over 20
17 percent of all the income that's earned in that county
18 comes from manufacturing. So, that's really important.

19 What's kind of interesting there is they tend
20 to be counties that are spread all across the country.

21 There's a whole lot in the Midwest where I know a lot
22 of you have operations, and then there's also a whole
23 lot in the South. But kind of all states have these
24 kind of concentrations in manufacturing, and that's
25 actually a very conservative estimate.

1 As you all know, manufacturing supports a lot
2 of jobs, both on the upstream and the downstream. So
3 when we say this we know there's a lot of communities
4 that are very, very dependent on manufacturing.

5 When we think about what's been happening
6 recently, we're having more stories of companies coming
7 back to America, we have more kind of domestic
8 investment, we have had this increase in manufacturing
9 jobs, that means that these trends are only getting
10 stronger in the future. There's going to be even more
11 communities that are going to be dependent on
12 manufacturing.

13 So I just want to make sure that we realize
14 that when we say, hey, manufacturing is X percent of
15 the economy, we live in such a big, complex society we
16 do have to kind of peel the onion just a little bit to
17 get a little better picture there.

18 MR. CARDOSO: Mark, one thing that you touched
19 on briefly was for every one manufacturing job created
20 there are three to five jobs that come as a consequence
21 to that, which is the highest percentage of any other
22 sector. The second thing is, I haven't been able to do
23 this exactly but there is a very high level of
24 correlation between the wealth of the middle class and
25 the number of manufacturing jobs.

1 UNDER SECRETARY DOMS: Right.

2 MR. CARDOSO: The data is just really hard to
3 find. My company actually looked at it. It's
4 somewhere about 60 percent plus in the last 20 years
5 where there's a direct correlation of those.

6 UNDER SECRETARY DOMS: Right.

7 MR. CARDOSO: So to solve this middle class --
8 one of the answers is to bring more manufacturing
9 jobs --

10 UNDER SECRETARY DOMS: Yes. So then when we
11 talk to manufacturers like yourself and other
12 businesses we often hear about the skills issue. We
13 had Jane here, for instance, from the Department of
14 Labor and we have a representative from the Department
15 of Education as well.

16 We understand that in order to increase
17 employment in your industry, one of the constraints
18 that you face is finding kind of the right skills. So,
19 that is something that we've been pushing very hard on.

20 Jason touched upon it as well. This is an issue that
21 the administration takes very, very seriously.

22 So now, if you look at the next slide -- you
23 don't have to look at yours. I think I'm doing an okay
24 job here.

25 (Laughter)

1 UNDER SECRETARY DOMS: So let's go ahead and
2 talk about what's happening to the economy currently.
3 Again, pipe in with questions or observations. So if
4 we think about the economy, the biggest number that you
5 hear about--and the number is going to be released
6 later this week--is the employment report. How many
7 jobs are we creating? The basic story there is that
8 we've been actually creating jobs for the past 37
9 straight months, so that's kind of good.

10 But if you look at the job creation for the
11 past 37 months you see this kind of real sawtooth
12 pattern. It hasn't been a steady progression. We had
13 some bumps in the road. Sometimes when you're hearing
14 about this in the press you don't hear bumps in the
15 road so much, you hear the phrase "headwinds". The
16 President has talked about headwinds, and pretty much
17 everybody talks about headwinds.

18 Some of these headwinds have actually been
19 pretty important. So for instance, one of the big
20 headwinds that we face that we tend to forget about is
21 that oil prices spiked several times over the past
22 couple years, so your average American family spends a
23 couple thousand dollars on gasoline every year. When
24 gasoline prices go up, most American families don't go
25 out and buy a Prius the next day. What they tend to

1 do, is they tend to suck it up and buy more gasoline.

2 ASSISTANT SECRETARY OATES: They buy a Volt,
3 too. Volts are --

4 UNDER SECRETARY DOMS: Oh, Volts. Right. We
5 have GM here, right?

6 (Laughter)

7 UNDER SECRETARY DOMS: Okay. That's a
8 gratuitous suck-up.

9 (Laughter)

10 UNDER SECRETARY DOMS: So when gasoline prices
11 go up, people spend more out of pocket. When people
12 spend more out of pocket on gasoline, that means
13 they're spending less money on other products. Okay.
14 That's why it's such a detrimental effect to the
15 economy.

16 When gasoline prices go up, they spend the
17 extra money. Where does that extra money go? Well, a
18 lot of it goes overseas and our trade deficit goes up
19 because we rely on foreign oil for a good chunk. Not
20 as much as we used to, but we still do. So that's one
21 of the headwinds that we have repeatedly faced.

22 That happened again at the beginning of this
23 year, but now gas prices are down. But that is
24 something that is really important and that's something
25 where our administration has been very actively

1 pursuing policies to increase domestic, especially oil,
2 production and we're doing a pretty good job there.

3 So when we look at the job growth, what we see
4 is this very kind of sawtooth pattern. Now, we have a
5 number of headwinds. I mentioned gasoline prices.
6 There's Europe. So, two summers ago that was a big
7 situation and that really affected the stock markets.
8 That's going to be another picture that we have.

9 Another one was the draught. Remember,
10 especially in the Midwest last year, it was just
11 horrific for a lot of farmers. Then there's just been
12 a series of others. Remember the Japanese earthquake?
13 That affected, I think, some of your companies and
14 production here in the United States.

15 So hopefully what most economists are
16 predicting then is that these headwinds -- oh. All
17 right. That's the map. That's pretty much what you
18 had in your minds, so we're cool there. So let's just
19 go there. Let's go to the next one.

20 So one reason we talk about jobs so much is
21 the unemployment rate spiked in this recession. It was
22 just a really horrific recession. We lost over nine
23 million jobs. You all know that. Manufacturing kind
24 of took it on the chin, right? So manufacturing alone
25 lost two million jobs during the recession. You've

1 gained about half a million since then.

2 So the reason we focus on jobs numbers so much
3 is that we need pretty strong job growth to lower the
4 unemployment rate. So how many jobs do we need to
5 lower the unemployment rate? You need at least 100,000
6 or so a month, just because our population is growing,
7 our labor force is growing. So we need at least
8 100,000 jobs a month to lower the unemployment rate.
9 So any job growth that we can get above 100,000 is
10 really, really important. Okay.

11 So when we have these various headwinds
12 occurring--and I'll talk about the fiscal situation
13 shortly--that really hurts in terms of lowering the
14 unemployment rate. It's something that we take very
15 seriously because when you look at the unemployment
16 numbers what you see is that this recession was just so
17 horribly in so many dimensions.

18 One way it was really horrible is this
19 recession we had a real problem with the long-term
20 unemployed. Okay. So we've had people who have been
21 out of jobs and they've been out of jobs for a long
22 time. It's much worse than in previous recessions, so
23 that's just people who are kind of losing their skills.

24 That's why we focus so much on our education policy so
25 we can get people with the right skills to kind of fill

1 those jobs.

2 So when we're thinking about jobs -- also, I
3 just wanted to show you one picture. When we think
4 about manufacturing and jobs, we mentioned that there's
5 a half a million jobs that have been created and
6 they've been kind of broad-based across lots of
7 different manufacturing industries, though not all. So
8 all this graph shows is, from 2009 to 2012, what's
9 happened to employment. So a lot of the industries
10 here have seen some increases.

11 One area where we've seen some pretty big
12 increases, thinking about the Chevy Volt, for instance,
13 is that the motor vehicle sector has really come back.

14 Unit sales are now like over 15 million. They've been
15 there, elevated, for a while. We think that's good
16 news. I don't know if you want to talk about that at
17 all. I think that's a good use for the economy.

18 Again, when you think about these multipliers,
19 the automobile industry especially--I should say motor
20 vehicle industry--is particularly important. So,
21 that's a good-news story. Domestic production is
22 increasing. Our exports of cars are at all-time highs.

23 I was looking at the data. We export cars and trucks
24 everywhere now. I mean, that has been a very good-news
25 story. So we're making really good products and we're

1 able to get them out, so that's my gratuitous suck-up.

2 (Laughter)

3 UNDER SECRETARY DOMS: But in all seriousness,
4 because there are so many industries that feed into the
5 motor vehicle sector -- you know, GM and Ford, they're
6 not as vertically integrated as they used to be if you
7 go back to decades ago, so they do rely on other
8 manufacturing industries. They especially like the
9 electronics industry. I don't know what the current
10 estimate is on the dollar of electronics in a car. I
11 saw something where it was like \$2,000 or something
12 like that. It's really quite large.

13 MS. SMYTH: It's really significant. I think
14 you're right, the fully integrated model is a model of
15 the past. As much as public/private partnerships, we
16 have private/private partnerships with our tier 1, tier
17 2, and tier 3 suppliers, whether it's the development
18 of technology or from a production perspective. So I
19 think partnerships are a key word.

20 UNDER SECRETARY DOMS: Yes. So one of the
21 headwinds that we faced--let's go to the next chart,
22 please--is what's happening around the world. We'll
23 show you another chart on this, too.

24 Basically, these are just kind of stock market
25 indices. What you see is that if we go back to before

1 when Europe kind of blew up, which was two summers ago,
2 it was late July, the same time that our debt was
3 downgraded by S&P, it was that same week that all that
4 stuff happened. You know, there was a stock market
5 correction.

6 There was a stock market correction here in
7 the United States, but Europe really kind of took it on
8 the chin. We also have China on this graph. What you
9 see is that since that time the U.S. has actually fared
10 pretty well.

11 So if you look at kind of like GDP growth and
12 whatnot, if you look at it compared to other
13 industrialized countries, the U.S. has actually been
14 doing okay. Of course we want to do a whole heck of a
15 lot better, but this is something to keep in mind when
16 I show you a chart that is coming up. So let's go to
17 the next one, please.

18 Now, one of the big drags that we've been
19 facing, when I think about fiscal drags, is let's not
20 think about the Federal stuff at the moment and the
21 sequester, let's think about state and local
22 governments. This is something I don't think most
23 people realize.

24 So state and local governments in this
25 recession relative to other recessions, again, really

1 kind of took it on the chin. So manufacturing really
2 took it on the chin, state and local governments took
3 it on the chin. There's lots of reasons why this
4 recession was really quite different than all the
5 others.

6 What this chart basically shows is that if we
7 look at employment of state and local governments, it
8 fell by over 700,000 during this recession and it's
9 still at these very low levels. That was kind of a big
10 drag on the economy. Usually at this stage of an
11 economic recovery state and local governments have
12 added jobs.

13 So if we think about the double delta here,
14 we've lost jobs and then relative to where we would
15 usually be. That difference is easily a million. The
16 reason you care about like the number of a million,
17 that's about a percentage point off the unemployment
18 rate, so that's pretty important. So, that's been a
19 big drag.

20 As you know, state and local governments, not
21 only do they employ people but they buy a bunch of
22 stuff. They do less construction. If we look at
23 manufacturing, a big chunk of manufacturing production
24 goes into the construction industry. So when these
25 state and local governments have these fiscal problems

1 it has big local effects for the economy as well.

2 Now, the good news there is that when we think
3 about the state and local government as a headwind,
4 hopefully that headwind is dissipating, they're getting
5 their books back into order. A lot of state and local
6 governments are dependent on property tax revenue, and
7 when you have a real estate bust, that's where it takes
8 a big hit.

9 So let's go to the next one, please. Let's
10 just go to the next one after that. I think we're
11 running over time, but perhaps I can help you on that
12 front.

13 So now let's talk about the Federal
14 Government. Okay. So you're here in Washington, DC.
15 If you look at the Federal Government and its
16 contribution to GDP, so these are just like the
17 official numbers. It's kind of a confusing chart, so
18 let me just cut to the chase.

19 If you look at what's helping the Federal
20 Government, that's been a drag on GDP growth. So if
21 you've actually read the stories or heard the news
22 about the latest GDP number, it was like 2.5 percent.
23 Why wasn't it higher? The private sector was expecting
24 something north of 3 percent. Why wasn't it higher?
25 Well, one of the reasons is that the government tends

1 to be a drag.

2 So, I oversee a couple of agencies. We spend
3 like \$1 billion. Our agencies were cutting back late
4 last year and early this year in anticipation of the
5 sequester because we don't want to furlough people. We
6 want to have kind of smooth operations. We don't want
7 to do something herky-jerky. Just like in your
8 businesses, right? You don't want to do anything
9 super-abrupt either.

10 So that's been a drag on the economy. If you
11 look at the past nine quarters, if you look at state,
12 local, and the Federal Government, we've been a drag on
13 the economy by about a half a percentage point. Now,
14 half a percentage point, maybe for your businesses in
15 terms of growth rates, I don't know if that's a
16 rounding error for your businesses or not.

17 For a big economy like the United States,
18 that's really huge. That's tens of thousands of jobs a
19 month. Again, remember how I was talking about how
20 important it was to have job growth over 100,000 or
21 more? It's above 100,000, the unemployment goes down.

22 So the Federal Government is already in kind
23 of fiscal austerity mode, and that's a drag going
24 forward. We can go ahead and use this as a segue to
25 talk about Europe. So what Europe is finding, if you

1 look at the IMF, let's go ahead and can we just cut
2 through this? Because again, I want to -- let's go to
3 the next one. Yes, let's look at this one.

4 So let's go ahead and talk about Europe,
5 because about 20 percent of U.S. exports go to Europe.

6 Europe isn't growing very fast. So what this chart
7 basically shows is how much GDP increased in some of
8 our major markets in 2011-2012 and what the
9 International Monetary Fund just came out with for
10 2013. It's a really interesting story.

11 So if we look at the bars, the second set from
12 the right, the European Union, what we see is they had
13 pretty weak growth in 2011. We knew that. In 2012,
14 the pain was a little more broad-based. Germany really
15 decelerated quite a bit, for instance, besides the huge
16 negative growth you saw in countries like Spain, Italy,
17 and we all know about Greece.

18 This year, in 2013, what they're expecting is
19 basically just flat, not much of anything. In 2014,
20 they're expecting there's going to be some growth. But
21 what they're basically finding is that when you impose
22 fiscal austerity very suddenly you can have this huge
23 negative multiplier effect. We talked about
24 multipliers before kind of when we were talking about
25 how important manufacturing is and the upstream and

1 downstream industry.

2 What the research is basically showing that a
3 lot of people have been doing is that when you cut back
4 on kind of Federal Government spending rather suddenly
5 when you're already in a precarious state, that can
6 have a much bigger negative effect on the economy.

7 It's not like the European Central Bank can
8 lower interest rates that much further, so
9 traditionally when you have fiscal policy taking a big
10 hit, sometimes you get monetary policy to kind of
11 replace it. Well, monetary policy in Europe is already
12 pretty low, so what else can they do?

13 I think there are a lot of lessons here to be
14 learned for the U.S. experience. So when the president
15 talks about, yes, we have to deal with our deficit and
16 debt issues, he says we have to do it in a responsible
17 way. I think Europe is providing lots of case studies
18 as to why he makes that statement, so I think that's
19 just something really important.

20 Now, looking around elsewhere in the world, if
21 you look at China, there's this big fear that China was
22 really going to decelerate sharply. I think people are
23 becoming a little more optimistic about China's growth,
24 and that's one of our biggest export markets now. The
25 numbers that they're producing actually seem to pass

1 the smell test.

2 I used to work in the Federal Reserve system
3 before joining the administration, so my colleagues
4 actually know this stuff. Then to look at all these
5 other indicators of the Chinese, everything seems to
6 actually be pretty consistent.

7 CHAIRMAN LASZKIEWICZ: So they do modeling to
8 come up with their own growth numbers?

9 UNDER SECRETARY DOMS: Yes. Yes. I knew this
10 was important. I used to work at the Fed, China was
11 approaching 10 percent growth a year. People were
12 like, ah, they're lying. I mean, that was a common
13 sentiment. I never said that, in case there's press
14 here.

15 (Laughter)

16 UNDER SECRETARY DOMS: It's very black box-y.
17 You can come to the U.S. and we'll tell you exactly
18 how we do it in super-gory detail, you know, how we
19 take about 10,000 different series and construct GDP.
20 In China, that's not the case so there's always
21 skepticism, but history has actually shown that we
22 think they're actually pretty accurate.

23 MR. CARDOSO: And they are growing. There is
24 growth in China and it's now growing at a higher rate
25 than it was before, so there is an acceleration.

1 UNDER SECRETARY DOMS: Yes. I mean, their
2 problem is they're growing at 7.5 percent but they want
3 to be growing at 8.5 percent. I mean, those are fun
4 problems to have. So, that's what's happening in
5 China.

6 Another part of the good-news story is if we
7 look at emerging economies, right? That's really
8 what's boosting world GDP growth. Again, why do I care
9 about world GDP growth? World GDP growth is the single
10 biggest explainer of what happens to our export growth.

11 So, that's a first order effect and exchange rate is a
12 distant second. The first effect is GDP growth.

13 So what is boosting, kind of, GDP growth in
14 2013 is like Latin and South America, and also like
15 sub-Saharan Africa is doing really well. Not just South
16 Africa, but the rest of the sub-Saharan African
17 countries.

18 Many of them are actually -- that's kind of a
19 big bright spot in the world economy. I don't know how
20 many of you actually export there, but it sounds like
21 there's going to be more and more opportunities for you
22 to have a relatively vibrant market.

23 So let's go to the next one. One thing that
24 we look at, and I'll end with this, is we look at
25 something called unit labor cost. Now, you guys are

1 all business people so you understand this. So in the
2 United States, our wages for manufacturing workers are
3 high. They've been growing some.

4 But what's faster than the growth in wages in
5 the United States is the productivity growth of your
6 businesses, right? So you guys have just become really
7 efficient. If we think about the number, people have
8 always look at, how many person hours does it take to
9 produce a car? I mean, that's just shrunk
10 dramatically.

11 I was talking at the beginning of this meeting
12 about the semiconductor industry with you guys, and
13 there you just have these huge, huge productivity
14 improvements. I mean, you have a couple thousand people
15 working with these -- but just the amount of chips they
16 produce over time just increases greatly.

17 So the United States is very productive. What
18 this basic chart shows is that if you look at unit
19 labor cost, again, that's the difference between kind
20 of wage growth and productivity growth, so if the unit
21 labor cost is negative that means productivity growth
22 is faster than the wage growth.

23 If you look at it over the past 10 years or
24 so, unit labor cost in U.S. manufacturing has fallen.
25 Yes?

1 MR. FRIESEN: If you take micro-electronics
2 production out of that, does it look the same?

3 UNDER SECRETARY DOMS: So it doesn't. The
4 electronics helps it go down but it's still down if you
5 take it out. Okay.

6 CHAIRMAN LASZKIEWICZ: I apologize, but if we
7 can wrap this up in the next couple of minutes.

8 UNDER SECRETARY DOMS: Yes. This is my last
9 point.

10 CHAIRMAN LASZKIEWICZ: Okay. Thank you.

11 UNDER SECRETARY DOMS: I'll make it brief. So
12 what this basically shows is we have this website that
13 we have up on the Department of Commerce website. It's
14 called the Ace Tool. Basically what we want to do is
15 tell the story that investing in the United States
16 might have some advantages that were under-appreciated
17 over the past couple years.

18 So although wages may be cheaper elsewhere at
19 a point in time, that doesn't guarantee they're going
20 to be cheaper going forward. I think this graph
21 illustrates that point very nicely. If you look at
22 then, say, China, you see that their unit labor cost
23 has actually gone up quite a bit. That's not
24 surprising.

25 Economic history says that when countries

1 develop they become more productive and their wage
2 rates go up. Okay. So in this case wages are going up
3 faster than productivity in China, so for a lot of
4 industries that kind of value proposition that you
5 thought might have been true in 2003 may not be as true
6 as it is today.

7 So I just wanted to give a shout-out to the
8 Department of Commerce who developed this thing called
9 this Ace Tool that basically shows some very nice
10 charts about this just so we can get -- I mean, you all
11 understand this, especially those of you who have
12 multi-national operations, but especially for the
13 people on the Hill to kind of get the story out. We do
14 have a nice story to tell, and of course we have a lot
15 more work to do. But I just wanted to end with that.

16 So I guess, with that, thank you very much. I
17 appreciate coming here and I look forward to working
18 with you in the future.

19 CHAIRMAN LASZKIEWICZ: We look forward to
20 seeing you again. Thank you, Mark. Okay.

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PRIORITIES DISCUSSION

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CHAIRMAN LASZKIEWICZ: If I could get everyone's attention here, I'm sorry we haven't taken a break. If you need one, I hope you've taken one. We're on the home stretch here. We have about a half hour that we'd like to start to move forward.

Again, as you think about the discussion we've had this morning, this really is, I hope, a good on-boarding. You've met some people that you're going to work with in the future. Hopefully you learned a little bit more about the resources that are available to them, and you are not reluctant to contact those participating today. In your packets of information, most of the folks that we had today, their contact information is within your packet.

Next what we'd like to do is talk about the process forward. Mary is going to help out here a little bit by laying out how the Manufacturing Council process works so that we can give you an understanding of what the work looks like and how we expect to go forward.

We hope that in that discussion we can have a little bit of time to hear your thoughts around priorities. We surveyed all of you. We have talked

1 last night and this morning about many of the things
2 that are important to all of us and we want to move
3 that process forward.

4 So with that, again, if you have to step out,
5 we understand that, but we're going to keep moving. We
6 have to be out of this room at 12:30 and into lunch.
7 So, that's the plan.

8 So Mary, if you wouldn't mind helping us with
9 process, I'd appreciate it.

10 VICE CHAIR ISBISTER: Sure. Absolutely.

11 Thank you again, everyone, for your time and
12 your attention. I'd like just to take a second and
13 remind the Council members why we're here, because I
14 had to remind myself periodically in the process last
15 year why we were here.

16 At the end of the day, we serve at the
17 pleasure of the Secretary of Commerce, so we are a
18 collection of industry representatives and this is an
19 amazingly diverse group. Many different industry
20 sectors are represented here. The size of our
21 companies are very diverse.

22 I think, thanks to Jenna, Liz, and the others
23 who were responsible in making this collection of
24 individuals on the Council. They did a fantastic job
25 in creating a group that will truly, I think, serve

1 Commerce well as an Advisory Council. That is our
2 role.

3 So we've talked a lot about what it is we
4 should be advising about. That is what this section of
5 the agenda is, for us to come together and hopefully
6 come up with -- there are so many different issues and
7 lots of different aspects of those issues, many more
8 than we could ever tackle in the next two years and do
9 it well. So we're going to have to make some choices,
10 we're going to have to make some prioritization.

11 First of all, it was gratifying that those of
12 you who returned the survey, when asked what you
13 thought the priority issues were affecting
14 manufacturing, there was a great deal of confluence.
15 So, there was a lot of agreement. And what was also
16 incredibly gratifying this morning was to hear how much
17 that was in alignment with what the administration is
18 concerned about and has already identified as its
19 priorities.

20 So I am going to take one step backwards and
21 remind you that the last two years of the Council, the
22 four subcommittees that were created to deal with the
23 topics that were priority at the time were
24 export/import, competitiveness, workforce, and energy.

25 As you can imagine, under each of those topic headings

1 there were a whole lot of different issues that were
2 brought to bear. It was each of the subcommittees jobs
3 to figure out which of those issues were the ones that
4 they were going to tackle.

5 The way I think that I would recommend you
6 think about that when you get to your subcommittees is,
7 where is there--and I think Jason made the point--
8 political will and where is there the ability within
9 the current administration and things that are not
10 going to tax either the legislative side or the finance
11 side?

12 If we make recommendations that are just above
13 and beyond what can get done, it will not serve
14 anybody's purpose. So that isn't to say that we
15 shouldn't talk about the really important issues, but
16 when it comes down to the recommendations they have to
17 be focused on things that can actually get
18 accomplished.

19 So I think we did a good job. As you heard,
20 it's gratifying as returning that actually we did help
21 make some recommendations that could inform policy,
22 that could inform program determination and move some
23 things forward.

24 The list of priorities that came out of the
25 survey for this term were workforce, innovation and

1 competitiveness, tax policy, technology R&D, energy,
2 and public perception of manufacturing.

3 I would argue that that actually spans all of
4 it so I don't know that we will necessarily treat that
5 as its own subcommittee, but I think it's something
6 that we need to be aware of and something that, as the
7 work of the Council as a whole, we need to actively
8 find ways to elevate the perception of manufacturing
9 and actually educate those that live and work with us
10 that do not really understand what manufacturing is.

11 So when I look at the list that came out of
12 our independent survey and look at Secretary Blank's
13 and Jason's discussion of what the priorities for this
14 administration and for Commerce are, the overlap here
15 is clearly around innovation, in building on our
16 exports, and in the things that will help make
17 manufacturing in the U.S. competitive, which is a
18 skilled workforce, infrastructure, and finding ways to
19 translate theoretical research into applied research
20 and innovation.

21 So the good news is, we're all on the same
22 page. The challenge will be, how do we really bring
23 those things and, of all the things that we would work
24 on, how do we prioritize those into a reasonable number
25 of subcommittees, and then within your subcommittees,

1 as I said, identifying those specific things that
2 you're going to pursue to do your research around and
3 make recommendations for.

4 So at this point this is where everyone else
5 gets to talk and make a case for what you think would
6 be an important priority as a subcommittee. We will
7 take this conversation and Mike and I, with the help of
8 Jenna and Liz, will, from this meeting, take all of
9 that information and identify the four to five
10 subcommittees.

11 We will then basically divide this group up
12 into membership of those subcommittees and we will have
13 some commentary in Next Steps on what happens after
14 that. But this is where we really get to say, what are
15 the key things and kind of begin to focus that
16 conversation.

17 MS. SMYTH: Mary, I have a question rather
18 than a statement. Why was R&D separated from
19 innovation?

20 VICE CHAIR ISBISTER: It doesn't necessarily
21 need to be. I think the thought around that is if you
22 look at all of the things that fall under innovation
23 and you look at all the things that fall under R&D, you
24 could have separate topics.

25 So you could have investment in R&D, you could

1 have what kinds of things, infrastructure included,
2 that spur innovation. There's that conversation about,
3 how do you translate theoretical research into applied?

4 So there are many, many topics. I think the fact that
5 both appeared on the list end up just suggesting that
6 it's really important.

7 MS. SMYTH: I think it's a huge mistake to
8 separate the two.

9 VICE CHAIR ISBISTER: That's why this
10 discussion is going to be an important one, because
11 together --

12 MS. SMYTH: -- silo areas of work. It needs
13 to be really a pipeline mentality -- legalistic
14 approach. There's no point in having a happy, happy
15 thought if you can't figure out the pipeline of getting
16 to where you're going to sell something. So I just
17 think --

18 MR. KELLY: I was going to say the same thing,
19 why are they separated? I would combine them.

20 MS. SMYTH: It doesn't make any sense.

21 VICE CHAIR ISBISTER: So combining R&D and
22 innovation.

23 MR. CARDOSO: I will give you another
24 perspective. I think innovation could be related to,
25 for example, manufacturing processes and it creates a

1 major competitive advantage if you're talking about
2 competing in the global market. I think even with my
3 own organization I have a really hard time. When you
4 think of R&D, you think about developing new products
5 and so forth. But, you know, I'm just giving you a
6 different perspective.

7 MS. SMYTH: Yes, yes. But Carlos, there's a
8 lot of fundamental R&D in the process, right? So as we
9 move into -- for example, there's two types of R&D for
10 manufacturing. You've got your product enablers and
11 you've got your process enablers.

12 As we look at introducing electrification of
13 vehicles, people turn around and said, well, there's no
14 need for manufacturing R&D, it's continuous
15 improvement, just keep on going. But welding -- steel
16 is totally different from welding an aluminum to a
17 copper tile.

18 So we actually have grown in General Motors in
19 R&D for manufacturing process in areas that we were
20 never involved in because, as you say, of our changing
21 and the product. So I think it's important to look at
22 the new products that we're competing in the
23 marketplace and looking at the manufacturing
24 technologies that are a prerequisite to us actually
25 making a profit on making those, because if we don't

1 make them we'll just design it and somebody will make
2 it overseas.

3 MR. CARDOSO: I'll give you a real -- if you
4 look at the credit, the R&D tax credit, go look at how
5 many manufacturing processes get credit for that: none.

6 MS. SMYTH: Absolutely.

7 MR. CARDOSO: Shouldn't there be an R&D tax
8 credit when you develop an innovative new process that
9 is competitive, is intellectual property, that makes us
10 more competitive? I'm just giving you --

11 MS. SMYTH: No, I totally agree with that.

12 CHAIRMAN LASZKIEWICZ: Yes. In the last
13 Council this was the discussion. It could be why they
14 were separated, and maybe the separation doesn't make
15 sense. But the point the last Council discussed is that
16 you have basic research and applied research and
17 applied research would be, to your point, what the
18 Europeans are doing in terms of investing in
19 manufacturing process, which I think is part of what
20 you're responsible for at General Motors. That might
21 have biased the things, I'm not sure. But I think when
22 you talk about manufacturing, we're interested in more
23 of -- equation.

24 MR. ANDERSON: One point I would make for the
25 new members of the Council which has already surfaced,

1 one of the eye-openers for me was I thought coming into
2 this, Chandra and I said, well, manufacturing is
3 manufacturing. There are opposing views.

4 (Laughter)

5 MR. ANDERSON: So I just want everybody to be
6 shocked by that.

7 (Laughter)

8 MR. ANDERSON: And figure out how we're going
9 to adjust and adapt to those opposing views, because
10 there are energy issues, there are export issues that
11 different industries are absolutely opposed to and
12 refused to support last year. So, just be aware that
13 that's a reality.

14 VICE CHAIR ISBISTER: Thank you very much for
15 making that point, Joe. Understand that whatever
16 recommendations come out of your subcommittee are
17 agreed by the whole Council, right, so you don't just
18 represent yourself, your industry, your business, you
19 represent manufacturing as a whole. But lots of
20 opportunity for great, constructive debate.

21 MS. WILLIAMS: I also don't think we should
22 not go after something to have a discussion, knowing
23 that there's difficulty in the situation.

24 VICE CHAIR ISBISTER: Right. Yes. Yes.

25 MS. PILAT: So one process point I'll add to

1 that is that it's a consensus viewpoint. Not everyone
2 has to agree. If there is a dissenting viewpoint that
3 is strongly held, there's an opportunity to illuminate
4 that in the final recommendation as well. So it's not
5 that it gets sorted out of the process altogether, but
6 the Council does have to come to consensus on its
7 recommendations in order for them to be adopted.

8 DEPUTY ASSISTANT SECRETARY BROWN: And I would
9 say one other point to add to Joe's, is that one of the
10 big differences at the last Council, too, is within
11 size, big companies versus small companies. We want to
12 be really sensitive that we're embracing the viewpoint
13 of all as we move forward as much as possible. So if
14 we can try to think about it both ways and put yourself
15 in both people's shoes, that will be really helpful as
16 you move forward.

17 MR. GREEN: One thing. It was interesting to
18 hear Mr. Singerman's description of the Manufacturing
19 Network and sort of the model. I look at the model as
20 more of, say, entry or something like that in Taiwan.
21 I think a really important question is to look at how
22 these centers are going to be laid out.

23 This idea of really funding initiatives that
24 are going to benefit industries, historically what I've
25 seen is that people sort of get woozy when they start

1 thinking about picking winners and losers, and so on
2 and so forth. That's a really important question
3 because the fact is, other countries do it and they do
4 it really effectively.

5 We're in the display industry. A perfect
6 example is, like, Samsung, where you look at the LCD
7 industry which was zero 25 years ago and it's a multi-
8 hundred billion dollar industry today. That was
9 basically a government/private partnership in Korea,
10 and now basically Korea dominates the LCD industry.

11 We have to look at those questions to see,
12 what should we be doing in the U.S. to capture certain
13 industries that are going to dominate in the future?
14 So, I think we should really take a look at that.

15 MR. FUJITA: Yes. So when we talk about
16 workforce development, I would like to make a note that
17 somehow we have to come up with highly skilled teachers
18 for high school science, especially physics and math.
19 I am serving on the board of trustees at a private high
20 school in Ohio, which is a grade school.

21 I think it's a grade school, but when it comes
22 to physics education it's so -- because it's taught by,
23 for example, a non-qualified physicist. What happens
24 is that he or she will influence students in the wrong
25 way. They never want to see the subject, ever. So I

1 see this all the time.

2 Somehow the Federal Government should come up
3 with like a super science teacher for them where you
4 try to attract these qualified people to high school
5 education, junior high school education by having
6 higher pay, for example, which may come from the
7 government in the form of a grant or something.

8 We have to do it, otherwise when you go to
9 graduate school more students -- as you may know, in
10 science. There are mostly Asians, Indian, and Chinese.

11 I am Asian, but I think we have to fundamentally
12 change the education for science for --

13 VICE CHAIR ISBISTER: Thank you for that.
14 What I took away is that workforce is still a very
15 important issue, one of the priority topics that we
16 need to consider, and you are already coming up with
17 some of the solutions.

18 MR. FUJITA: I think we have to go deeper.
19 That's the --

20 VICE CHAIR ISBISTER: Absolutely. So clearly
21 another vote for workforce as one of the underpinnings
22 of making adequate manufacturing.

23 MS. WILLIAMS: Let me comment on tax policy.
24 We didn't hear it a lot from actually any of the
25 participants but it came up high obviously from all of

1 the companies, so again this is one of the topics that
2 can be -- is there political will or is there -- it
3 crosses over into R&D tax credits, global
4 competitiveness, all the kind of challenges or issues
5 that the company said were issues but we didn't hear it
6 today.

7 VICE CHAIR ISBISTER: Well, I think -- and
8 this is, again, just sort of a suggestion. What's
9 wonderful about having all of this cross-agency and the
10 representation from a lot of different individuals from
11 the administration is there is common ground. I am
12 certain of it.

13 Our challenge then will be finding that common
14 ground where they can guide us on, you know, where is
15 the administration thinking right now and how can we
16 leverage that, and then how can we make the case from
17 the manufacturing standpoint that it is that important
18 that this goes forward, and then help them leverage
19 that on the Hill.

20 CHAIRMAN LASZKIEWICZ: So one of the ways that
21 that happens, which you'll never hear the government
22 representatives here say because it's not their scope
23 of responsibility, but as influential businesses in
24 your communities you have influence over your
25 legislators.

1 It's just not a matter of coming here to
2 Washington, DC, and communicating through the
3 Manufacturing Council. The work you'll be asked to do
4 on subcommittees has a lot to do with creating
5 awareness and gaining attention and discussing these
6 issues with your local legislators.

7 MR. CHANDLER: I think, Mike, that there's a
8 lot of scope -- to help the administration understand
9 that there may be a commonality of interest across the
10 country and across sectors in changing some of the
11 perverse incentives that are in the system today, the
12 tax system that drives decisions to locate
13 manufacturing elsewhere that don't have to be there.

14 CHAIRMAN LASZKIEWICZ: I think an avenue we
15 have for that is through the Treasury Department. I
16 think if we can come up with a set of recommendations
17 that are obviously beneficial to manufacturing and we
18 get the majority of the team on board, I think you will
19 be surprised at how much influence those
20 recommendations can hold. I can think of many of them
21 myself.

22 MR. LORENTZEN: I have two comments, if I may.
23 One, is we talk about political will. Political will
24 is making itself in evidence right now in some of the
25 programs that were described that interface with the

1 R&D and the technical innovation. So the Investing in
2 Manufacturing Communities, the National Network for
3 Manufacturing Innovation, these are clearly already out
4 there. There's kind of budget accommodation for them.

5 If we could perhaps arrange one of our
6 subcommittees that maybe directly deals with those
7 things, those things need to be kind of tuned up.
8 Frankly, they scare me. The last thing I want to do is
9 be a robotics company in Davenport, Iowa, competing
10 with the federally funded competitor in San Francisco,
11 competing with them for the intellectual property that
12 is emanating from it.

13 So I think maybe if we combine R&D and the
14 manufacturing innovation and deal directly with those
15 policy issues, that gives us an extreme focus that we
16 can pay attention to that's kind of now.

17 VICE CHAIR ISBISTER: Absolutely, Joel. I
18 think I heard the Secretary specifically say we would
19 like your input on these programs. It's not just what
20 the impact is going to be on other businesses, but it's
21 also, how do you measure whether or not it's working?

22 MR. LORENTZEN: Yes. Exactly.

23 VICE CHAIR ISBISTER: That is probably one of
24 the biggest differentiators, in my opinion, between
25 business and the government, is business is held very

1 accountable with a balance sheet, the government, not
2 so much. So we have to find other ways to hold them
3 accountable for the performance of these programs.

4 MR. LORENTZEN: So it's wonderful if I'm the
5 cluster. It's maybe not so wonderful if I'm not.

6 VICE CHAIR ISBISTER: Right.

7 MR. LORENTZEN: My second comment is on the
8 workforce development, which is kind of my personal
9 passion. It seems like we focus on developing
10 workforce to a level of what I'll call sufficiency, but
11 not to a level of advantage. I'm wondering if we can
12 expand the dialogue because we talked about vocational
13 skills, like vocational skills are the thing that's
14 missing.

15 In fact, every emerging market on the face of
16 the planet is investing in the same thing, so what do
17 we do to create advantage with these vocational skills
18 as opposed to sufficiency for competition? I think
19 there's some pretty fertile ground if we can figure out
20 ways that we evolve the proprietary knowledge of
21 employers and manufacturers in that skills development
22 that takes the place of --

23 VICE CHAIR ISBISTER: Absolutely.

24 MR. LORENTZEN: -- or something like that.

25 VICE CHAIR ISBISTER: Absolutely. And

1 probably one of the greatest outcomes that could come
2 out of the workforce subcommittee or conversation is,
3 how do we create that true partnership--that seems to
4 be a word that we're all really interested in--but the
5 true partnership between our education system and our
6 industries. I mean, they should be seamless, and
7 unfortunately they're far from that.

8 MR. LORENTZEN: Right.

9 VICE CHAIR ISBISTER: So sufficiency is one
10 thing. That's what we're all just pleading for at this
11 point. But the country that -- ultimately will be the
12 one that has the advantage.

13 MR. LORENTZEN: Right. That relies on skill
14 combinations and proprietary that maybe isn't in the
15 public realm.

16 VICE CHAIR ISBISTER: Right. They don't know.
17 Yes.

18 MR. PAREEK: If I could add to Joe's point,
19 workforce development is also a passion of mine. I
20 think we have a good network of community colleges that
21 could be sort of repurposed, where billions of dollars
22 of infrastructure already exist, to emergent needs,
23 what industry needs, but also going back to the gap
24 that we found in vocational training. That already is
25 a gap, but also engineering schools.

1 I feel engineering schools have been sort of
2 sabotaged by sciences, so it's become pure science
3 versus applied science and technology to bring back to
4 manufacturing. So if you can sort of bring some people
5 midstream rather than all becoming rocket scientists
6 and engineering -- and I went to engineering school and
7 all we studied was math versus --

8 MR. BRAIG: I was pleased to see the
9 Department of Energy represented here and appreciate
10 their interest in what we're doing here. I think long
11 term, a profound factor in the competitiveness, the
12 global competitiveness of U.S. manufacturing is having
13 access to energy, although currently it's not something
14 that we should or that we can't take for granted long
15 term. So, I think this should also be part of our
16 topics here as we go forward.

17 VICE CHAIR ISBISTER: Absolutely. The time is
18 really now for that conversation, more so than ever.

19 MR. BRAIG: Right. Yes.

20 VICE CHAIR ISBISTER: Good.

21 MS. WAYMAN: Actually, just to follow on that
22 point, and also on Joel's point about using this
23 committee and this Council to really inform some of the
24 administration's already budgeted priorities, this is a
25 big budget focus for the Department of Energy. So if

1 you would also like to, either in a specific sub
2 committee that works on kind of budgeted administration
3 priorities or a specific subcommittee that works on
4 energy, we would love the input of this Council on the
5 Department of Energy's manufacturing initiative.

6 VICE CHAIR ISBISTER: Duly noted.

7 MS. BARRETT: Mary, just an expansion on some
8 of the discussion. First of all, taking it to a
9 slightly different audience. We talked about
10 individual jobs, people that we would be hiring. The
11 question I'd like to raise to the group is, do we see a
12 gap in capability development for small- and medium-
13 sized companies that particularly make one or two big
14 bets a year, that's all you have time to do. You
15 perhaps don't have the sophistication to do export,
16 applied R&D, access to capital.

17 There are varied levels to sophistication of
18 small- and medium-sized companies. Companies have
19 employees already, they have customers already, so how
20 can we accelerate their sophistication, their own
21 development as an organization, perhaps, in that SME
22 space, which is a very large part of our economy?

23 VICE CHAIR ISBISTER: One of the things that I
24 think we debated toward the end of the last term was,
25 you know, maybe does it make sense to have almost a

1 subcommittee that is really focused on the SME world,
2 because it is a little bit different?

3 That's something that either we have to be
4 sure that we have sufficient representation in all of
5 the subcommittees that that voice is brought to bear or
6 that we tackle it as it becomes its own separate topic
7 because you're absolutely right, some of those things
8 are unique to that space and it's going to be a
9 challenge for us to make sure that we are adequately
10 representing those issues.

11 MR. CARDOSO: Yes. For me personally, you
12 have to make a decision why you're going to be here.
13 Are you here for my industry or are you here for moving
14 manufacturing in this country? The answer is the
15 latter. If I really accept that, 70 percent of
16 manufacturing activity comes from small business, so
17 whether you're a large company or a small company I can
18 tell you from my company's point of view -- I can tell
19 you, we can live with some of the policies. We find a
20 way around it and we do it.

21 VICE CHAIR ISBISTER: Right. Right. Right.

22 MR. CARDOSO: What I worry about every day is
23 those small companies, that 70 percent, and how do we
24 make sure that we address their issues and make sure
25 that they're sound, more so than even my company? So

1 I'm not sure that separating them would be the right
2 thing to do. I think having an understanding that part
3 of the 70 percent of our employment, 70 percent of our
4 manufacturing activity comes from small business, we
5 need to be really focusing on that, even if you're a
6 larger business.

7 VICE CHAIR ISBISTER: Thank you.

8 MR. GREEN: Mary, I have one other point. I
9 raised this last --

10 VICE CHAIR ISBISTER: The last one. You got
11 it.

12 MR. GREEN: I raised this last year. I would
13 love to see a discussion in one of the committees on
14 the whole Made in America, Made in the USA thing, which
15 is just a mess. The laws are screwed up. I know
16 there's a lot of stakeholders, but I think it's a
17 conversation that's really important because it
18 penalizes U.S. companies, particularly small companies
19 that can't get around it. They can't get around the
20 legislation associated with what allows you to say
21 that.

22 MR. FRIESEN: I can maybe just expand on that
23 point a little bit. We sort of have this trifecta of
24 an interest in an innovation-based economy and the
25 realities of global supply chain and global customer

1 base and an interest in developing an optimized
2 regional manufacturing base, right? We talk about
3 small companies, especially.

4 How do you articulate all those three together
5 and still be talking about U.S. manufacturing, given
6 that the supply chain --

7 MR. GREEN: Supply chain is all over the
8 world. It's all over the world.

9 MR. FRIESEN: And how do you best create
10 incentives to guarantee that you do key pieces, the
11 most important pieces in the U.S., right?

12 MR. GREEN: Exactly.

13 MR. FRIESEN: So especially when you start
14 thinking about advanced technologies like ours that are
15 just coming out of the gates now, heavily spurred by
16 the DOE, early start-up in 2007. Now we're competing
17 right at the very bottom of the pyramid in emerging
18 markets, so the pressures are immense.

19 So what are those incentives that drive us to
20 keep not just policy incentives, but also sort of
21 business incentives to keep manufacturing in the U.S.?

22 We have contract manufacturers in South Carolina and
23 Illinois and we manufacture in Scottsdale, but we also
24 have contract manufacturers in Shenzhen for injection
25 molding and pick-and-place assembly in Jakarta, right?

1 So there's all of these pieces that are
2 realities for a company like ours that only has 200
3 employees worldwide. I think this will be an important
4 piece from my perspective for us all to consider and
5 we're really thinking about in every committee how we
6 sort of incentivize that trifecta.

7 MR. ZAHNER: Mary, look at the issues there.
8 They all seem to have some level of inter-
9 connectedness. Is one of the processes of this group to
10 identify those, how maybe the different issues are
11 certain issues that intertwine and make it more
12 possible to introduce back to the government to assist
13 us in achieving them?

14 VICE CHAIR ISBISTER: Okay. So say that
15 again, that it's cross-cutting?

16 MR. ZAHNER: One of the processes --

17 VICE CHAIR ISBISTER: Cross-cutting interests?

18 MR. ZAHNER: Yes.

19 VICE CHAIR ISBISTER: And you think those
20 become the more impactful ones?

21 MR. ZAHNER: Would they, or do we do that as
22 part of the --

23 CHAIRMAN LASZKIEWICZ: I think we do. That's
24 why you had Treasury, you have Energy. What we found
25 in working through our issues in the past is that there

1 are issues that cut across multiple stakeholders and
2 those are the toughest to resolve.

3 I think what Nicole and her team have done is
4 made some of the different cabinet areas much more
5 available to us as we collect information and do our
6 environmental assessments, as we develop our
7 recommendations and we're looking for feedback from key
8 stakeholders and, quite frankly, as we look to align
9 other parts of the cabinet to support our
10 recommendations. So I'm not sure if that was your
11 question, but there are all kinds of cross-functional,
12 cross-department work that gets done here. That's what
13 makes the job so challenging.

14 VICE CHAIR ISBISTER: And our recommendations,
15 I think, also reflected a request that these other
16 agencies work with us on specific things, so we can't
17 really tell them, this is what we would recommend to
18 you but we ask that they would consider partnering on
19 on certain things in our letters of recommendation.
20 So, if that helps --

21 MR. ANDERSON: I think there's one other
22 challenge that we struggled with, is that there are so
23 many stakeholders involved in manufacturing, starting
24 with the Senate committees and the House committees and
25 the Cabinet agencies and the White House, and so forth.

1 So one of the things that we tried to do along the way
2 was to make sure that we were aware of what some of
3 these others are doing and communicate and interact
4 with them.

5 I would encourage us to again try to talk
6 about a map of the players and then what interaction
7 should we have with them, if any, but most critically,
8 what are they working on that we could support or cover
9 gaps that they are not working on, or whatever.

10 CHAIRMAN LASZKIEWICZ: Yes. That was a huge -
11 -

12 MR. ANDERSON: Because there are just so many
13 players in manufacturing, which is nice, but how can we
14 align? The word you just used, how can we align
15 ourselves?

16 CHAIRMAN LASZKIEWICZ: So Roy, last one, okay?
17 Then I think we have to bring it --

18 MR. SWEATMAN: Since we're talking about the
19 different departments, I'm surprised that the
20 Department of Defense isn't included because I can't
21 think of another part of the government that is more
22 dependent and needs the innovation and a strong
23 manufacturing community.

24 CHAIRMAN LASZKIEWICZ: Well, I think, did I
25 misunderstand in our discussion yesterday, but I think

1 we're looking to get a representative from DoD to
2 participate with this Council.

3 MS. PILAT: I think as we further define the
4 scope of work, we'll try to engage them in the
5 appropriate ways, yes.

6 CHAIRMAN LASZKIEWICZ: That suggestion has
7 been made by several.

8 MS. PILAT: Yes. Actually, Neal came from
9 DoD, so we can make that his follow-up priority.

10 (Laughter)

11 VICE CHAIR ISBISTER: And something that I
12 learned in the process is that there are ex-officio
13 members from other agencies and there is a certain
14 requirement for what makes them a member of the
15 Council, and then there's an invitation that goes out
16 to the other agencies to participate.

17 So my understanding is that we will extend
18 that invitation because we think it is important to
19 include them in this conversation and certainly get
20 their perspective, but we can't -- they don't have to
21 be here. But we can certainly ask. I think we made
22 note of that, for sure. All right. Thank you all.
23 The conversation was extremely good, and hopefully
24 we'll continue over lunch. So this isn't a hard stop
25 on the conversation, just that the meeting needs to --

26

1 **NEXT STEPS AND MEETING ADJOURNMENT**

2

3 VICE CHAIR ISBISTER: So sort of the next

4 steps on the process so you understand. We're going to

5 take the conversation that happened here and during May

6 we will identify specifically the subcommittees and the

7 membership of those subcommittees, and that information

8 will be relayed to you in May.

9 In June, we will have the first calls with the

10 subcommittees altogether, so you will have your chair

11 and your vice chair who will be appointed. Mike and I

12 are going to make ourselves available to participate

13 with all of those subcommittees, the first call, one or

14 the other or both of us, to assist you.

15 The thought is, during June you will start to

16 determine the scope of your work. That's really going

17 to be the challenge, so June is going to be a lot of

18 hard work because you're going to have to come

19 together, narrow the scope. There's going to have to

20 be some agreement within your subcommittee about what

21 it is you are willing and able to tackle.

22 Then our next meeting is scheduled for July

23 23rd. Jenna and Liz, is that correct? July 23rd is

24 our next meeting.

25 MS. EMANUEL: Anyone in the room can -- unless

1 there's anything major going on that would take away a
2 large portion of this group, some conflict that you
3 guys can think of, July 23rd is the date we'll meet.

4 VICE CHAIR ISBISTER: Okay.

5 MS. EMANUEL: In Washington.

6 VICE CHAIR ISBISTER: Thank you. In
7 Washington. And at that meeting, each of the
8 subcommittees will then articulate what they have come
9 up with for the scope of their work and there will be
10 some discussion, refinement, and then basically leaving
11 the meeting with a general understanding of what each
12 subcommittee's plan will be.

13 The next meeting after July will be in
14 November, the second or third week in November. We
15 will, before July, make sure that you have that date.
16 It will be outside of Washington. So it is our hope to
17 be in different regions. We think that's really
18 helpful in making sure we have a broad perspective.

19 MR. FRIESEN: I was just going to vote for St.
20 Martin.

21 VICE CHAIR ISBISTER: Oh, I like that.

22 MR. FRIESEN: I don't know if that's on the
23 table.

24 VICE CHAIR ISBISTER: Is it a U.S. territory?
25 Okay. So that's the process.

1 CHAIRMAN LASZKIEWICZ: Jenna, what's the
2 procedure on lunch and what's next?

3 MS. PILAT: All right. So from here we're
4 going to go to 3407. Anybody from Commerce in the room
5 can take you there. It's one floor below, down the
6 corridor. Down to the left here, down to the right in
7 the first corridor and down one floor. So, left,
8 right, down one floor. We will be happy to escort you
9 there.

10 We can stay there until 1:30. We really want
11 to continue the conversation over lunch, so please join
12 us. For the Commerce team and the other guests that we
13 have in the room, please feel free to join us. We just
14 want to thank you all. I want to thank our Commerce
15 and U.S. Government partners for being here.

16 To the Council members, this is not typically
17 how our meetings are done. The point of these meetings
18 is really to hear from you. However, we have so much
19 focus and prioritization right now within the
20 administration and the Federal agencies on
21 manufacturing programs and policies, we wanted to show
22 you the way that we coordinate, what we're working on,
23 and what you can expect to hear from us and be asked
24 from us throughout the course of your term.

25 So thank you for your patience on these

1 briefings. I hope that they were informative. Our
2 team here was super-engaged and looks forward to
3 working with you. They are committed to these issues.

4 They spent several lifetimes, if you look at the room,
5 collected here. So thank you.

6 I think we are moving towards recommendations.
7 The ideal product that we want, the products of the
8 Council, once they're adopted, become public documents
9 and they are a very powerful tool for both you and for
10 us when we are trying to make our point. So we ask
11 that recommendations be specific, actionable, and
12 measurable. So tell us, Mary, to your point, how it's
13 working, how we know that it's a success, how we know
14 it's falling short.

15 Beyond that, everyone at this table is a
16 resource to you. When you're coming into DC and want
17 to meet someone at a Federal agency. Please contact
18 Liz or I to help you do that. As you get into your
19 subcommittee work if there's a program or a policy you
20 want to be briefed on, you can see it, we will bring
21 our whole team to your help. If there's anything else
22 we can do, just let us know.

23 So, just thank you very much. A sincere thank
24 you to Nicole for her leadership with the Council.
25 She's not going very far, so she will still get --

1 thank you all.

2 CHAIRMAN LASZKIEWICZ: The meeting is
3 adjourned.

4 (Whereupon, at 12:36 p.m. the meeting was
5 adjourned.)

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C E R T I F I C A T E

This is to certify that the foregoing proceedings of a meeting of the Manufacturing Council, held on April 30, 2013, were transcribed as herein appears, and this is the original transcript thereof.

LISA L. DENNIS, CVR

Court Reporter

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