

THE MANUFACTURING COUNCIL

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

Wednesday,
October 15, 2014

The meeting was convened, pursuant to notice,
at 9:07 a.m., MR. MIKE LASZKIEWICZ, Chair, presiding.

APPEARANCES:

MEMBERS OF THE COUNCIL:

MS. MARY ISBISTER, Council Vice Chair
President
GenMet

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

MS. CHRISTIE WONG BARRETT
CEO
MacArthur Corporation

MR. GREGORY W. BOOTH
President & CEO
Zippo Manufacturing Company

MR. STEPHAN G. BRAIG
President & CEO
Trexel Incorporated

MR. MICHAEL J. CARDIGAN
General Manager
Microelectronics Systems and
Technology Group, IBM

MR. CARLOS CARDOSO
Chairman, President & CEO
Kennametal, Inc.

MR. MARK CHANDLER
Senior Vice President
Cisco Systems Inc.

MR. CODY FRIESEN
President and Chief Technical Officer
Fluidic Energy

MR. HIROYUKI FUJITA
President & CEO
Quality Electrodynamics, LLC

DR. ALBERT M. GREEN
CEO
Kent Displays Incorporated

MR. DAVID HASTINGS
President & CEO
Mount Vernon Mills Inc.

MR. HARLEY HUGHES
President & CEO
Immediate Response Technologies

MR. ERIC L. KELLY
President & CEO
Overland Storage

MR. JOEL LORENTZEN
CEO
Genesis Systems Group

MS. CLAUDINE MARTINEZ
President & General Counsel
MCT Industries

MR. SHIRISH PAREEK
Founder & CEO
Hydraulex Global

MS. ANDRA RUSH
CEO
The Rush Group

MR. AVRAM SAUNDERS
President & CEO
Lightning Eliminators & Consultants

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. BETH WILLIAMS
President & CEO
Roxbury Technology

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

MR. LUDWIG WILLISCH
President & CEO
BMW North America

MR. BILL YEARGIN
President & CEO
Correct Craft

BILL ZAHNER
President & CEO
A. Zahner Company

ALSO PRESENT:

HON. PENNY PRITZKER
Secretary of Commerce
Department of Commerce

HON. CHANDRA BROWN
Deputy Assistant Secretary
for Manufacturing
Department of Commerce

GREG HENSCHERL
Senior Research Analyst
Department of Education

MR. MATT ERSKINE
Deputy Assistant Secretary
of Commerce for Economic Development
and Chief Operating Officer
Economic Development Administration

MS. JENNA PILAT
Director, Office of Advisory Committees
Department of Commerce

MS. LIBBY WAYMAN
Director, Clean Energy Manufacturing
Initiatives
Department of Energy

MR. PHILLIP SINGERMAN
Associate Director for
Innovation and Industry Services
NIST

MS. KATHLEEN N. KINGSCOTT
Senior Director, Strategic Partnerships
IBM

I N D E X

	<u>PAGE</u>
OPENING REMARKS & INTRODUCTION	
Mike Laszkiewicz, Chair.....	7
INNOVATION, RESEARCH AND DEVELOPMENT SUBCOMMITTEE DRAFT RECOMMENDATION	
Mr. Al Green and Ms. Susan Smyth.....	13
TAX POLICY AND EXPORT GROWTH SUBCOMMITTEE DRAFT RECOMMENDATIONS	
Mr. Steve Braig.....	32
INTERNATIONAL TRADE ADMINISTRATION UPDATE	
Chandra Brown, Deputy Assistant Secretary For Manufacturing.....	54
WORKFORCE DEVELOPMENT SUBCOMMITTEE DRAFT RECOMMENDATIONS	
Mr. Shirish Pareek.....	120
DEPARTMENT OF COMMERCE UPDATE	
Penny Pritzker Secretary of Commerce.....	78
EXECUTIVE SUMMARY DRAFT RECOMMENDATION	
Mike Laszkiewicz, Chair.....	82
DEPARTMENT OF EDUCATION UPDATE	
Greg Henschel, Senior Research Analyst Department of Education.....	65
ECONOMIC DEVELOPMENT ADMINISTRATION UPDATE	
Matt Erskine, Deputy Assistant Secretary of Commerce for Economic Development and Chief Operating Officer Economic Development Administration.....	101
MANUFACTURING ENERGY POLICY SUBCOMMITTEE UPDATE	
Ms. Carol Williams.....	10

DEPARTMENT OF ENERGY UPDATE

Libby Wayman, Director
Clean Energy Manufacturing Initiative..... 109

**NATIONAL INSTITUTE OF STANDARDS AND
TECHNOLOGY UPDATE**

Phillip Singerman, Associate Director for
Innovation and Industry Services..... 141

ECONOMIC SECURITY DRAFT RECOMMENDATIONS

Full Committee Discussion..... 131

FINAL COMMENTS/NEXT STEPS

Mike Laszkiewicz, Council Chair and
Mary Ibister, Council Vice Chair.....146/148

PUBLIC COMMENT PERIOD..... 146

ADJOURNMENT..... 151

P R O C E E D I N G S

OPENING REMARKS AND INTRODUCTIONS

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4 CHAIRMAN LASZKIEWICZ: Thanks everyone for
5 joining us this morning. I would like to do a quick
6 review of the agenda, a couple of minor changes, and
7 then we are going to get right into our work.
8 I think -- Jenna, the Secretary has planned to join us
9 at approximately?

10 MS. PILAT: Ten-thirty.

11 CHAIRMAN LASZKIEWICZ: Ten-thirty. So please
12 forgive me if I interrupt the presenter, but based on
13 the Secretary's schedule, when she arrives -- the
14 Secretary will come in and provide her remarks. Mary
15 and I will review our Executive Summary with the
16 Secretary and then we will move back into our agenda.
17 So are there any questions before I review the agenda,
18 any comments?

19 [No response.]

20 CHAIRMAN LASZKIEWICZ: I hope everyone had a
21 good time last night. I understand some had more fun
22 than others.

23 [Laughter.]

24 CHAIRMAN LASZKIEWICZ: Cody was holding court
25 last night is the rumor that I heard, many hours after

1 I was all ready sleeping.

2 [Laughter.]

3 CHAIRMAN LASZKIEWICZ: Okay. So let's review
4 the agenda. Our primary objective today is we have six
5 letters to provide final review and then we will vote
6 on for approval to move forward to the Commerce
7 Department as recommendations from our committee.
8 The letters that we are going to review today will
9 include the Innovation Research and Development
10 Subcommittee letter. I believe Al and Susan will be
11 sharing that update. Al is going to lead it.
12 Tax Policy and Export Growth Subcommittee has their
13 draft letter which I hope everyone has seen -- two
14 letters -- excuse me -- that they will be reviewing
15 this morning and that discussion will be facilitated by
16 Steve, I think, supported by Mary. Is that accurate,
17 Steve?

18 MR. BRAIG: Mary?

19 VICE CHAIR IBISTER: Only as required.

20 [Laughter.]

21 CHAIRMAN LASZKIEWICZ: No. I think she all
22 ready volunteered you, Steve, but she offered to help.

23 MR. BRAIG: Okay. I will be glad to.

24 CHAIRMAN LASZKIEWICZ: And then we have the
25 Workforce Development Subcommittee letter. I believe

1 Shirish has volunteered to update that subcommittee's
2 work. And then Mary and I will review the Executive
3 Summary letter and then we will have a continued
4 discussion on the Economic Security letter and our
5 possible path forward there.

6 So again, our primary objective is to review
7 and then vote on the draft letters of recommendation to
8 finalize them. Again we hope to have a few minutes,
9 maybe summarizing our discussion last night so that we
10 can provide Chandra, Jenna and the Commerce Department
11 our feedback and potential priorities for the next
12 council. Then we will close with a conversation about
13 topics, suggestions, recommendations for the next
14 council.

15 VICE CHAIR IBISTER: That sounds lovely.

16 CHAIRMAN LASZKIEWICZ: Okay. Thank you.

17 All right. Any questions about the agenda before I
18 open?

19 [No response.]

20 CHAIRMAN LASZKIEWICZ: The first change -- and
21 I hope I don't cause too much disruption here, but in
22 terms of the order of the updates, I would like Carol
23 to provide just a quick update on Energy if we could.
24 Then I will go into the agenda.

25 Would you mind, Carol?

1 of improving it, driving competitiveness, looking at
2 regulations, looking at line loss efficiencies across
3 the energy grid. So there is a significant amount of
4 opportunity for manufacturing to have an impact in that
5 space.

6 I think one of the general things we talked
7 about is how does energy work. I mean, energy is key
8 to most manufacturing capabilities. And yet it is not
9 under the Department of Commerce. It is under the
10 Department of Energy. So what is the right answer for
11 the next council as we move forward in this space? I
12 think that is where the conversation between the
13 Department of Commerce and maybe some of the people
14 that were participating on the Energy Committee.

15 CHAIRMAN LASZKIEWICZ: Carol, thank you for
16 that update. Are there any questions?

17 [No response.]

18 CHAIRMAN LASZKIEWICZ: Carol, thank you very
19 much.

20 MS. WILLIAMS: You're welcome.

21 CHAIRMAN LASZKIEWICZ: Okay. So going back to
22 the agenda, our next update is the discussion and
23 review and ultimately the vote that we would like to
24 have to approve the draft letter from the Innovation
25 Research and Development Subcommittee. We've asked Al

1 -- I am sure with help from Susan -- to provide an
2 update on their draft letter of recommendation.

3 Hopefully, everyone has reviewed the letter.
4 I know we have had some telephone discussions about the
5 letter and the specifics. But after Al's update, I
6 will move through a motion that we vote.

7 So Al?

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1 INNOVATION, RESEARCH AND DEVELOPMENT

2 SUBCOMMITTEE DRAFT RECOMMENDATIONS

3 Mr. Al Green and

4 Ms. Susan Smyth

5
6 MR. GREEN: Thanks, Mike. First of all, I
7 wanted to thank the members of the subcommittee. Of
8 course, Susan is the Vice Chair, Taffy, Claudine,
9 Christie and Bill who really worked hard and we worked
10 as a team to pull this together.

11 This is our second letter that we are prepared
12 to submit. This current letter focuses on two specific
13 areas, intellectual property and how best to safeguard
14 it and identifying additional mechanisms to increase
15 the pace of innovation. The second topic really came
16 as a direct result of discussions with a large spectrum
17 of manufacturing companies during a series of
18 roundtable discussions that we had in the group.

19 So let me start with the intellectual property
20 topic area. This came as a result -- you know, we are
21 the Innovation, Research and Development group. Our
22 first letter really didn't have any specific comments
23 on IP and know how.

24 In some sense, you would consider that a
25 glaring omission considering the topic area. So we

1 felt that we would like try to address it without--as I
2 said--boiling the ocean. So we tried to come up with a
3 couple of areas that were actionable and specific as we
4 have been directed.

5 The first was to advocate for a fully-funded
6 and self-sustained U.S. Patent and Trademark Office.
7 Digging a little bit deeper into this, what we found is
8 that essentially the issue is -- of course, everyone
9 knows -- it takes a long time to get patents through
10 the system. There are a lot of reasons why that is the
11 case. Of course, the USPTO--I should say--certainly
12 sits under the Department of Commerce. It certainly is
13 within the purview of the DOC.

14 There are a lot of reasons for this, but one
15 area is -- that kept on popping up is that when you
16 submit a patent there are fees associated with that.
17 What happens to those fees? You would hope that those
18 fees could be used to somehow help move the process
19 along.

20 As we looked, what we found is that there is a
21 mechanism for use of those fees by the USPTO, but there
22 are a collection of details about how those fees are
23 released and so on. So if you look in the letter, it
24 is called the fee reserve fund. It is really a
25 statement that the USPTO should be able to use the fees

1 that they collect to further their goals. So that is
2 really the crux of that recommendation.

3 The second, again, under this area of
4 intellectual property, it is again, focused on the
5 USPTO and it is to strongly encourage the President to
6 nominate and pursue Senate confirmation for a permanent
7 director of the USPTO. Certainly the USPTO has able
8 and competent leadership. So this is not to say
9 anything about the current leadership, but there is
10 some sort of uncertainty because there has not been a
11 permanent director since January 2013. So we are
12 recommending that that be rectified, so that there
13 would be a permanent director which has to be confirmed
14 and so on.

15 So the third area is to increase efforts to
16 protect U.S. manufacturers' trade secrets. Our
17 understanding, of course, is that DOC certainly does
18 have a role in various trade negotiations and we are
19 simply saying that it should continue. The
20 manufacturing community supports it and specifically
21 supports the role of the Commerce Department to
22 maintain involvement in those negotiations.

23 So let me move to the second topic which is in
24 the area of increasing the pace of innovation. One
25 topic that came up when we talked to a number of people

1 in the manufacturing community was that -- what
2 mechanisms that could be used to, again, increase the
3 pace of innovation. One thing that came up was the use
4 of incentive prizes. This is an area that in some
5 sense has become in vogue. It has become in vogue in
6 various government circles and there are a whole
7 collection of studies out there of who is using it and
8 who is not using it.

9 One thing that came up is that while other
10 government agencies seem to be using this mechanism
11 more and more, the DOC lags, if you will, in the use of
12 this mechanism. So we were actually encouraging that
13 DOC take a look at using prizes. There are pluses and
14 minuses. There are reasons -- there are areas where it
15 might be appropriate and areas where it might not be
16 appropriate. But we are simply saying they should take
17 a look at it because others are doing that and it is an
18 area that may be fruitful to increase the pace of
19 innovation. Again, this is the use of incentive
20 prizes.

21 The second part of this really reaches back to
22 our first letter. And our first letter, a consistent
23 theme that we heard throughout was the need to increase
24 connections. That was one theme, increase connections.

25 And the other thing that came up is that people,

1 manufacturers don't know what they don't know and how
2 to make a dent in this.

3 So we put out an idea in the first letter
4 saying, could there be some sort of suppliers'
5 capability directory -- we called it. And it has been
6 tried before. There are lots of reasons why something
7 like this may be tough to do. It may be doable. It
8 may be tough. It has been tried before for sure.

9 So what we suggested was that -- it is a tough
10 problem of how best to do this, how to manage it, how
11 to not manage it, how to make it work -- so we
12 suggested that one area, considering what we heard
13 which was the need for something like this, we thought
14 that one area that you might look at using incentive
15 prizes was to basically throw it out to the community
16 and say here is a problem. May be look at a price
17 mechanism to see how best to tackle that. So that was
18 a suggestion that the Department of Commerce might look
19 at.

20 So let me stop and turn this over to Susan to
21 add or to anyone else on the IRD Subcommittee.

22 MS. SMYTH: I'm fine. I think you did a great
23 job in summarizing. I'm just going to echo two of your
24 points.

25 I think one of the things that was really an

1 epiphany to us was a recognition that manufacturing R&D
2 is not regarded as fundamental R&D. It is regarded as
3 engineering. It is regarded as process improvement. I
4 think there is not a common understanding that you need
5 invention and tools, processes and equipment to exploit
6 the investment that this country is making in products
7 and materials. And we think there is a great
8 opportunity to modify and enhance existing programs
9 that would include but not be limited to NNMI. So I
10 think that was probably one of our fundamental
11 understandings that came from this.

12 The second one is, to echo Al, with regard to
13 suppliers, there is a great deal of conversation and
14 discussion about the so-called valley of death for
15 technology. And it was our understanding that this
16 valley of death is actually or could be bridged by a
17 network of suppliers. And the suppliers would be
18 playing the fundamental role in R&D and very
19 frequently, there is an impression that suppliers are
20 really merely focused -- and I use the word "merely"
21 judiciously -- on production sites. So I think that
22 was very important.

23 I think it is essential that we have
24 mechanisms that increase the level of engagement of
25 suppliers and Al alluded to a couple of them. Whether

1 it is an intelligent supplier of directory that allows
2 engagement of suppliers in the R&D phases and I think
3 also the use of incentive programs and prizes to engage
4 people and high-visibility initiatives where there will
5 be a recognition that there is R&D capability in the
6 suppliers. Suppliers could be small, they could be
7 midsized, or they could be large corporations.

8 It is about doing what Al said, creating
9 mechanisms that drive these connections and drive these
10 networks. Thank you.

11 CHAIRMAN LASZIEWICZ: Thank you, Susan.
12 Before I open up for additional questions, I just want
13 to thank Al and Susan for their leadership. I enjoyed
14 working with the Innovation Research and Development
15 Subcommittee. These are people that are truly
16 knowledgeable as to contemporary manufacturing and the
17 challenges. I learned a lot. And I just want to thank
18 you for your service and for the work that you've done
19 here which is my vote of confidence for your letter of
20 recommendation.

21 I guess I would like to open it up if there
22 are questions or comments that we would like to provide
23 before finalizing the approval. Yes, Cody?

24 MR. FRIESEN: First, let me start by
25 commending the R&D team for well-put-together letter.

1 It was very well thought out.

2 In the first focus area, around the USPTO, one
3 of the things that wasn't clear to me is is the goal to
4 remove roadblocks that exists to accessing funds or is
5 there a structural change required for USPTO to add
6 visibility to the things?

7 MR. GREEN: My understanding of this is that
8 the mechanism is already in place but it requires that
9 the funds be released to the USPTO.

10 MR. FRIESEN: So then the recommendation is
11 really to collapse the bureaucracy between wherever
12 those funds are sitting and the USPTO?

13 MR. GREEN: Yes.

14 MR. FRIESEN: So I think that could be made
15 more clear in the letter because as it sits right now
16 it just says, basically, we want the USPTO to have
17 access to fees and be fully funded. But maybe a more
18 pointed -- more actionable recommendation. That's one
19 of my comments.

20 CHAIRMAN LASZIEWICZ: So since the requirement
21 is that we make that modification, we can ask for
22 approval of the letter with the modification you are
23 suggesting, Cody. We need to be a little clearer on
24 the specific language you would like to adjust in the
25 letter.

1 I think I hear your point that what Al and the
2 team have stated is that they believe the process is
3 acceptable but execution and compliance to the existing
4 process is a challenge. Did I hear that correctly?

5 MR. FRIESEN: That's right.

6 [Simultaneous speech.]

7 CHAIRMAN LASZIEWICZ: Well, I heard the
8 process was acceptable, but we don't have a permanent
9 leader and we don't have the funding to execute --

10 MR. GREEN: Well, you're talking about
11 the first area, not --

12 [Simultaneous speech.]

13 MR. GREEN: -- that's a different topic.
14 Then I would invite anyone else on the subcommittee to
15 comment. Our understanding is that the fees that are
16 collected by the USPTO -- that has to be released and
17 that has not fully been released. I cannot claim to
18 know the details of how the government system works.
19 But at the 10,000 foot level, these are their fees, let
20 them use it.

21 MR. FRIESEN: Yeah but your letter also
22 accurately states that those funds are used for things
23 unrelated to the servicing of patent prosecution. So
24 it isn't really their funds. So I think there needs to
25 be some clarification. I don't know what the right

1 process is here.

2 CHAIRMAN LASZIEWICZ: Well, we need you to
3 make a suggestion.

4 MR. FRIESEN: Okay. Do you want to make a
5 motion to change the letter, or is it --

6 CHAIRMAN LASZIEWICZ: No, all I really need is
7 some guidance on how we modify the language in the
8 letter and then I can put forward a motion for approval
9 with your revision.

10 MR. FRIESEN: Okay. Maybe give me a half an
11 hour and then we can come back and I will just --

12 CHAIRMAN LASZIEWICZ: No. We don't have a
13 half-hour, Cody.

14 [Laughter.]

15 CHAIRMAN LASZIEWICZ: Can anyone help Cody or
16 Al? Do you have a suggestion?

17 MR. FRIESEN: We can sort of noodle through
18 some words here, but I think that the goal would be
19 just maybe in that first paragraph or wherever the next
20 point is where they make the suggestion to state more
21 clearly that -- let me think about the wording here --
22 USPTO collects fees for patents. They should have
23 direct access to those fees.

24 VICE CHAIR ISBISTER: But it does say that
25 there.

1 [Simultaneous speech.]

2 VICE CHAIR ISBISTER: Is there legislation
3 that prevents the access? Or is it --

4 COUNCIL MEMBER: I think that is really the
5 question.

6 MS. KINGSCOTT: Can I make a comment?

7 CHAIRMAN LASZIEWICZ: Yes.

8 MS. KINGSCOTT: My understanding is that it is
9 in the Congressional appropriations process. The money
10 is being appropriated elsewhere. So this isn't a
11 problem that Commerce can solve itself. Commerce can
12 go to Congress and say -- which is what it says in this
13 letter -- the Secretary recommends that the Congress
14 take the funds and put them into this particular fee
15 reserve fund and use it for the purposes of the patent
16 office as opposed to other activities.

17 It would be great if Commerce could do
18 something directly. But this is a Congressional
19 problem.

20 VICE CHAIR ISBISTER: So the recommendation is
21 the fee reserve fund?

22 MS. KINGSCOTT: Right. Use the fee reserve
23 fund to fund patent office activities as opposed to
24 whatever else they needed to do.

25 MS. PILAT: The fees collected are for

1 [indiscernible] I think with the exception of a small
2 [indiscernible]. So they are actually allocated back
3 out [indiscernible].

4 MS. SMYTH: So does it capture your thought if
5 you say full and exclusive access?

6 MR. FRIESEN: I guess the question would be
7 then -- the question has evolved to say -- right now it
8 says work with Congress to support a better-funded,
9 more-efficient USPTO with full access to all of its
10 fees. Is that an actionable recommendation?

11 VICE CHAIR ISBISTER: Well, and Susan's
12 suggestion is exclusive; right? Full and exclusive
13 access.

14 MS. SMYTH: I mean, I think that is what --
15 that was my capture of what they were saying.

16 DEPUTY ASSISTANT SECRETARY BROWN: And it is
17 certainly an action item that we can do -- to answer
18 your question -- from a Commerce side. But, obviously
19 all of these are related to Congressional budget, so
20 what you are asking is that we make a recommendation to
21 Congress. And obviously we will take that under
22 advisement. We will see is this the most important and
23 best recommendation we can do in terms of innovation.

24 So it is a recommendation that we weigh in --
25 we obviously have to take a look at that. I am not

1 saying we are going to weigh in right now, but we will
2 take a look and see what -- Congress and what we are
3 doing. I mean we obviously support a director and some
4 of the other things. Again, it may not be fully within
5 our control, but we completely support that from an
6 administration level.

7 MR. GREEN: So, again, to Mike's point -
8 - I want to try to drive to -- we have a current
9 letter. We are trying to figure out to approve or not
10 to approve. And the question is -- I think you are
11 saying, Cody, that you would like to see some specific
12 changes. So we've got to get it done now.

13 And Susan is suggesting -- and we don't have
14 to figure out the exact wording now, I understand.
15 What we can do is we put on the record that basically
16 says that we give blessing to modify the language
17 consistent with the discussion. So if full and
18 complete access --

19 COUNCIL MEMBER: Full and exclusive.

20 MR. GREEN: -- is the agreement of the full
21 council, then we can put that forward. I am happy with
22 where it is today, which is guidance that the Commerce
23 Department should look at because there may be other
24 competing priorities as Chandra would say. So I am in
25 support of the letter as it stands, but that's one

1 person. I think the whole committee has to weigh in on
2 this topic.

3 CHAIRMAN LASZIEWICZ: Well, I guess this is
4 question I have for Cody. Understanding our role as an
5 advisor and understanding that we don't understand all
6 of the implications of the word "change", but we are in
7 agreement that we need to ensure that we have proper
8 funding here in order to ensure execution, I think we
9 are in agreement on kind of the key principles or
10 recommendations of the letter. How passionately do you
11 feel about this that we need to change the language?

12 MR. FRIESEN: Well, let me just give you my
13 specific recommendation. I think that will wrap this
14 up.

15 So the last sentence of Part A of the first
16 focus area, I would recommend reads as follows, "We
17 recommend that this Secretary and Administration
18 continue to work with Congress to support a better-
19 funded, more-efficient USPTO with full and exclusive
20 access and control over all of its fees."

21 CHAIRMAN LASZIEWICZ: I guess I would like to
22 take that back to the subcommittee for your thoughts.

23 MR GREEN: With full and -- say again.

24 MR. FRIESEN: With full and exclusive access
25 and control over its fees.

1 MR. GREEN: Yes, so I think that the
2 question is to try to -- when we wrote this we wanted
3 to try to make sure that Commerce had enough
4 flexibility, if you will, to massage this point as
5 necessary. So I think the language is perhaps not as
6 strong as you are suggesting -- as you are saying. I
7 would hold the line on that because I want to leave --
8 and I certainly open this to the rest of the
9 subcommittee -- but holding the line on the fact that
10 the spirit of this recommendation is that the USPTO
11 should have access to its funds. I feel that it conveys
12 that message without -- with language that leaves a
13 little bit of wiggle room.

14 MR. FRIESEN: So the last comment I will make
15 on this -- I think that is a good point. This is just
16 a recommendation. So we want these things to be both
17 specific and actionable. I think you can make it a bit
18 more specific by adding a few words that refine what
19 the intent of your recommendation is. So that is the
20 totality of my recommendation. Whether or not it
21 enters into the letter is still up for -- I don't know
22 if we have to -- if the letters actually -- necessarily
23 get modified by recommendations. It is just on the
24 record that I made the recommendation.

25 DEPUTY ASSISTANT SECRETARY BROWN: And you

1 don't need to have unanimity in approving a letter
2 either.

3 MR.YEARGIN: Just as a committee member, while
4 I don't object to Cody's wording, I think the way it is
5 worded currently in the letter is appropriate. It gets
6 the point across that we want to get across and I would
7 suggest leaving it as it is.

8 MR. GREEN: With Cody's comments noted.

9 MS. MARTINEZ: I guess where I would chime in
10 as well -- I understand where Cody is coming from. My
11 concern is if there is \$1.1 billion potentially on the
12 table that we are referring to here in the letter --
13 even if we got \$100 million or X million from that \$1.1
14 billion, that is going to help alleviate the issue and
15 what I understand it to be is a staffing issue.

16 So if you are able to hire more staff to
17 process things along -- currently exist, I think that
18 is going to help the situation. So I am a little
19 concerned if we say we want the whole thing or nothing.

20 But I certainly agree with Cody in principle that it
21 would be wonderful if all of the fees came back because
22 then it would be really expedited. So I am just trying
23 to be practical in light of what Chandra said earlier.

24 CHAIRMAN LASZIEWICZ: I am going to try and
25 move this forward. I am going to move for a motion and

1 am not doing it yet, but I am going to move for a
2 motion to approve the letter as it stands.

3 Cody, I think your comments are on the record
4 and I think they are generally agreed to. But I am
5 going to respect the very deep dive the IRD team did
6 and the diligence that they applied when writing their
7 letter to suggest that we should move for a motion to
8 approve the letter as it stands.

9 So with that, I am asking for a motion to
10 approve the letter as it stands.

11 COUNCIL MEMBER: So moved.

12 CHAIRMAN LASZIEWICZ: Second?

13 COUNCIL MEMBER: Second.

14 CHAIRMAN LASZIEWICZ: All in favor?

15 [A chorus of ayes.]

16 CHAIRMAN LASZIEWICZ: Opposed?

17 [No response.]

18 CHAIRMAN LASZIEWICZ: The letter is approved.
19 Congratulations Al, Susan and team. Excellent work.
20 Thank you.

21 DEPUTY ASSISTANT SECRETARY BROWN: Do you mind
22 if I make a comment?

23 CHAIRMAN LASZIEWICZ: Sure.

24 DEPUTY ASSISTANT SECRETARY BROWN: Open up the
25 floor to comments.

1 CHAIRMAN LASZIEWICZ: I'm sorry. Chandra, you
2 can always make a comment.

3 [Laughter.]

4 DEPUTY ASSISTANT SECRETARY BROWN: I know. You
5 are so sweet. The comments I want to make -- and I
6 will be very brief, but I just want to say I thought it
7 was excellently done and the roundtables as a future
8 model -- the fact that you did these roundtables in
9 Florida and in Albuquerque -- I was honored to attend
10 those. I thought it was a great way of outreaching
11 beyond this council to the depth and breadth and scope
12 behind you. I just want to commend that method of what
13 was done.

14 I also want to say -- again, I am very much
15 thinking about the future and how we are moving this
16 forward and I know we're going to talk later about your
17 overall executive summary, Mike, but some of these
18 things like use of incentive prizes, I think that is a
19 great idea and I think it is a great topic for the next
20 council as we talk about -- we need more details on
21 that. I'd love to know your thoughts on that, more
22 about it. I appreciate that one kind of more specific,
23 but I think that, as an example, is a great future
24 thing to be looking at with more depth. If you want to
25 do some pilot prizes at Commerce, let us know what you

1 are thinking.

2 So I just wanted to say it is not ending here,
3 this letter and this recommendation, but greatly
4 appreciate it. Thank you.

5 CHAIRMAN LASZIEWICZ: Thank you, Chandra. Any
6 other comments before we move forward?

7 [No response.]

8 CHAIRMAN LASZIEWICZ: Okay. The next letter
9 for review is the Tax Policy and Export Growth
10 Subcommittee draft recommendation.

11 Before I give the floor to Steve, I want to--
12 for the record--acknowledged Mark Chandler who has
13 board responsibilities which prevent him from being at
14 this meeting, but Mark and Steve have made a terrific
15 team, very large business, very medium-size business
16 and their collaboration and the output of this
17 subcommittee is equally notable. So I want to thank
18 you, Steve, for your work as I ask you to provide a
19 highlight of your letter today.

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1 TAX POLICY AND EXPORT GROWTH
2 SUBCOMMITTEE DRAFT RECOMMENDATIONS

3 Mr. Steve Braig

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5 MR. BRAIG: Thank you, Mike, and good morning.

6 As you will remember, our subcommittee had submitted a
7 letter, a tax policy recommendation letter last year
8 only to subsequently recognize that over 80 percent of
9 U.S. manufacturing companies are not seaports,
10 therefore cannot enjoy some of the benefits of those
11 tax policy recommendations. We did create an ad hoc
12 committee across several subcommittees here, mostly
13 under Mary's leadership with some passionate
14 contributions from many, particularly Claudine as well.

15 We are here today after sending to you a
16 subsequent tax letter that addresses the needs and
17 issues of small- to medium-sized enterprises that
18 otherwise would have been overlooked. Again, we would
19 like to stress here that over 80 percent of all U.S.
20 manufacturing companies are not seaports or SMEs.

21 Having said that, these are also the companies
22 that probably need the relief and the help that some of
23 those tax incentives provide, need them the most. So
24 we believe it is very important that they are able to
25 capitalize on these tax incentives to help them grow

1 and expand those businesses. We have really narrowed
2 the discussion from a lot of different ideas, different
3 tax rates for SMEs to a lot of different ideas and
4 talking points to three very specific recommendations
5 that are really targeted towards helping small- to
6 medium-sized manufacturing companies expand their
7 activities.

8 The first one is the R&E tax credit. This
9 also was captured in our original tax policy
10 recommendation letter as something that many of us feel
11 very passionately about because research and
12 development activity is tied to manufacturing. They
13 are inseparable long-term and we believe it is very
14 important that that fact be recognized. However, SMEs
15 -- pass-through companies, so to speak -- for the most
16 part cannot take advantage of some of those benefits
17 because they are subject to the AMT calculation.

18 So our first recommendation here in this
19 letter is to exempt the R&D tax credit from the AMT
20 calculation for small- and medium-sized companies and
21 also increase the credit from 14 to 20 percent. So
22 that is the first of our recommendations.

23 The second one pertains to Section 179,
24 Depreciation Deduction. That has been discussed and
25 debated over the last couple of years. The limit has

1 been reverted to \$25 thousand at the beginning of this
2 year.

3 What we are recommending, what we are asking
4 for is a Section 179, Depreciation Deduction at an
5 increased level of \$1 million which is in line with the
6 President's framework for business tax reform. We also
7 are recommending that the previous 50 percent bonus
8 depreciation and the \$2 million phase out be reinstated
9 and remain part of Section 179.

10 The next recommendation is the Section 199
11 Deduction which provides that tax incentives for
12 businesses that perform their manufacturing activities
13 here in the United States. We are asking that the
14 Domestic Production Deduction under Section 199 be made
15 permanent at a rate of 11 percent.

16 The Section 199 Deduction also equals a
17 percentage of the net income from eligible activities,
18 but the amount of the deduction is limited to 50
19 percent of wages paid to employees -- designated to
20 domestic production. Our recommendation is that the
21 limitation be removed and that 100 percent of wages
22 attributed to domestic production qualified in the
23 calculation of the deduction.

24 So, again, these are three very specific
25 recommendations that aid small- and medium-sized

1 businesses to be able to take advantage of some of
2 those tax incentives.

3 I would like to add one point that maybe is
4 not completely articulated in the letter, but for these
5 incentives to really drive certain behavior such as R&D
6 activity to remain here in the U.S., there has to be
7 some permanency because investment decisions as well as
8 research and development projects are for all
9 businesses a long-term undertaking. And if we want
10 manufacturing activities to expand, if we want R&D
11 activities to expand here in this country, then we need
12 to provide our businesses with some long-term planning
13 ability. We currently don't have that. So that's just
14 an additional -- recommendation that I would like to
15 make, that being considered that these incentives
16 really bring the most benefit if there is some level of
17 permanency with at least long-term planning range.

18 So that is to the SME tax letter that -- Mary,
19 Claudine and others that have been on this ad hoc
20 committee, any other comments?

21 VICE CHAIR ISBISTER: Steve, I think you did a
22 great job representing the spirit of the letter and
23 especially your last point which for the capital-
24 intensive nature of manufacturing investment -- in
25 order for that to work, the stability and the

1 permanence of these kinds of tax policies is critical
2 and that they be implemented in a way that is
3 straightforward so that SMEs have the opportunity to
4 actually take advantage of them, they are not so
5 convoluted that they are difficult to apply.

6 And lastly, the fact that we are asking for
7 them to be enhanced and hopefully that -- the
8 anticipation there is that it will drive increased
9 economic activity leading to more jobs and that is the
10 goal here. I think you did that very well, Steve.
11 Thank you.

12 MS. PILAT: Could I ask a question? Do we
13 have any sense of the percentage of SMEs that take
14 advantage of these deductions?

15 VICE CHAIR ISBISTER: In our research, the
16 numbers were very varied and they might take advantage
17 of some of them, but not all of them. I think the
18 message -- from what we discovered both in multiple
19 conversations, regionally, that each of us had is that
20 to fully leverage these you have to pay a lot of money
21 to some tax-planning entity. Most SMEs are not
22 necessarily in a position to do that.

23 Their in-house staff rarely have the depth of
24 understanding to make the most out of all of the
25 different opportunities. Some of the calculations are

1 really quite complex. Stability or permanence,
2 straightforwardness and then some enhancement is, I
3 think, the message here and to put them in a way that
4 SMEs can actually implement them, especially around
5 something like the R&E tax credit which is designed to
6 benefit small companies, but by the nature of the other
7 tax code, sort of exempts them.

8 I guess the last point I would make, Steve, is
9 all of the recommendations in this letter exist in one
10 form or another as put forward by the Administration or
11 bills that are on the House. So none of it is outside
12 of the scope of what has been debated all ready, it is
13 just our way of saying these are the things that we
14 would ask you to support.

15 DEPUTY ASSISTANT SECRETARY BROWN: I have one
16 very specific question on the letter. I just want to
17 say this is also great leadership because we have
18 talked about the C corp, S corp issue two years ago and
19 it is really nice to see when you talk about something,
20 it come to fruition and this focus. As a previous S
21 corp owner, I really love this letter.

22 My question is, when you talk about the R&E
23 tax credits, you have two recommendations, that it
24 offsets AMT or taking a credit against payroll. And
25 you have both of these in here as options. My only

1 question is is there one you would prefer more than
2 another or that the group has said is better.

3 When you give us an "A" or a "B" -- I am just
4 curious if there is any preference for the SMEs on the
5 first versus the second because that doesn't come out
6 here. It is you can do this. We like that. Or you
7 can do this. We like that. I didn't know if one is
8 more -- if we were going to push for one, which is the
9 one you would prefer? That is the only thing I saw
10 missing in this.

11 VICE CHAIR ISBISTER: So I would say from the
12 conversations that we had and again, the interviews
13 that we conducted regionally, the first would be the
14 preference. So to actually be able to apply the tax
15 credit as it exists. But because it would require
16 potentially a change in the tax code -- I guess either
17 option would -- and because there has been the
18 recommendation and a bill was sent forth to use it to
19 offset wages and things -- we were saying if this was
20 too difficult to accomplish, we would suggest then we
21 consider this, but really the first is the most
22 straightforward.

23 MR. BRAIG: This is also, Chandra, from a
24 process standpoint when we met with Treasury this was
25 also a recommendation that we leave some options in

1 here.

2 DEPUTY ASSISTANT SECRETARY BROWN: You guys
3 are great at leaving them options.

4 [Laughter.]

5 DEPUTY ASSISTANT SECRETARY BROWN: Thank you.
6 I think it is an excellent letter.

7 CHAIRMAN LASZIEWICZ: Are there any other
8 comments on the letter?

9 MR. SWEATMAN: Just to help answer Jenna's
10 question, two trade associations that work together
11 [indiscernible] Association and the National Tooling
12 and Machining Association -- you have over 2,000
13 members combined. The survey that we did said that 80
14 percent of our members use Section 179. Sixty percent
15 use the R&D tax credit.

16 CHAIRMAN LASZIEWICZ: That is good to know.
17 Excellent.

18 Any other comments?

19 [No response.]

20 CHAIRMAN LASZIEWICZ: It seems that there are
21 not comments, that we have reached a consensus. If
22 that is the case, I would like to move for a motion to
23 approve the Tax and Export Compliance letter.

24 COMMITTEE MEMBER: So moved.

25 CHAIRMAN LASZIEWICZ: Do I have a second?

1 COMMITTEE MEMBER: Second.

2 CHAIRMAN LASZIEWICZ: All in favor of
3 approval, say aye.

4 [A chorus of ayes.]

5 CHAIRMAN LASZIEWICZ: The Tax and Export
6 Compliance letter is approved. Congratulations. The
7 SME tax letter is approved. Thank you, Vice Chair.
8 The letter is approved.

9 So we should now roll into the next tax
10 discussion, which is the tax and export compliance. I
11 believe, Steve, you are going to lead that discussion
12 also?

13 MR. BRAIG: Yes, and Jen is here who works
14 with Mark to support us and we have pulled the letter
15 together finally, so thank you again for your effort
16 there. Again, please jump in if you do have some
17 additional comments.

18 So this is the second part, the second leg of
19 our subcommittee, Trade and Export Growth. We believe
20 it is a fairly important subject as only about half of
21 all U.S. manufacturing companies currently are engaged
22 in exporting. So if we are to grow our manufacturing
23 activity, if we are to expand our manufacturing
24 activity, if we can get the other half to develop
25 markets outside our domestic market, then I think we

1 would be on a very good track.

2 Here also -- so we just had a little bit of a
3 discussion about SMEs and how they have different needs
4 and sometimes different dynamics from a larger C corp.

5 Also, 97 percent of all exporting companies are SMEs
6 and you will see that we have in the letter some
7 specific recommendations in how to support SMEs as
8 well.

9 So the letter has a little bit of a different
10 structure. What we decided on is we wanted to focus on
11 a high-level in the letter on five specific
12 recommendations. Then we decided in a supporting
13 document to brace the problem statement a little bit
14 and then have a specific recommendation. The first of
15 two pages are really at a high level.

16 So our first specific recommendation is --
17 when we go about these letters, we try to focus on
18 problems and then again, formulate a solution. I think
19 what we should not overlook is that, particularly, the
20 Department of Commerce has some excellent programs that
21 are all ready in place -- particularly in helping U.S.-
22 based companies in developing markets overseas such as
23 the Gold Key Program and many others.

24 So we wanted to capture that here, number one,
25 to make sure that these services really do provide

1 value for many, many companies. There have been
2 discussions about increasing fees for some of those
3 services, substantially so.

4 Our first recommendation is, again, we want to
5 acknowledge that a lot of these programs are excellent.

6 They are used by manufacturing companies and we should
7 try not to make them unaffordable, particularly if we
8 would like to get some of those very small companies to
9 start exporting their products. So that is the first
10 point. That is the first recommendation.

11 The second recommendation focuses on the
12 determination of U.S. -- as all of you probably know,
13 this metric is used in a lot of different areas from
14 qualification of insurance under the EX-IM bank for tax
15 credits, for exporting to countries where we have a
16 free trade agreement, the import duties on the other
17 end of the destination are being determined on the U.S.
18 content. So for any exporter, this is a very important
19 metric. It is also a very confusing and very ambiguous
20 metric. From a regulatory standpoint, it is in many
21 cases very, very burdensome to the extent that some
22 companies just like not to deal with it.

23 So there are many specific recommendations and
24 if you like, we can go through them, or if you have
25 some questions about it. There are many specific

1 recommendations such as the -- counting some of the
2 value-added process steps. If you look at how U.S.
3 origin is being determined, it really hasn't changed in
4 a very long time. So this was really based on a nuts
5 and bolts type product and how many bolts are made in
6 the U.S. Then we came up with a percentage, and that
7 is the U.S. content.

8 In the last 20 or 30 years, things as designed
9 -- software, assembly, these are all value-added
10 components to a product that is being exported. Again,
11 it is very ambiguous. It is not clear. In many cases
12 it is not even considered. We have a recommendation
13 there that these value-added intangibles, to some
14 extent, be considered in U.S. content -- U.S. --
15 determination as well.

16 Another recommendation is that companies that
17 have a very diverse and global supply chain -- Cisco is
18 represented in our subcommittee, BMW is represented in
19 our subcommittee. With having a very global supply
20 chain, we all like to have the flexibility to source a
21 part here and to source a part there. Under the
22 current rules, we have to certify each product alone.

23 What we are recommending here is that an
24 average be used, an average across the product line to
25 determine U.S. content which will provide more

1 flexibility in choosing the right product from the
2 supply chain and again, would vastly decrease the
3 regulatory burden of manufacturers.

4 You have seen the letter -- the Manufacturing
5 Council has seen the letter after the last conference
6 call from last Friday. Since then, Jen has added an
7 example. I don't know, Jenna, if everybody has the
8 newest letter, or the latest letter. Jen has also
9 added an example of what specifically we mean by that.
10 So that will be in our final proposed letter.

11 MS. PILAT: Yes. We printed it this morning,
12 so that should be in here.

13 MR. BRAIG: Okay. Thank you.

14 Our third recommendation is to negotiate new
15 and update/enforce existing free trade agreements. We
16 went a little bit in length here. There are several
17 subsections to this particular recommendation.

18 The first one is that we want it to be known
19 that on behalf of the Manufacturing Council, we fully
20 support trade promotion authority. I think it is an
21 absolute must for anybody negotiating these trade
22 agreements. So we wanted to go on record as saying
23 that we are in full support.

24 The U.S. has the largest manufacturing
25 economy. I believe we currently have about 30 or 32

1 trade agreements. If we compare ourselves -- Mexico
2 has over 40 trade agreements and we believe there is
3 room for additional trade agreements, such with
4 relatively large emerging economies like Brazil and
5 India. Particularly these two countries have a lot of
6 hurdles and a lot barriers for anybody exporting into
7 these countries.

8 From my particular business, being in the
9 automotive space -- I am sure you all read about the
10 expansions in Mexico by Japanese, by European OEMs.
11 Part of what they like about Mexico is, for example,
12 Mexico has a free trade agreement with Brazil. So a
13 car built in Mexico is not subject to the same duties
14 as it would be if it is made in the U.S.

15 So there is room for additional trade
16 negotiations, trade agreements. That is another
17 specific recommendation that we are making here.

18 Then in the context of any new trade agreement
19 negotiations as well as the existing TPP and the TTIP
20 negotiations, we really want to make the point that the
21 interests of U.S. manufacturing are accurately
22 represented. There are still a lot of IP issues, IP
23 protection that we can't get with countries like China
24 or others. Some members of our subcommittees, like
25 Dave Hastings who is not here today, faces direct

1 competition from subsidized state-owned enterprises in
2 some of these areas that we are currently negotiating
3 with.

4 So we are making the point here that the
5 interests of U.S. manufacturing companies are
6 appropriately considered in the negotiation and
7 finalization of these agreements.

8 In small -- this is number D, in the letter --
9 some smaller regulatory things where some countries
10 like Japan, for example, place undue burden on
11 companies that are exporting into that country from a
12 regulatory, from a language standpoint and we don't
13 have the same regulatory burdens for those countries to
14 import into the U.S. We are making a recommendation
15 there that we pay attention to some of those regulatory
16 issues.

17 We are also suggesting that the AGOA, the
18 African Growth and Opportunity Act, that it be
19 modernized and renewed because it also represents a
20 significant market for many of our member companies.
21 So that was the third recommendation.

22 The fourth recommendation -- although the
23 problem there has been a little bit alleviated -- we
24 strongly support the reauthorization of the EX-IM bank
25 charter more than just for nine months, making it

1 permanent. You will see quite a few examples there on
2 how the EX-IM bank helps, particularly, smaller U.S.
3 manufacturers in protecting and limiting some of the
4 financial risks in doing business abroad.

5 Thank you, Bill, for some excellent and very
6 detailed and explicit examples.

7 Lastly, we talked a lot on this Council over
8 the last two years about manufacturing extension
9 partnerships and how that can tie into the export
10 assistance program because there are a lot of wonderful
11 innovations and developments that have come out of
12 these partnerships. Again, here in the interest of
13 expanding U.S. manufacturing, we believe a link there
14 to the export assistance program can help some of these
15 ideas to develop foreign markets as well.

16 So that is in a nutshell the nature of our
17 recommendations. Anybody from our subcommittee or Jen
18 if you want to follow up on any of this or go into more
19 detail.

20 MR. GREEN: The one question I have -- first
21 of all, I really appreciate your statements on rule of
22 origin which is something I have tried to say. It is a
23 very complex topic.

24 I am not asking for a change. The one thing I
25 would just caution is as complicated as the topic is, I

1 think it would be problematic if it gets tied to all
2 ready complicated trade agreements. I think that those
3 topics are related, but I think the rule of origin one
4 can be solved without -- I would hate to see it get
5 held up because it is tied to a whole bunch of trade
6 agreements and so on.

7 MS. SANFORD: Can I comment on that?

8 CHAIRMAN LASZIEWICZ: Sure.

9 MS. SANFORD: Jen Sanford, Cisco. I work with
10 Mark Chandler who is on the Council.

11 That is a great point and that is the reason
12 that we talk about non-preferential rules of origin in
13 the letter. So that it is not tied to existing trade
14 agreements. It is not a subsection of the trade
15 agreement recommendation. It is actually a separate
16 section and the discussion is around non-preferential,
17 that it is not part of preferential trade agreement
18 rules of origin and how we use those resources.

19 MR. GREEN: Okay. Yes and my thing is I just
20 think that it should be addressed rules. The rules of
21 origin should be addressed. I appreciate what you are
22 saying and I think it is a really complicated topic.

23 As I said to you, Mike, in the letter that I
24 wrote to you all, that I think that that is a topic
25 that really should be dived into in the next Council

1 because it is an issue.

2 CHAIRMAN LASZIEWICZ: Just to comment on that,
3 this Council really focused on leveraging the work of
4 the previous council, but this is one of those areas
5 where we have stepped out a little bit looking at
6 exports including rules of origin is one of the areas
7 that we have just begun to investigate. I would also
8 like to suggest to the next council that this be a
9 continuing area of focus.

10 Just to give another example consistent with
11 what is done in the letter here, rules of origin need
12 to change in order to reflect contemporary designs and
13 contemporary manufacturing. If we truly want to
14 protect intellectual property and we value technology
15 and intellectual property, we have to find a way to
16 value software and firmware content in products. This
17 is critical.

18 Again, I think this is a great first step. It
19 is very meaty in terms of what we provide to the next
20 council. And I also would encourage the next council
21 to continue to focus on this case.

22 Do we have other comments?

23 MR. BRAIG: Just to follow up on Al's
24 comments. I don't know if you do have the latest --

25 MR. GREEN: If it is the one in the folder.

1 Yes, I've got it.

2 MR. BRAIG: Yes. So that was with the non-
3 preferential as Jen explained. We tried to separate
4 that. The specific recommendation that we make in here
5 is that a committee be informed or for the
6 international trade advisory committees, with input
7 from industry, that this subject is being researched
8 and discussed. It is so complex that we have refrained
9 from making any other specific recommendations here.

10 CHAIRMAN LASZIEWICZ: Claudine, you had a
11 comment?

12 MS. MARTINEZ: Yes. I just wanted to commend
13 the subcommittee on really focusing on the SMEs and
14 trying to increase that level and also increasing the
15 role of the MEPs, that the MEPs would play in
16 exporting. One of the things that I have learned
17 through my service on the council is that there is a
18 waiver process for those of us in the defense field,
19 for example, on ITAR provisions.

20 So my assumption, being a defense contractor,
21 is all of my products, all of our products that we make
22 are certainly subject to ITAR and would require an
23 incredible amount of scrutiny and regulation and so
24 forth. I have brought the best of the best of lawyers
25 in who are friends of mine from D.C. and they quoted

1 these huge rates to be able to commission this ITAR
2 program, et cetera, et cetera.

3 What I have learned through my service on the
4 Council is that you can pursue a waiver process which
5 shows that it is not on the munitions list and that
6 would open up a tremendous amount of exporting
7 opportunities, I think for SMEs. So I would encourage
8 the next council to expound upon your suggestions for
9 SMEs include the Department of Commerce trying to get
10 that Commerce list -- to get them off the list and in
11 the view of Commerce and have a waiver process be more
12 publicized and perhaps the MEP is one way to do that.

13 CHAIRMAN LASZIEWICZ: So, Claudine, that
14 comment is now on the record which is important. Do
15 you feel that there needs to be a modification?

16 MS. MARTINEZ: No, sir. I was just
17 recommending that for the next council.

18 CHAIRMAN LASZIEWICZ: Thank you.

19 Any other comments?

20 MS. SANFORD: Can I comment quickly?

21 CHAIRMAN LASZIEWICZ: Please. Please.

22 MS. SANFORD: In development of the paper,
23 there were certain times when export controls issues
24 would definitely arise. While we didn't treat it in
25 this paper, it may be something for the next council.

1 CHAIRMAN LASZIEWICZ: Yes, in the business I
2 work in we felt that pain this year. With some
3 assistance from Commerce we resolved it, but I would
4 agree that that is another, for the record, we should
5 advise the next council that that is an area for
6 consideration. Thank you.

7 Any other comments?

8 [No response.]

9 CHAIRMAN LASZIEWICZ: Do I have a motion to
10 approve the recommendations for the U.S. Manufacturing
11 Exports letter?

12 COMMITTEE MEMBER: Yes, I will.

13 CHAIRMAN LASZIEWICZ: Do we have a second?

14 COMMITTEE MEMBER: Second.

15 CHAIRMAN LASZIEWICZ: All in favor say aye.

16 [A chorus of ayes.]

17 CHAIRMAN LASZIEWICZ: Anyone opposed?

18 [No response.]

19 CHAIRMAN LASZIEWICZ: The letter is approved.

20 Okay. We're going to take a break from letter
21 authorization and I am going to hand the floor over to
22 Chandra. Chandra if you finish before the Secretary
23 arrives, I just want to give Greg Henschel a heads up
24 that you will follow Chandra and take us into the point
25 when the Secretary arrives.

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Okay, Chandra, you have the floor.

1 INTERNATIONAL TRADE ADMINISTRATION UPDATE

2 Chandra Brown, Deputy Assistant Secretary

3 For Manufacturing

4
5 DEPUTY ASSISTANT SECRETARY BROWN: Well, you
6 know me. I talk fast. I am the catcher-upper here.

7 I wanted to talk right after that letter
8 because it is so apropos for, obviously, all of the
9 work that we are doing in ITA. I just wanted to thank
10 you for -- that is an in-depth letter with a lot of
11 specific and a lot of actionable items. So it is a
12 great amount of stuff for us to look at as we move
13 forward.

14 Again, to echo your comments, Mike and
15 everyone else's, I appreciate there is also a lot of
16 depth for the next council in terms of even more
17 specific recommendations and things that I like because
18 it is much more in my control. So I really appreciate
19 that. I won't go into comments on each of these issues
20 except to say I know Phil is going to talk later about
21 MEP. We are working incredibly close with them.

22 Your comments on AGOA and things like Ex-Im
23 Bank and TPP, I am sure everyone here knows this, but I
24 will call it out again. Obviously, Secretary Pritzker
25 and every one of us all up and down the Commerce chain

1 have been huge advocates for all of the things that
2 you've talked about in here from TPA to Ex-Im
3 reauthorization in a longer, stronger, more consistent
4 way. So you are very much preaching to the choir.
5 Again, I know that goes without being said, but I
6 thought I would again put it on the record that we at
7 Commerce are certainly actively supporting many of
8 these recommendations already. So that it is I think
9 great news, but I believe there is more depth that can
10 be done.

11 Speaking of this, I thought when I looked at
12 this that the few brief things that I will talk about
13 from an ITA perspective is -- in this kind of goes back
14 to incentive prizes, although this is not an incentive
15 prize. It is actually a grant program. We do have one
16 small grant program at ITA called Market Development
17 Cooperator Programs.

18 For those of you that saw the news, the
19 Secretary recently announced eight nonprofit
20 organizations have received \$2.2 million in awards.
21 Basically these are public-private partnerships. We
22 don't give them to individual companies, so sorry
23 anyone here who would like to apply. However, we give
24 them to public sector like trade associations, chambers
25 of commerce have one these and they are all about

1 enhancing exports and working with you on your regional
2 level.

3 My favorite -- everyone here knows I love
4 metrics. One of my favorites is from 1997 through
5 2013, these MDC projects generated \$327 in exports for
6 every \$1 of MDCP award made. So that is the kind of
7 return on investment we like here. I think that is a
8 great very small -- the grants are roughly \$300,000, up
9 to that. So this isn't a big thing, but I think it is
10 a very important one. Again, particularly targeted --
11 although it is not only for SMEs -- it is anyone that
12 is in the trade association or the chamber. So it
13 benefits manufacturers as a whole.

14 So I would, again, advise you take a look at
15 that. They the announcements come out periodically.
16 It is, obviously, a competition. It is a hefty
17 competition, but again, not an overly burdensome
18 process. I know some people here are already involved
19 and are getting MDCP grants. So congratulations to
20 that.

21 The other thing that I think is probably most
22 important to touch on, again, as we look at helping
23 SMEs in particular increase their exports -- we've
24 talked about this a little bit before, but you know,
25 our group does a lot of reports and accessing big data

1 in ways to make it easier to digest and in the public
2 forum. So our top market prospects -- we have talked
3 about the renewable energy one which is already out.
4 But as you guys probably know, there are -- I don't
5 know how many more -- 16 or something more coming out
6 over -- they will be released hopefully in the
7 beginning of next year some time. So they are coming
8 out.

9 All of those will have the rack and stacks for
10 all of these different industry segments, including not
11 just manufacturing. I do want to be clear here. There
12 are services ones in there as well where they will do
13 all of the research and data on what we think are the
14 best markets for various segments.

15 I can, I think there is more that can be done
16 and there are more reports and more different levels
17 that we can go to, but I am pretty happy to say that
18 this is a standardized report that everyone here will
19 have access to and will be up and will hopefully be
20 helpful.

21 This is the one where I had given the example
22 previously about if you make solar panels and you want
23 to go to the middle east because you think they have a
24 lot of sun and a lot of money, we can be helpful in
25 saying this one country in the middle east is actually

1 the best. So we do all of the data and look at things
2 from a political standpoint and an economic standpoint.

3 Here is probably the best target market within the
4 middle east. So I think it is a very powerful free
5 tool and we obviously will be working with global
6 markets and our teams to get this data out. We'll have
7 a website up which will have all these reports. So
8 that is one.

9 We also have a couple of new reports that have
10 come out, jobs supported by state exports, U.S.
11 metropolitan area exports, again, lots of data. I
12 think most people here know this is the first state-by-
13 state report that we have done and we found that goods
14 exports supported 7.1 million jobs in 2013 and 3
15 million -- so not quite half of these export jobs are
16 in Texas, California, Washington, Illinois and New
17 York. So you have got five states contributing on
18 those taxes. Obviously, one of the goals we want is to
19 continue to expand on that and broaden that and deepen
20 that across the board. But there are some very
21 interesting information in those as well that are
22 available.

23 So I think those are probably the two -- I
24 would say -- most important things. But I would be
25 remiss if I didn't make a few concluding remarks on

1 just how great this council has been an obviously as a
2 previous person serving on the council, I just think
3 that when we look at these recommendations
4 holistically, these are probably the best that I have
5 seen. I just think you have truly taken to heart what
6 the Secretary had said about being actionable,
7 measurable, things in general that we can control.

8 You guys have had incredible leadership with
9 Mike and Mary. I think you all know that, as well as
10 all of the subcommittee chairs and it really has just
11 been an honor and a privilege. Again, I know we talk
12 about this a lot, but these recommendation letters read
13 by the Secretary -- have been read by the Secretary and
14 we will take very serious looks at these and moving
15 these forward.

16 Hopefully, as we've talked about before, be
17 measuring the outcomes of what gets implemented from
18 these letters that we have done in the past.

19 So with that being said, it has been a joy
20 working with everyone here. I encourage at least a
21 subset to be applying for the next -- I believe we
22 extended it; right, Jenna -- to November 14. So the
23 application process is extended. So send it out to
24 your friends, neighbors, relatives, anyone that is
25 good.

1 [Laughter.]

2 CHAIRMAN LASZIEWICZ: Chandra, thank you for
3 your feedback on the council. But just going back to
4 the export discussion, I know this is something that
5 you're passionate about and I appreciate your
6 leadership inside the Commerce Department.

7 The studies that you reference are good and
8 the subcommittee on exports used reports -- either
9 those reports themselves or similar and I think we all
10 agree that exports are a tremendous opportunity for
11 manufacturing. But as our subcommittee notes, it is a
12 very small percentage of SMEs that are exporting today
13 and those that do export don't have a lot of export
14 customers.

15 And if I had to put one word on the detail
16 that Steve just provided, it is really about
17 simplification. The SMEs, as Claudine and Steve and
18 others have noted, just don't have the administrative
19 resources to support the current regulatory and
20 administrative burden. So as you look at this issue,
21 not only leveraging these recommendations, but thinking
22 about having the administrators put themselves in the
23 shoes of a small business and have to really vet the
24 hours and the requirements and what is the return for
25 investment.

1 I mean, are some of the things that we are
2 being asked to do here really helping us to be as
3 globally competitive as we would like to be? So that
4 is a strong message I think the subcommittee has sent
5 to us as leadership and I want to amplify it. So thank
6 you for your leadership.

7 DEPUTY ASSISTANT SECRETARY BROWN: Thank you.
8 Complete agreement.

9 MS. WILLIAMS: Are those reports available
10 online? That you just discussed, by state and then --

11 DEPUTY ASSISTANT SECRETARY BROWN: Yes.

12 MS. WILLIAMS: And then --

13 MS. PILAT: And I can send them out in the
14 follow-up materials.

15 MS. WILLIAMS: Okay. Thank you.

16 MS. PILAT: To the extent that you guys have
17 been very helpful in the past in disseminating all of
18 the reports -- to the extent that you want to do that,
19 we encourage it. So thanks for sharing.

20 CHAIRMAN LASZIEWICZ: Just one other comment
21 before I ask Greg to present, we had a session I think
22 you are familiar with -- just for the record -- where
23 we as a group talked about our experience, what worked,
24 what didn't work and suggestions going forward.

25 I think to ensure that it gets on the record,

1 the strong feedback from this group was that outreach
2 to other stakeholders and influencers, whether it is
3 Congressional Delegations, the ex officio members that
4 are here, especially with the ex officio members. We
5 have had good two-way relationships where we leverage
6 their experience, but we also provided them our advice.
7 We see that as an important role.

8 And again, and advising the next council, we
9 would suggest that they can leverage as much of our
10 work as they would like. We hope that they do, but we
11 would advise them to advocate it more with key
12 stakeholders and influencers who can drive legislation
13 or policy that helps to implement these actions.

14 DEPUTY ASSISTANT SECRETARY BROWN: Absolutely.

15 And we appreciate the outreach. Again, I think this
16 council has been very great about going forward on the
17 Congressional and the other sides on all of these
18 issues and the letters that you have written.

19 I didn't really talk about manufacturing data
20 because other people are going to talk about it, but I
21 had an incredible time in Tampa, obviously, with Roy
22 and talking with --

23 CHAIRMAN LASZIEWICZ: Did he disappear the way
24 he does on his website or appear?

25 DEPUTY ASSISTANT SECRETARY BROWN: He was

1 leading great tours.

2 [Simultaneous speech.]

3 CHAIRMAN LASZIEWICZ: He leverages some great
4 technology on his website.

5 [Laughter.]

6 DEPUTY ASSISTANT SECRETARY BROWN: He has
7 great technology. So I started in Albuquerque with
8 Claudine and ended in Tampa with Roy. Again, what you
9 all have done for Manufacturing Day and the perception
10 of our workforce -- I know we haven't talked as much
11 about that yet, but the Manufacturing Day was an
12 incredible success. It was one of the favorite things
13 I have done recently.

14 CHAIRMAN LASZIEWICZ: Did we get our goal?

15 COMMITTEE MEMBER: We exceeded it.

16 DEPUTY ASSISTANT SECRETARY BROWN: Yes, we
17 more than hit our goal. We exceeded the goal.

18 So again, that was partly based on your
19 outreach and all of the things that you have done here.

20 So as a thank you back to the Council, you helped us
21 exceed the goal.

22 CHAIRMAN LASZIEWICZ: Very good.

23 DEPUTY ASSISTANT SECRETARY BROWN: So thanks.
24 It was a great time.

25 CHAIRMAN LASZIEWICZ: Very good.

1 DEPUTY ASSISTANT SECRETARY BROWN: We love it.

2 CHAIRMAN LASZIEWICZ: We have a few more
3 minutes. It will maybe cut your time short. I am
4 going to ask that we be respectful of the Secretary's
5 time and we will move to her when she arrives. But if
6 I could ask, Greg, if you would give us your update.

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1 DEPARTMENT OF EDUCATION UPDATE

2 Greg Henschel, Senior Research Analyst

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4 MR. HENSCHEL: Sure. Yes. I will do my part
5 to help catch up the agenda.

6 CHAIRMAN LASZIEWICZ: Thank you.

7 MR. HENSCHEL: I will be extra brief to give a
8 chance for you to ask some questions if you want to. I
9 will share with you a couple of things that we are
10 doing and I think you will see the reflection of some
11 of the recommendations you have in here to some extent.

12 The first is yesterday we met with a
13 contractor. We are launching an effort to set the
14 groundwork and begin work on an awareness campaign for
15 students about correct career and technical education
16 fields. There is a huge cultural bias in the country
17 against what was the old voc-ed, the dirty jobs and all
18 of that.

19 We believe that it is important for young
20 people to begin to orient themselves towards technical
21 education fields. We are hearing the demand for this
22 from not just for manufacturing, we hear about this
23 from energy careers, we are hearing about this from
24 healthcare fields, transportation -- I mean, this is a
25 big, big issue.

1 So what we want to do is start orienting
2 students starting in the ninth grade to embrace, to
3 appreciate the glamour and value and life-transforming
4 value of career and technical education fields. Of
5 course the foundation of this has to be with the
6 Federal Government based on good information and we are
7 accumulating, with a very good research partner,
8 quality research that stands behind the claims that we
9 would make that these fields are a vital interest of
10 great value to young people. And we want to begin
11 sharing this with students and their families and other
12 constituents. That is the first thing.

13 The second is that we found that where good
14 career and technical education programs are that are
15 successful at transitioning students through a
16 secondary program that prepares them to succeed in a
17 postsecondary program, higher ed program perhaps, in a
18 career and technical education field happens where
19 there is strong collaboration with industry, workforce
20 boards, local and state government, on all of those
21 factors. Where this works well, you can see there is a
22 consortium. A lot of communities don't know how that
23 works. How do you put that together and how do you
24 began to coalesce these interests?

25 So we have a series of webinars that we are

1 putting together. We will do I believe six webinars in
2 the next year. And do them in a way that they could be
3 archived and not so voluminous but short enough that
4 specific topics could be easily assimilated by playing
5 back these webinars. So I think you will see that we
6 are doing our part to support the recommendations. I
7 think there is a close correspondence with some of what
8 we are doing.

9 You have any questions? But otherwise that is
10 what I wanted to share.

11 CHAIRMAN LASZIEWICZ: Well, I guess my comment
12 would be -- maybe I should defer to Mary, but this I
13 think is very important to us at state and local
14 levels. What you are talking about are the types of
15 initiatives that we are seeing at the state level and
16 the better the coordination between state, federal,
17 Department of Education, local education and local
18 community leaders the more productive this activity can
19 be.

20 Mary, do you want to make a comment?

21 VICE CHAIR ISBISTER: Just to echo what you
22 said, Mike, that the mechanisms that really make this
23 work are at the regional and the state level. So where
24 we can make sure that the programs that are sponsored
25 by the Federal Government get to the right parts of the

1 state mechanism is the key piece there.

2 MR. HENSCHER: I think it would say that we
3 know that this isn't Washington beaming out answers
4 from here. What we wanted to do is create, in the case
5 of the first initiative, a set of quality materials
6 that could be adapted in different environments to
7 students to be utilized by people that want to carry
8 this message from the state and local workforce
9 leaders, education firms and those that are playing the
10 intermediary role of trying to support this. So we are
11 essentially trying to give them a good set of tools.

12 And then the webinars, I think, fit a similar
13 role. Not just how does this look globally, but how do
14 people do it. People don't want to know how you do it,
15 they want to know how do people like me do it. We want
16 to have some diversity in the different approaches that
17 we are sharing so good ideas can be shared.

18 CHAIRMAN LASZIEWICZ: Well, I want to open
19 this up, but I think what your work will do is support
20 our public perception of work. Your point -- we talk
21 about the public perception of manufacturing. That is
22 very much linked to the public perception of technical
23 education versus bachelor's degrees and the road-
24 mapping that allows you to transition from technical
25 degree, bachelor's degree and beyond that you are

1 proposing, I think, is useful and it is something that
2 parents and students don't understand.

3 So we do think it is important. I think our
4 Workforce Development Subcommittee will be interested
5 to see how your work progresses and workforce
6 investment councils around the country are going to be
7 interested in understanding what you are doing so that
8 you can coordinate.

9 MR. HENSCHER: Thanks, Mike.

10 VICE CHAIR ISBISTER: And it sounds like it is
11 also a bit of a mechanism to share some best practice.

12 So, I think, how you develop those programs that you
13 are planning to confer across the country is by,
14 hopefully, identifying and working with those examples
15 of very successful best practice.

16 MR. HENSCHER: Thanks and it will also be a
17 little bit of a learning experience for us about how to
18 do this. We are not good at this. So we are going to
19 come out of the gate and try to do something and get
20 some partners going and I think probably the next phase
21 of this can expand out and merge with some of these
22 other efforts.

23 MR. GREEN: One question is -- during the
24 Super Bowl, there are some local universities in Ohio,
25 University of Akron, Kent State, where I am from, they

1 did commercials during the Super Bowl. And it was
2 pretty effective.

3 Why not do something like that? I am just
4 sort of --

5 [Laughter.]

6 MR. HENSCHER: Because it is expensive. We
7 don't have the millions to put into that, but it is a
8 good idea.

9 MR. GREEN: But this a local university.

10 MR. HENSCHER: Oh, I see what you are saying.

11 MR. GREEN: It was a local university. That
12 was my thought. It has got to be too much money but
13 here is the University of Akron, Kent State, they both
14 did it during the Super Bowl. It was a local market.
15 Just wanted to throw it out there.

16 MR. HENSCHER: I think it is a great idea. I
17 think there are a lot of things that need to be done.
18 We need to get the message to people in a lot of
19 different ways.

20 MR. GREEN: That is a lot of people.

21 MR. HENSCHER: Yes. It is a great way to get
22 it out. Yes.

23 MR. FUJITA: These programs are very important
24 because a science education is the foundation for the
25 future of manufacturing. But at the same time, if

1 there are any programs from the Department of Education
2 to promote or improve the quality of science teachers -
3 - because I think both things have to go together to
4 truly promote science education and the importance of
5 manufacturing in this country.

6 I sit on the board of a private school in Ohio
7 and often I see that teachers who may not be truly
8 qualified to teach those subjects they are teaching,
9 therefore the students -- I am never taking this course
10 again. And then they are going to walk away from the
11 subjects forever.

12 So every time I see it, I think it is a
13 tragedy to this country. So we would have to have
14 these programs -- which is great. That is very
15 important. But at the same time I think we have to
16 promote discussions as to how to improve the quality of
17 science and mathematics teachers especially for junior
18 high school classes.

19 MR. HENSCHER: We do have some teacher
20 education programs that we support. A good example of
21 the problem is in the nursing field where you have a
22 hard time expanding nursing education programs because
23 those that have advanced degrees in nursing can make so
24 much more money in the nursing field than in teaching.

25 So those are deep structural issues about how we pay

1 teachers and the overall supply of people with the
2 science and technology background.

3 By channeling students early into the
4 technical fields, later when they mature and decide,
5 oh, this is something I want to go to, they don't find
6 out that, oh, now I need two years' worth of remedial
7 work in order to begin taking collegiate work and that
8 is a hurdle that a lot of students don't make it
9 through.

10 Part of the answer is getting kids excited
11 early about these things and getting them in career
12 oriented education not as a diversion from academic
13 advanced programs, but as a different means to obtain
14 advanced academic skills and have the option to go into
15 technical work in manufacturing or to continue their
16 education and become science teachers.

17 They should be supportive types of activities.
18 These should reinforce what we are trying to do in
19 science education.

20 DEPUTY ASSISTANT SECRETARY BROWN: A point I
21 might like to add on that, you might want to be looking
22 to -- we appreciate all of the great work the
23 Department of Education and the Department of Labor are
24 doing on these critical structural manufacturing
25 issues.

1 I was recently doing some women in
2 manufacturing talks and National Science Foundation is
3 also doing some really great work. The have a new
4 SciGirls program outreaching to young women at the
5 critical age when they fall out to keep them invested,
6 things with public broadcasting. So there are some
7 really great things out there.

8 I would recommend, again, as we all try to
9 work across agency -- as we know is difficult when it
10 comes to things like workforce. As everyone here
11 knows, the Secretary has said Commerce will be working
12 with the workforce, something it hasn't really done in
13 the past. So as we try to step that up and look at
14 this things, we need to keep looking -- to your point,
15 Mike -- with our kind of fellow ex officio, with NSF,
16 others that you might not think about it are also
17 dealing with this education and getting them younger,
18 earlier, quicker from the middle school level and on up
19 to your point, Rich.

20 MR. HENSCHER: Thank you.

21 MR. SWEATMAN: Is there a way that some of us
22 can be involved in helping you develop that --

23 MR. HENSCHER: Thank you. Let me take that
24 back. We would appreciate that.

25 CHAIRMAN LASZIEWICZ: Greg, you are really in

1 the sweet spot of the passion of this subcommittee and
2 I would encourage you -- you have got all of names and
3 contact information -- either best case examples or
4 programs or initiatives that individual members are
5 involved with in their region or in their industries, I
6 was strongly urge you to take advantage of this
7 membership.

8 MR. HENSCHER: Excellent. Thank you.

9 CHAIRMAN LASZIEWICZ: Carol, did you --

10 MS. WILLIAMS: No, no. I was making sure he
11 was --

12 MR. HENSCHER: I am sorry, Carol. I didn't
13 hear you.

14 MS. WILLIAMS: I was making sure that Roy was
15 being heard.

16 MR. HENSCHER: Okay.

17 MR. PAREEK: Let me also add to what Hiroyuki
18 said and what Roy said, looking at counselors as well,
19 in addition to the teachers. If the counselors have
20 primarily had liberal arts education, that's where
21 their tendency will be to drive more and more kids into
22 that.

23 Another demarcation is liberal arts versus
24 STEM, but also vocational. And if counselors are only
25 kind of directing the kids to get into colleges, then

1 we will lose the whole developmental skill trade and
2 creating a system to direct kids into -- trades as
3 well.

4 MR. HENSCHER: Thank you for this Shirish, we
5 want to develop materials for counselors, but really,
6 we have to first bring the counselors on board. In a
7 lot of places, they are saying, go in the military if
8 you are not going to go to college. So there are not
9 good messages, so we need to both influence them and
10 help them to influence others.

11 So that is the very top priority list of our
12 targets.

13 CHAIRMAN LASZIEWICZ: Greg, I want to jump on
14 that, though. I think you have to go a level higher
15 and as a father of a school counselor, I would say that
16 I know they would appreciate any investment we make in
17 them. But Mary and I have worked with our state
18 superintendent of public instruction and I think he
19 would tell you if he was sitting here that he has
20 learned a lot about manufacturing in the two years that
21 he has worked with us. I think you have got to start
22 at a higher level.

23 The administration of our school systems don't
24 necessarily see this as a responsibility of the
25 counselors because they don't understand the existing

1 economic-driven demands of the education system. So I
2 think the counselors are the easy target. I think the
3 tougher targets are helping administrators, senior
4 administrators understand the requirements that
5 counselors need to do more than behavioral assessments
6 and work with truancy. Those are all tough challenges
7 that our school districts face, but to the point that
8 you have made here, if we aren't helping young people
9 make career and curriculum decisions earlier, we aren't
10 going to be successful.

11 MR. HENSCHER: Thanks, Mike. If programs
12 aren't there, we can't channel our students into them.

13 CHAIRMAN LASZIEWICZ: Right. Thank you.
14 Excellent update.

15 Any other comments?

16 [No response.]

17 CHAIRMAN LASZIEWICZ: Madam Secretary,
18 welcome. Your timing is perfect.

19 SECRETARY PRITZKER: I don't know about that,
20 but I am here.

21 CHAIRMAN LASZIEWICZ: Well, we appreciate you
22 joining us. We have reviewed some of our work this
23 morning.

24 I know your time is limited. During your time
25 here, we are hoping that you can provide us with a

1 Commerce update and we will give you a brief Executive
2 Summary of our work over the last two years and
3 hopefully take any questions or comments that you might
4 have.

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1 DEPARTMENT OF COMMERCE UPDATE

2 Penny Pritzker, Secretary of Commerce

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4 SECRETARY PRITZKER: Terrific. Well first,
5 thank you everybody for first of all being here today,
6 but more importantly, your commitment to the group over
7 the past couple of years.

8 Your recommendations have been extremely
9 important and influential in a lot of the policy that
10 has been implemented and will be implemented. I have
11 reviewed a summary of your recommendations and I think
12 they are terrific. And one of the things I was just
13 talking with Jenna about -- and Chandra will help with
14 this as well -- how we follow up to try and make sure
15 that there is implementation of the recommendations.

16 Mary and Mike, I want to especially thank you
17 for your leadership. You have done a terrific job over
18 the last couple of years and it is definitely exhibited
19 both by the attendance, but also by the recommendations
20 that you have put forward. So I really appreciate
21 that.

22 I know that this council's term comes to an
23 end as of this meeting and I want to make sure that
24 those of you who are interested in serving again, you
25 let us know. And for those of you who have served and

1 feel that this is enough, I really want to make sure
2 you know we are very grateful to everyone in this room
3 for what you are doing.

4 It has been not only influential in what we at
5 the Department of Commerce are doing, but frankly
6 influential in the entire Administration's
7 policymaking, whether it is about skilled workforce,
8 whether it is about Manufacturing Day -- I know
9 Manufacturing Day was something you all got very much
10 behind very early as an idea as part of how do we
11 improve the image of manufacturing.

12 I went with the President to Indiana on
13 Manufacturing Day. We had 1,620 plus companies open
14 their doors, I think over 50,000 attendees. That was
15 double the number of the previous year. Frankly, we
16 will lay down the gauntlet again to try to up the ante
17 and try to double again. I think that that is a very
18 on the ground way to promote manufacturing.

19 Another thing that I know that you all have
20 been very supportive of, but I want to just really put
21 in an extra push on, is the National Network of
22 Manufacturing Institutes. Your support of NNMI has
23 been really critical.

24 We are going into a really important moment
25 which is the Reinvest in American Manufacturing and

1 Innovation Bill. It is at a critical moment on the
2 Hill during the lame-duck session. The White House is
3 going to lean in on trying to get that passed. While
4 it doesn't have money associated with it, it would put
5 the institutes in line to get money. It is very, very
6 important that that bill passes and frankly it is
7 really important for the Department of Commerce that we
8 get done in a lame-duck.

9 That would allow us then to put what I call
10 the glue between the institutes together which is
11 really an important function. Right now we have four
12 independently operating institutes kind of floating out
13 there and we want to create more sharing between them.

14 The President announced on Manufacturing Day,
15 the fifth pilot institute for integrative photonics
16 manufacturing which is very exciting. He has committed
17 to do eight as we are standing here and requested to do
18 up to 45. I know you all are really in favor of this,
19 but any push that you can give in your communities
20 would really be appreciated.

21 Why don't I stop there. I am interested in
22 hearing about the recommendations, more about that and
23 have more dialogue. But thank you all very much for
24 everything that you are doing.

25 CHAIRMAN LASZIEWICZ: Thank you, Madam

1 Secretary. I guess a couple of quick points I want to
2 make -- because we know you're busy -- and I want to
3 make sure as this council ends that you have a good
4 appreciation for the work of the council.

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1 EXECUTIVE SUMMARY DRAFT RECOMMENDATION

2 Mike Laszkiewicz, Council Chair

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4 CHAIRMAN LASZKIEWICZ: I think first off
5 you've made a commitment to us early that we would have
6 excellent support from the Commerce Department and
7 through Chandra and Jenna and Elizabeth Emanuel, who
8 has now left, we couldn't have asked for better
9 support. So the team did an excellent job working with
10 us and we very much appreciate that.

11 I think you also you asked us as members to
12 represent our firms, our industries, our geographies.
13 I think that was done and then more. This committee
14 and its membership truly took the public service
15 responsibility seriously. You have a diverse group of
16 manufacturing industries represented here. You have a
17 politically diverse group of people, diverse in many
18 ways, but very unified around our commitment to the
19 importance of the manufacturing sector to the U.S.
20 economy.

21 We are challenged, we believe, by workforce
22 and public perception issues. But we also believe that
23 there are substantial opportunities in our work. I am
24 going to give you some sound bites and I'm going to --
25 I hope you are okay -- the committees please feel free

1 to make specific comments, but I think the work of our
2 Workforce Development Subcommittee was excellent in a
3 couple of ways.

4 One, the committee leveraged the work of the
5 previous committee. Joe Anderson, as our previous
6 Chairman, helped us to focus on workforce and skills
7 development. Manufacturers yet today believe that this
8 is a critical challenge. It is one that we are all
9 committed to.

10 In addition to the recommendations that you
11 see here, these members through their work in local
12 communities, with school districts, trade associations,
13 bargaining units and other interested stakeholders have
14 been doing work over and beyond what you see in our
15 letter of recommendations to address skills and
16 educational challenges.

17 This committee then went a bit further, the
18 subcommittee, and looked to focus on the challenge of
19 public perception. We find that it is not just a
20 challenge with educators as we were discussing with
21 Greg before you came in, but it is a challenge with
22 parents, it is a challenge with community leaders who
23 don't understand contemporary manufacturing or its
24 requirements or its significance to the economy.

25 We have a bit of a myopic view and this is the

1 first work that I have seen by a major manufacturing
2 committee to look at putting forward a challenge
3 statement and then working with multiple organizations
4 on a public perception policy that we are hearing may
5 be beginning to take shape inside Commerce which is an
6 important part of our recommendation. So we think that
7 that is critical.

8 I guess I will ask Shirish if you have any
9 other comments or Mary, related to workforce?

10 MR. PAREEK: From day one, when we started
11 working on this committee, we broke our work down
12 between the perception side and the skill building
13 side. On the perception side, I am very encouraged,
14 Greg, to hear some of the work that has already
15 started. We are very much in line with creating
16 curriculum with the schools, developing programming for
17 perception building, but also, one of the key things
18 that we will be proposing is launching a national level
19 competition.

20 So initially, we said let's understand the
21 best practices that are out there. And then we backed
22 out -- we did understand, but instead of Washington
23 D.C. talking out and telling what communities and
24 companies should do, what we have come back with is
25 launching a national level competition where we are

1 inviting various industry groups, either aligned around
2 an industry or a regional group of companies to make
3 proposals very similar to the work that was done by the
4 National Network of Manufacturers Institute as well as
5 the manufacturing communities partnership.

6 That is very much in line --

7 SECRETARY PRITZKER: Proposals to do -- for
8 image? Or for --

9 MR. PAREEK: For skill development.

10 SECRETARY PRITZKER: Skill development.

11 MR. PAREEK: So how would a set of companies
12 who are struggling with finding the right skilled
13 workforce propose to bring 1 to 5,000 people or more to
14 meet the needs immediately as well as the future needs
15 of their industry groups.

16 CHAIRMAN LASZIEWICZ: So Madam Secretary,
17 specific recommendations were made and even some use
18 case examples that this subcommittee has put forward.
19 We are hoping that those get consideration and are
20 cascaded through other organizations of the government
21 if we can.

22 SECRETARY PRITZKER: So what I have asked
23 Chandra and Jenna to do is -- I am out of town next
24 week -- the following week take each of the
25 recommendations from all of the committees and let's

1 talk about a strategy for implementation for them.

2 CHAIRMAN LASZIEWICZ: And even though this
3 term ends, I can speak for all of the members that they
4 are available to support that activity if there are
5 calls or questions or other activities.

6 SECRETARY PRITZKER: Terrific.

7 CHAIRMAN LASZIEWICZ: The second issue that we
8 talked about was tax and export compliance. Again, tax
9 was a conversation and a set of recommendations with
10 the previous council.

11 It was extended to look at export
12 opportunities. I think on tax, though, a couple of
13 interesting points. I know that it is highly debated,
14 but the fact of the matter is that our manufacturing
15 sector still has the highest effective tax rates in the
16 world. While there are many challenges, in order to
17 increase our global competitiveness, our overriding
18 message is that needs to be addressed.

19 Where a deeper dive was done in this council
20 is that we looked specifically at the challenges of
21 small- and medium-sized enterprises, S corporations,
22 family owned businesses, they face tremendous
23 challenges. As a public corporation, I know my company
24 gets frustrated with our tax rates, but when you look
25 at the tax rates realized by SMEs that have to report

1 as regular earnings the taxes on their business and
2 they look at what could potentially have been done to
3 reinvest those dollars in their business to either
4 expand or expand and hire people, those are lost
5 opportunities and very specific details are provided in
6 our SME focused letter as areas that we think require
7 focus.

8 Beyond that, we also carried forward and did a
9 bit more work in this council on exports. You know,
10 the challenge there is that while we still lead the
11 world from a manufacturing perspective, we do not
12 export nearly as much that we have the potential to
13 export and especially with SMEs, we have a very small
14 percentage of SMEs that are exporting it all and those
15 that are exporting our only exporting to a couple of
16 firms. So again, Steve Braig, the subcommittee on tax
17 policy and export compliance lead this activity.

18 Their recommendations really focus on -- I use
19 the term "simplification". We all agreed that exports
20 are good for the economy, but making it easier to
21 understand the regulation, asking administrators to
22 really prioritize what is important and what we are
23 trying to protect versus the cost and challenge of
24 meeting export compliance in a dangerous world is a
25 tough challenge, we understand. But we need to make it

1 easier for SMEs to export.

2 Steve, would you like to add a couple of
3 comments?

4 MR. BRAIG: Yes, Madam Secretary, one item
5 that is not specific in the letter here, but that is
6 worthwhile talking about is the permanency and the
7 long-term visibility to some of those programs.
8 Research and development activities are long-term
9 undertakings by many companies, same as investment
10 policies, where to build new plants, where to expand,
11 where to invest. Some of these great programs,
12 obviously, come as an expense, come as a cost to the
13 treasury and I think long-term these programs should be
14 revenue neutral.

15 So in order to get that benefits of some of
16 these tax incentives, we ought to try to give
17 businesses the sense that these programs are going to
18 be here for years to come.

19 SECRETARY PRITZKER: Right. More certainty.

20 MR. BRAIG: Right. Right. Yes.

21 SECRETARY PRITZKER: I looked at the three
22 particular on the R&E and Section 179, 199
23 recommendations. Got it.

24 CHAIRMAN LASZIEWICZ: The next area -- while
25 all of our committees did a superb job, my impression

1 was our Innovation Research and Development team was
2 really led by some national experts on research and
3 development. Their work is outstanding. They
4 highlighted to us the important linkage between
5 manufacturing and innovation, reminding us that more
6 than half of the STEM related PhD's in the United
7 States are employed in manufacturing.

8 Again, going back to our public perception
9 problem, I don't think that that is something most
10 Americans understand, that manufacturing and technology
11 are intimately linked. There is a critical dependence
12 between the two. I will let Al and Susan make some
13 comments, but Susan, from General Motors, has helped me
14 to understand the importance of research and
15 development in the enabling of manufacturing processing
16 technologies.

17 What is interesting today is we focus our
18 research and development in this country on materials
19 and innovation and that is where the dollars are
20 primarily spent. Many developed nations that we
21 compete with are applying basic research and
22 development into manufacturing process. You are
23 limited if you can't manufacture the creative
24 innovations your product teams have developed.

25 In my opinion, Susan is a world leader in

1 manufacturing process and I think should be looked upon
2 for advice in this area in the future. But I guess
3 with that, I would like an Al and Susan to add a few
4 more comments if you will.

5 MR. GREEN: That was really well put, Mike.
6 Hearing you describe it that way makes me feel like we
7 have got in front of the messenger -- across of the
8 importance of what Susan described as a common
9 understanding of manufacturing R&D and the importance
10 of manufacturing R&D, which you put very well.

11 The other point I would make, Madam Secretary,
12 is just that in our first letter we did comment on our
13 strong support of the NNMI network. One of the areas
14 that we did stress was the importance of close
15 collaboration between integrators and suppliers.

16 I think NNMI is an important mechanism where
17 that can happen because that is certainly important
18 that both participate all the way through. So that is
19 the only other item I would add.

20 CHAIRMAN LASZIEWICZ: Susan?

21 MS. SMYTH: Okay. I am going to just echo
22 everybody. There is not a common understanding that
23 manufacturing R&D is fundamental R&D. It is not
24 continuous improvement. It is not manufacturing
25 engineering. It is not bringing production levels to

1 scale.

2 R&D investment in tools processes and
3 equipment, the invention of new tools processes and
4 equipment is required to exploit the existing high
5 levels of the investment that we are making in R&D and
6 materials and end products.

7 We think there is an opportunity to modify
8 existing programs to explicitly call out manufacturing
9 R&D components and programs such as, but not limited
10 to, NNMI because quite frequently we confuse products
11 and materials with the ability to actually make them.
12 I think if I had to put something on a coffee cup, I
13 would say manufacturing R&D is not about making to
14 scale, it is about making it real.

15 SECRETARY PRITZKER: So one of the reasons why
16 it is so important to pass the Reinvest in American
17 Manufacturing and Innovation bill is because right now
18 the pilot subjects are chosen by the government. The
19 fundamental difference -- there are two major reasons
20 that I, sort of, cutting through it all -- why the bill
21 is so important.

22 One is industry will then get to basically
23 voice what should the innovation subjects be. And
24 second that they will create a network because right
25 now there is no network. So there is no sharing

1 between the various pilots right now.

2 So those are two very fundamental -- it is not
3 that the subjects that have been chosen are bad or
4 wrong, it is just the things that you want to get at
5 probably won't be what the Department of Energy and the
6 Department of Defense who are paying for this right now
7 are going to say are important. And that is really
8 fundamental and important and something that I think is
9 lost because everybody is like, well, the pilots are
10 happening. So what is the big deal?

11 But it is a very fundamental difference. And
12 I applaud the President for pushing them to happen.
13 Because the "we can't wait attitude" is right, but
14 there is a very important difference and this bill has
15 bipartisan bicameral support which is not often the
16 case.

17 So, Mike, unfortunately I have to go, but I
18 would say the work that you have done -- this is not a
19 report that will gather dust on the shelf. This is
20 about -- I think the next council will get formed in
21 December and meet in January, but in the meantime I
22 have asked Chandra and Jenna to let's put together how
23 are we going to begin the implementation even in the
24 interim period.

25 So this is very important as I said to all of

1 you when we started, when I first joined you. The work
2 is really, really important. It is influencing policy
3 decisions regularly. So I really appreciate the
4 specificity. I appreciate your service to your
5 country. We know it is not easy to be here multiple
6 times a year. I know it is time away from your
7 businesses. I know it is about something that is
8 bigger than any one of your businesses and the
9 collective wisdom is really valuable to us.

10 So thank you all very much. I appreciate it.

11 CHAIRMAN LASZIEWICZ: Thank you for your time
12 this morning.

13 VICE CHAIR ISBISTER: Thank you.

14 CHAIRMAN LASZIEWICZ: So if I could, I would
15 like to just finish with a few comments on energy and
16 what I did was subtly walked our committee through the
17 summary letter that also requires review and approval
18 by this council. And Carol I am going to ask for your
19 help on energy, but I think if I could start -- and
20 what I wanted to tell the Secretary, Carol, I am sorry
21 I didn't get a chance to -- is that energy is of
22 critical importance to the manufacturing sector of the
23 economy. I think manufacturing today is very focused
24 on energy conservation. They have to be.

25 This is a substantial cost in the operation of

1 manufacturing businesses and it is an area that
2 requires continued focus. I believe the primary
3 recommendations here are that one of the challenges
4 when considering energy policy is the access to good
5 solid data that we would be familiar with in businesses
6 to make decent decisions and establish our pathway
7 forward.

8 And lacking some of that, there are specific
9 recommendations included here to Commerce and Energy
10 for action around analysis to provide to the next
11 council for decision-making. I hope I got that summary
12 right, Carol, but I would appreciate your comments.

13 MS. WILLIAMS: I think you summarized it well.
14 The data is very clear that just as in tax policy when
15 things are volatile and changing, our jobs went down,
16 our exports evaporated as a country almost.

17 So the tie between manufacturing and energy is
18 strong. So understanding what the jobs creation impact
19 is, understanding what the economic impacts are and
20 helping that to drive policy for the future was what we
21 asked for more connection to make happen. So we still
22 think it is critical and we think that having that
23 partnership with the next council would make sense so
24 it doesn't just get dropped.

25 CHAIRMAN LASZIEWICZ: Thank you. In

1 conclusion of the letter before I open it up for
2 comments, in reviewing this over the last few days --
3 for the record I would like to read the last paragraph
4 of the letter and then ask Mary and the rest of the
5 committee for comments.

6 I think after two years the message that we
7 want to send is that manufacturing is responsible for
8 producing the goods that defend our nation, sustain our
9 lives and improve the quality of life, quite frankly,
10 worldwide. Manufacturing supports quality jobs and
11 positively impacts the economy and the balance of
12 trade. It grows wealth for employees and employers
13 alike. The United States enjoys a proud tradition as a
14 global leader in the manufacturing sector. We hope--we
15 encourage, I should add--the Department of Commerce and
16 the Administration will support and implement these
17 recommendations to ensure our nation's manufacturing
18 competitiveness by responding to the challenges facing
19 U.S. manufacturers at home and abroad.

20 So that is the summary paragraph and I took
21 the Secretary through, I would say, the sound bites of
22 the letter and our work over the last two years. I
23 would appreciate Mary's comments and then an open
24 discussion of the letter and possible modifications
25 before requesting a review and approval.

1 Mary?

2 VICE CHAIR ISBISTER: Thanks, Mike. The only
3 thing I would add that there are two appendices that
4 join the letter. One that talks about forward thinking
5 activities and it is a summary of the council's
6 recommendations for activities in the next act and then
7 some additional data that was provided, particularly,
8 by the Energy Subcommittee to support their
9 recommendation that, in particular, one non-carbon
10 source of alternate energy, solar in particular, be a
11 potential topic for further exploration for additional
12 council review.

13 So I think those appendices provide a good
14 starting place for the next council and one would hope
15 that this document, this letter, will be also a good
16 summary of the work thus far so that the next council
17 has an opportunity to really hit the ground running.
18 As we talked last night, there is some urgency. So
19 there are two more years of this current Administration
20 and there is some urgency that fairly quickly
21 additional recommendations be put forward so that we
22 are in a position to actually make a difference.

23 So hopefully, this letter is helpful in that
24 vein.

25 CHAIRMAN LASZIEWICZ: I would like to open up

1 comments on the letter to the floor.

2 MS. BARRETT: Well, first of all, thank you
3 very much to Mary and Mike for your leadership. It has
4 been outstanding. I don't know how you do it to herd
5 all of us as cats and create such an eloquent and well-
6 synthesized level of summary for our recommendations as
7 a council.

8 The only comment I had was really to the IRD
9 summary and I throw it out to my committee members as
10 well. We discovered through our roundtables that there
11 was some confusion in our terminology used around the
12 need for collaboration and visibility on manufacturer's
13 capabilities.

14 We had originally stated it in our first
15 letter as a directory targeted towards procurement
16 officials, but as we had further discussions in our
17 regional roundtables, we realized a better terminology
18 may be around R&D collaborators so that the framing of
19 this directory and this mechanism would be more around
20 identifying potential R&D collaboration partners, not
21 around finished good procurement sourcing.

22 CHAIRMAN LASZIEWICZ: Yes. That is right.

23 MS. BARRETT: So one question back to you
24 would be whether it makes sense to sort of modify the
25 language to reflect our learnings?

1 CHAIRMAN LASZIEWICZ: I would encourage the
2 modification because I thought that point came out loud
3 and clear in your update and I thought it was an
4 excellent update. We might have missed that. So we
5 will wait to see if there are any comments, but I guess
6 I would be fine with the IRD Subcommittee approving the
7 letter with the intent that the IRD Subcommittee will
8 make a modification that reflects that change.

9 MR. GREEN: Yes. That was definitely
10 something we agreed on so we are in full support of
11 that change in the language.

12 CHAIRMAN LASZIEWICZ: Okay. Thank you.

13 Other comments?

14 [No response.]

15 CHAIRMAN LASZIEWICZ: Okay. Now going to need
16 some coaching here. I believe what I'm asking for is a
17 motion to approve the letter with the IRD Subcommittee
18 modifications we have just discussed. I am looking for
19 a motion.

20 COMMITTEE MEMBER: So moved.

21 CHAIRMAN LASZIEWICZ: We have a motion. Do I
22 have a second?

23 COMMITTEE MEMBER: Second.

24 CHAIRMAN LASZIEWICZ: And a second. With that
25 and with the modifications from the IRD Subcommittee,

1 our two-year summary of work and a letter of
2 recommendation to the Secretary of Commerce is
3 approved. Thank you.

4 All right. It is good Matt showed up.

5 MR. SWEATMAN: Don't we need to take a vote?

6 DEPUTY ASSISTANT SECRETARY ERSKINE: Oh, geez.

7 [Laughter.]

8 CHAIRMAN LASZIEWICZ: All in favor -- Roy,
9 thank you. If I were going to stay, I would make you
10 sit next to me. Because that is the second time -- so
11 I apologize.

12 All in favor say aye?

13 [A chorus of ayes.]

14 CHAIRMAN LASZIEWICZ: Opposed?

15 [No response.]

16 CHAIRMAN LASZIEWICZ: Okay. The motion is
17 approved. Thank you. Thank you, Roy.

18 Okay. Matt, thanks for joining us. We are
19 going to go right into your update.

20 I guess a couple of things for the remaining
21 ex officio. I am going to ask that you keep your
22 updates prompt and the closer you can link them to our
23 letters of recommendations and the work we've done
24 together, it is much appreciated. We do have a hard-
25 stop ahead of us and a few members that need to be

1 leaving fast and quick to catch flights. So thank you
2 very much for joining us.
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1 ECONOMIC DEVELOPMENT ADMINISTRATION UPDATE

2 Matt Erskine, Deputy Assistant Secretary
3 of Commerce for Economic Development
4 and Chief Operating Officer

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6 DEPUTY ASSISTANT SECRETARY ERSKINE: Thank you
7 very much. It is good to be here. Good morning.

8 A quick update from the Economic Development
9 Administration here at Commerce and I think it does tie
10 into the great work of this Council. As I think you
11 are no doubt aware, EDA and Commerce have been leading
12 the Administration's approach to accelerating the
13 resurgence of manufacturing here in the United States
14 mainly through our Invest in Manufacturing Communities
15 Partnership or IMCP.

16 I talked to this council before about it but
17 just as a refresher, it is an initiative of the
18 Administration that, again, is accelerating the
19 resurgence of manufacturing in regions across the
20 country designed to reward communities that best
21 highlight their strengths and assets and demonstrate
22 that they can combine their efforts around workforce
23 training, infrastructure and resource centers and
24 implement an economic development plan that will
25 attract, retain and expand manufacturing investment.

1 So through IMCP, more than 13 agencies across
2 the Federal Government are working together to
3 coordinate how the Federal Government supports
4 manufacturing regions, supporting the creation of
5 economic development strategies that recognize a
6 community's comparative advantages as a place to do
7 business, encouraging the interagency,
8 intergovernmental public-private collaboration to
9 expand the communities' appeal to industry, again,
10 synchronizing our federal dollars to maximize taxpayer
11 return on investment. And build the strong and durable
12 industrial ecosystems in these regions, again, aligning
13 industry needs for worker training, research, supply
14 chain, capital access, infrastructure and trade.

15 So we, of course, launched the first phase of
16 this in terms of the designation. We received nearly
17 80 applications and it was -- I tell you the quality
18 and the number were so impressive that it was very
19 difficult to choose only 12 communities for the
20 designation.

21 At the end of last May, Commerce Secretary
22 Pritzker announced the first 12 communities to be
23 designated as manufacturing communities: Southwest
24 Alabama, Southern California, Northwest Georgia,
25 Chicago Metro Region, South Kansas, the Greater

1 Portland Maine Region, Southeastern Michigan, the New
2 York Finger Lakes Region, Southwestern Ohio Aerospace
3 Region, Tennessee Valley, Washington Puget Sound and
4 Milwaukee were the first 12. We are excited to
5 announce that at the end of this month, we are holding
6 the first IMCP Summit here at Commerce on the 30th and
7 31st and we have invited not only the 12 designated
8 communities, but the additional 80 or balance of the 80
9 that applied because we want to continue the momentum.

10 We received quite a bit of unsolicited
11 feedback from the communities who applied saying that
12 the very act of applying and through IMCP it brought
13 the regions together in a way that they had not come
14 together before in terms of partnerships that were
15 formed. So the summit, again, will be on the 30th and
16 31st. Right now we have 126 registered participants
17 from 100 organizations and I would like to ask if I
18 could make a request of the council to help us in terms
19 of our outreach.

20 So for those organizations in your communities
21 and your regions who would like to attend, it is very
22 easy. Just go to EDA's website at EDA.gov. There will
23 be a registration tab on there for the summit and it
24 will be a combination of roundtables, panels, but also
25 extensive areas for the organizations from the regions

1 to talk to many federal partners in terms of how to
2 access federal resources and federal technical
3 assistance as well as displays of the 12 designated
4 communities to encourage that best practice sharing.

5 So over the day and a half, we hope to have a
6 lot of value come out in terms of connections, but also
7 hearing from both industry and government individuals
8 on how to accelerate manufacturing.

9 The last thing I would say, Mr. Chairman, is
10 at the summit or soon thereafter we are going to be
11 announcing the next round of designations, another 12
12 designated communities for the second phase of IMCP and
13 we will make sure that this council gets all of that
14 information. The interest is been very high and we are
15 excited to move forward with this initiative. So thank
16 you very much.

17 CHAIRMAN LASZIEWICZ: Matt, thanks for your
18 update. It is actually the Milwaukee Seven. So it is
19 a seven-county district of Southeastern Wisconsin. It
20 is a large manufacturing segment.

21 Because of the involvement Mary and I have
22 locally, we are familiar with the program.

23 VICE CHAIR ISBISTER: He is being modest in
24 saying that we are at the chair and vice chair of the
25 Next-generation Manufacturing Council that oversees our

1 IMCP designation.

2 CHAIRMAN LASZIEWICZ: Yes. Thank you, Mary.

3 But, Matt, the feedback I would give you is
4 that I think as you use this forum that you were going
5 to have, one of the pieces of feedback I would give you
6 is it does encourage great collaboration within
7 communities and you can see the collaboration it is
8 starting to create among government agencies. Our
9 representative is from the EPA.

10 I think the challenge, though, is that all of
11 the representatives of this program from the various
12 departments, they really have got to be on their game.

13 They have to understand the program. They have to be
14 advocating it internally.

15 And two things -- we have to walk the talk.
16 If the designation is going to influence granting
17 decisions, it has to. And that means the agencies
18 issuing the grants have to be familiar with the
19 program, understand the criteria and kind of the
20 prequalification process your IMCP designations
21 provide. I think that is point number one.

22 Point number two -- we have emphasized in
23 Southeastern Wisconsin and I would encourage all
24 members who are involved, this is a manufacturing
25 initiative. It is not an urban development initiative.

1 It is not any other -- it is not anything else.

2 Now, the outcomes of strong manufacturing
3 communities could be urban development, minority
4 employment improvements, all of these things but we are
5 emphasizing to the folks who want this designation when
6 applying for grants in our region that you have to
7 demonstrate the linkage to manufacturing. I am asking
8 that you and the Commerce team do the same on the
9 Commerce side.

10 So I am sorry I am pretty passionate about
11 this because I have got a foot in both camps, this
12 committee and in Southeastern Wisconsin. I think
13 that's true with other members here also.

14 Mary, any other comments?

15 VICE CHAIR ISBISTER: Just that absolutely
16 everything that Mike said and the fact that what we
17 have seen it do for our region is create a huge amount
18 of momentum and really facilitate the collaboration
19 that creates the scale that is often necessary to make
20 real things happen and it brings different stakeholders
21 to the table who otherwise would be acting very
22 independently and almost by the nature of how this is
23 organized forces them to figure out how to work
24 together and sometimes not for their own interests, but
25 for the interests of the collective good. What a great

1 mechanism to do that.

2 So it has absolutely been a very positive
3 thing for our region and we really look forward to
4 working through what it will take to make the
5 difference there.

6 CHAIRMAN LASZIEWICZ: Thank you, Mary.

7 MS. MARTINEZ: Mike and Mary, I would just
8 like to say thank you very much on behalf of the
9 Albuquerque and Southwestern Region. We just held a
10 Southwestern Regional Roundtable at our facility in
11 Albuquerque and we put in an application and
12 unfortunately were not one of the successful 12, but I
13 really appreciate you including all of the applicants
14 in this particular program that is coming up as well as
15 having a subsequent round.

16 We heard from, I think, five different
17 participants in the roundtable actively participated in
18 submitting the application and it really was a catalyst
19 to bring the community together and get us probably
20 where we need to be to hopefully be successful in the
21 next round. I am sure we will learn quite a lot.

22 I really appreciate you taking the extra time
23 to go past the 12 that selected. So thank you very
24 much.

25 DEPUTY ASSISTANT SECRETARY ERSKINE: Thank

1 you.

2 CHAIRMAN LASZIEWICZ: Are there other
3 comments? This is a very closely related program to
4 our work. So any other comments?

5 [No response.]

6 CHAIRMAN LASZIEWICZ: Matt, thank you very
7 much. I want to thank you. You have been a very
8 regular participant in our meetings. I know that there
9 are lots of challenges, but we appreciate your ongoing
10 participation.

11 DEPUTY ASSISTANT SECRETARY ERSKINE: Thank you
12 very much. I appreciate being here.

13 CHAIRMAN LASZIEWICZ: okay. I think the next
14 update is from Libby. Nice to see you again, Libby --
15 Energy update.

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1 DEPARTMENT OF ENERGY UPDATE

2 Libby Wayman, Director

3 Clean Energy Manufacturing Initiative

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5 MS. WAYMAN: All right. Thank you for having
6 me.

7 The Department recognizes this committee's
8 focus on advising the Department of Commerce, but at
9 the Department of Energy, we couldn't agree with you
10 more that manufacturing and energy are inextricably
11 linked. This is also a particular intersection that is
12 a priority for the White House as well.

13 As a result, Secretary Moniz and the White
14 House have designated manufacturing as one of the
15 Department of Energy's crosscutting priority focuses
16 across the entire Department. So that has been a new
17 update since I saw you last.

18 So we would particularly like to thank this
19 council for dedicating a committee of experts to make
20 specific recommendations and as those recommendations
21 have relevance to the Department of Energy as well as
22 the Department of Commerce, I would be happy to follow
23 up off-line for specific thoughts. But you have
24 already, certainly, inspired and advised the efforts
25 that are ongoing and some new efforts at the Department

1 of Energy which is what I would like to update on
2 today.

3 So as part of this new DOE-wide integrated
4 strategy on manufacturing, some of the things that this
5 council has definitely informed and some priorities
6 that you all have been advising and monitoring -- some
7 updates include on the NNMI Institutes that are being
8 created by the Department of Energy. We have made
9 substantial progress toward our next solicitation.

10 Earlier this summer, we issued a request for
11 information and received many, many very detailed
12 thoughtful responses including some responses from
13 organizations represented by this council. So we thank
14 everyone for their input on technical topics for
15 consideration for the next institute topics.

16 Since then, we've held a workshop with the
17 Department of Defense. Four topics that came out of
18 those recommendations from the requests for
19 information, those topics -- this was just last week in
20 Texas. The topics from the Department of Energy
21 include process intensification which really means
22 taking advantage of our new energy abundance and energy
23 resources, understanding how we can intensify chemical
24 processes so that they can be more modular to take
25 advantage of the distributed nature of some of our

1 natural gas and oil resources.

2 Also advanced materials --

3 CHAIRMAN LASZIEWICZ: Libby, I'm sorry on that
4 but an important point we hear in this area of focus is
5 that this market is moving so fast that sometimes the
6 developers of these technologies don't move as quickly
7 as they probably should to protect the technology that
8 they are developing.

9 In that process, are you encouraging companies
10 in the industry to pursue intellectual property
11 protection for their technologies?

12 MS. WAYMAN: We are definitely -- IP,
13 intellectual property protection is one of the most
14 rich conversations in all of our innovation efforts.
15 In the NNMI Institutes, in particular, we actually ask
16 the proposing teams to come to us with the best model
17 that they can propose for IP protection and for
18 spurring IP creation across the members of the
19 proposals.

20 And then once the kind of selected applicants
21 -- once an applicant is selected, we then work with
22 them to refine their IP proposal, their IP model
23 proposal.

24 CHAIRMAN LASZIEWICZ: Okay. Thank you.

25 MS. WAYMAN: The second topic, I think,

1 following on some points by Susan is advanced materials
2 manufacturing. So that is not just the development of
3 materials or the identification of new materials, it is
4 really focusing on understanding processing and effects
5 of unused performance on materials. Such that
6 materials can be developed with shortened timelines, we
7 can develop computational and synthesis tools to
8 understand process development better such that they
9 can also be accelerated to our full qualification in
10 components.

11 The third area is advanced sensors for process
12 control. And the fourth area is large dimension 2D
13 manufacturing, including roll to roll.

14 So we just held this workshop. There will be
15 proceedings coming out shortly and we hope to then take
16 the synthesis of the workshop and release the next
17 solicitation in a few months.

18 We have also been working with Commerce and
19 other agencies, working on the NNMI on the RAMI bill
20 that Secretary Pritzker discussed and on other kind of
21 network issues in advance of the RAMI bill. So we are
22 definitely trying to do what we all can within the
23 Administration to implement not only the institutes,
24 but the effects of the network.

25 The second area I wanted to update on is in

1 our loans program. We have opened two new
2 solicitations that I think are of interest to this
3 group. One, the advanced technology for vehicles
4 manufacturing solicitation, has been reopened. An
5 important development is that it has been extended to
6 supply chain companies. So that loan authority now
7 includes loans to small- and medium-sized companies and
8 tier 1, 2 and 3 suppliers. So they go beyond just the
9 large OEMs.

10 The second loan solicitation that was recently
11 opened is for manufacturers to implement energy
12 efficiency practices and combine heat and power. So
13 that was another new development that I think is very
14 much in line with the committee's recommendations.

15 In the course of developing a strategy for the
16 Department of Energy for manufacturing, we have not
17 only focused on building on some of the existing
18 authorities and existing programs like I mentioned, but
19 we also have opened up the doors to input -- I have
20 briefed this council and many of you have been involved
21 in other RFIs and other engagement activities that we
22 have had.

23 I just wanted to report back on some of the
24 challenges that we heard from that that we are moving
25 rapidly toward developing --

1 CHAIRMAN LASZIEWICZ: Libby, I apologize.
2 Please make these quick because we have two more
3 letters that we are going to have to --

4 MS. WAYMAN: Sure. I will just list a quick
5 couple of topics.

6 On the analysis front, we are kind of
7 designing a new analytical effort. I look forward to
8 following up with you on that.

9 CHAIRMAN LASZIEWICZ: Very good.

10 MS. WAYMAN: Some IP considerations we are
11 looking at developing further and some efforts on
12 scaling innovations to manufacturing. That is probably
13 the trickiest for the Department to tackle, but it is
14 definitely something that we heard loud and clear from
15 various channels. So we appreciate all of the input.

16 CHAIRMAN LASZIEWICZ: Thank you.

17 MS. WAYMAN: Thank you.

18 CHAIRMAN LASZIEWICZ: Thank you for being
19 expeditious at the end.

20 Any questions for Libby in a minute or two?

21 MR. FRIESEN: Maybe just a comment to reflect
22 your question about IP. The DOE has actually made
23 really great strides on that front.

24 We were just recently awarded another RP grant
25 which is a part of the Department of Energy and we were

1 able to successfully renegotiate our budget to include
2 a much larger piece for tech to market that was for --
3 specifically around patenting fees.

4 As far as I know, it is the largest sort of
5 carve out specifically for patent protection of any DOE
6 program. So that is an entirely new framing for -- and
7 DOE in general. Going back five or six years, that
8 would have been totally impossible, where anybody would
9 have \$3,000 or \$4,000 to spend on patent prosecution.
10 We had over \$100 thousand now on this project just for
11 that which is, obviously, meaningful from the point of
12 view of protecting what the taxpayer is investing in.

13 CHAIRMAN LASZIEWICZ: And my comment was in a
14 little different space in that if you go into the oil
15 fields today, Bakken or in West Texas, you have
16 literally hundreds of engineering firms that are at
17 breakneck pace developing technologies to improve the
18 energy efficiency, the output efficiency of oil
19 production.

20 They move so fast that they don't always spend
21 the time that the need to protect their IP. And these
22 are technologies that could easily be exported to other
23 parts of the world and it would be to their advantage,
24 it would be to the U.S. export advantage to find a way
25 to make sure we help enable them.

1 MR. FRIESEN: If you don't mind, just one more
2 comment.

3 CHAIRMAN LASZIEWICZ: Sure.

4 MR. FRIESEN: I think one of the things that
5 will be really important for the next Council, as a
6 comment, is if there is to be a subcommittee on energy
7 which I strongly suggest that we have that, I would
8 like to see a much stronger connection between what the
9 DOE efforts are on manufacturing -- the things that
10 Libby leads along with Mark Johnson and this committee
11 -- if we serve to sort of channel through some of the
12 attendant political and bureaucratic issues between the
13 departments. So I just wanted to put that on the
14 record.

15 CHAIRMAN LASZIEWICZ: Thank you, Cody.

16 MR. GREEN: I have a very quick question.

17 CHAIRMAN LASZIEWICZ: Sure.

18 MR. GREEN: The four topics that you --
19 process intensification and so on -- are those topics
20 for future NNMI's? Is that?

21 MS. WAYMAN: They are topics that have been
22 under consideration.

23 MR. GREEN: Under consideration. Okay.

24 MS. WAYMAN: That have come in through RFI and
25 other --

1 MR. GREEN: I Understand. And then the second
2 really quick points, one of the things that the IRD
3 Subcommittee had talked about was evolving the role of
4 natural labs in supporting manufacturing -- I don't
5 think there is enough time to comment on that, but I
6 would encourage in the future to make some statements
7 about that.

8 It is a very big topic. It is an area that is
9 not under DOC, but I think that it is a question that
10 should be addressed in the future in another session.

11 CHAIRMAN LASZIEWICZ: I think emphasizing the
12 importance Cody has placed on energy being on the next
13 agenda, but better collaboration maybe with the
14 Department of Energy --

15 [Simultaneous speech.]

16 MR. GREEN: You have a huge resource.

17 CHAIRMAN LASZIEWICZ: -- and the committee on
18 what to focus on.

19 MS. WAYMAN: Without fully addressing that
20 point, let me just kind of echo some remarks from the
21 Secretary of Energy, Secretary Moniz. At our summit a
22 couple of weeks ago, he said, "the labs are open for
23 business". That was kind of a direct quote and he is
24 not a very -- he is a very kind of straightforward
25 person.

1 So that is definitely a priority for the
2 Department and something that we have picked up on and
3 we are working on in the manufacturing focus and a
4 number of other areas to have industrial impact.

5 MR. GREEN: And I think the mechanism on how
6 to do business with industry has to be addressed.

7 MS. WAYMAN: Absolutely.

8 MR. GREEN: That is part of that open for
9 business because it is going to be a push/pull. So in
10 the future, that should be --

11 DEPUTY ASSISTANT SECRETARY BROWN: I will add
12 just one point on that. We are working so closely
13 together, as you probably know, Secretary Pritzker and
14 Secretary Moniz announced they are doing their trade
15 mission coming up. So not only that, but trade
16 missions at our levels back and forth are going between
17 the two.

18 MR. GREEN: Good.

19 CHAIRMAN LASZIEWICZ: Okay. I need to move us
20 on.

21 And Shirish, we have talked a lot over the
22 last couple of days and this morning about workforce,
23 but I think you have an excellent letter. I appreciate
24 the role you have played supporting leadership on this
25 council and working with the council as a whole.

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If you could give us a brief update, I would appreciate it.

1 WORKFORCE DEVELOPMENT SUBCOMMITTEE

2 DRAFT RECOMMENDATIONS

3 Mr. Shirish Pareek

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5 MR. PAREEK: Thank you, Mike. And I will try
6 and keep it brief in the interest of time.

7 I do want to start by thanking the whole team.
8 I know Roy is here, Andra is sitting here, Joe
9 Anderson, some of the team members could not be here
10 today, Carlos and Eric and Beth was here last night. I
11 don't know where she is.

12 COMMITTEE MEMBER: She disappeared a few
13 minutes ago.

14 COMMITTEE MEMBER: I think she had a flight to
15 catch.

16 MR. PAREEK: With that, since we got started
17 on this effort throughout, as I said earlier, we have
18 tried to walk two parallel paths, skill development as
19 well as perception management. Over the last year and
20 a half, we have done a significant amount of both
21 primary and secondary research. We also tried to
22 benefit from the work done by the previous councils and
23 subcommittees on the subject and really look at what
24 programs are out there, what is the perception of
25 manufacturing. We also took the comments Madam

1 Secretary made in our April meeting about giving very
2 actionable tangible recommendations. She said give me
3 something that I can really give to somebody and make
4 it happen.

5 So with those things, we have two specific
6 recommendations. The first one is using the
7 manufacturing institute to launch a national campaign
8 for manufacturing, a multi-pronged campaign for
9 manufacturing.

10 The second recommendation -- and I will get
11 into more details and certainly if there are other
12 questions -- the second one is really creating an
13 environment for workforce development working in
14 partnership with various industry groups. The name
15 that we've come up with for that is AIMS, America
16 Innovates Manufacturing Skills for workforce
17 development. But really it is all about creating a
18 sustainable environment where the ideas are coming from
19 the bottom up and the Department of Commerce is playing
20 a central role in launching a national level
21 competition to promote that and make that happen, very
22 similar to the National Manufacturing Network, NNMI's as
23 well as the Manufacturing Communities Partnerships.

24 Again, there are very specific action items
25 that we suggested, starting from launching certain

1 campaigns, again, a multi-pronged approach, not just
2 looking at traditional advertising, but also multi-
3 media, more social networking methods to really go to
4 the heart of the perception around manufacturing which
5 is pretty pervasive in our research and really
6 attacking it from multiple directions.

7 Another key component of our recommendation is
8 sort of launching an experimental education program.
9 You will find in our letter a proposal from Scholastic
10 developing manufacturing related programs to go to
11 schools targeting not just the students, but also the
12 counselors, the teachers and the parents.

13 On the workforce development side, again, at
14 the center of our proposal is a recommendation
15 launching a national level competition which would be
16 to encourage industry clusters throughout the country
17 to come back with their proposals similar to what Matt
18 described on the manufacturing communities, but this is
19 all about how they would propose to develop skills, not
20 just by themselves but industry and companies working
21 together in partnership with local community colleges,
22 local technical institutes as well as even government
23 agencies and then coming out of those proposals
24 suggesting that we form a national program office to
25 really go through the proposals and have a couple or

1 three phases that we have proposed. So maybe start
2 with 20 or 30 proposals and narrow it down to 10 and
3 really figure out a way to fund those and not just as
4 the Department of Commerce, but also working in
5 partnership with DOE and the Department of Defense and
6 others.

7 So those are really our two key
8 recommendations. I would ask my subcommittee to add
9 anything. Andra, if you have anything else to add or
10 Roy?

11 MS. RUSH: Well, I think you captured it well.
12 I know we are trying to beat the clock here.

13 I think it is really key to recognize the
14 perception and how it can make an important role and to
15 look at all of the touch points. And we talk a lot. I
16 talk a lot. Let's just do it, but it is a multi-
17 faceted approach.

18 I can just tell you by our little network
19 reaching out, it has touched people. So even on
20 Manufacturing Day we took the -- school through our
21 community and we have three students that were thinking
22 of dropping out, that when they said, this is what
23 manufacturing does. These are the jobs you can do.
24 They kind of recommitted. And it is just one life at a
25 time, but I think the perception will get momentum.

1 The other critical point is getting those
2 stackable skills and certified stackable skills that
3 you can target high school students that they get two
4 certificates, a diploma and a certificate. So great
5 job by the committee. Thank you for letting me
6 participate.

7 MR. PAREEK: Thank you.

8 MR. SWEATMAN: I don't have anything to add to
9 the letter itself, but if we assume as I feel that lack
10 of skilled workforce is still our single number one
11 issue as a manufacturer, if the next council will
12 likely have some sort of a workforce development
13 subcommittee, if that committee is going to build on
14 what the previous committee, what we built on here and
15 what we have developed, would it make sense or is there
16 a way possible that that committee could get involved
17 with education -- getting involved in doing something?

18 And get the -- whether you need legal counsel, get the
19 Manufacturing Institute and everybody in the same room
20 and since we want to try to have implementation, can we
21 help advise on how that implementation gets done?

22 CHAIRMAN LASZIEWICZ: I guess I have to send
23 that question a little more over to Chandra or to Jenna
24 about on the execution or implementation side, is there
25 a way for the council to be leveraged?

1 MS. PILAT: I think -- to do that --

2 DEPUTY ASSISTANT SECRETARY BROWN: And there
3 are ways. We have strategic partnership programs where
4 you can sign memorandums of understanding so where you
5 as the private sector can be intersecting and working
6 with us at Commerce in a more fulsome way, shall we
7 say. So I think again that is a great item. We
8 haven't really talked about it as much, but using the
9 strategic partnerships and leveraging that for
10 literally from this council's perspective back to
11 Commerce.

12 CHAIRMAN LASZIEWICZ: Good. Thank you.

13 Any other comments?

14 GARY: Mr. Chair, if I could offer something.
15 My name is Gary [indiscernible] I am a manager of the
16 Department of Skills Initiative. I work for the
17 Secretary -- Senior Policy Advisor and they asked me to
18 share something with you since they had to run out.
19 They were short on time.

20 CHAIRMAN LASZIEWICZ: Okay. Thank you.

21 GARY: As I shared with Mary and some of the
22 other colleagues in April, the Department is heading
23 towards something like the regional partnerships that
24 you all have suggested. We have been working closely
25 with our friends at the Department of Education and the

1 Department of Labor as part of the Presidential Job
2 Driven Training Agenda.

3 Once of the things we are moving towards is to
4 promote a learning exchange where we are going to be
5 asking approximately a dozen regions to apply for
6 technical assistance and coming together to share best
7 practices. There won't, at this time, be direct
8 funding to the regions, but we are asking for our
9 friends and other agencies to provide in-kind
10 resources, like being faculty, et cetera. We have had
11 conversations with Greg and his colleagues have joined
12 us here for a meeting. We have talked with our friends
13 at Labor. So we anticipate doing that very soon.

14 We have also talked with them, obviously, they
15 have similar initiatives. Is this something that we
16 really ought to be doing? And they have encouraged us
17 to push forward because we have two very natural
18 competitive advantages at Commerce that the other
19 agencies don't.

20 We represent the voice of business and our
21 learning exchange will very much concentrate on those
22 partnerships out in communities that are truly business
23 led. It is not business being pulled by the local
24 partners, but it is business is leading the local
25 partners.

1 The second thing is to do it in the spirit of
2 economic competitiveness. The other agencies have
3 other missions. We have the mission of economic
4 competitiveness and that is something you will be
5 driving. So to the question that Roy asked, I think
6 that when we go to seek regions which will probably be
7 in January or February or so, that you all can help be
8 the regional business leaders that promote that
9 activity and promote participation in the learning
10 exchange. Thank you.

11 CHAIRMAN LASZIEWICZ: Thank you. So if there
12 are not any additional questions --

13 DEPUTY ASSISTANT SECRETARY BROWN: I actually
14 have one question.

15 CHAIRMAN LASZIEWICZ: Sure.

16 DEPUTY ASSISTANT SECRETARY BROWN: Obviously
17 we want to execute these, so I appreciate the
18 specificity on some of these steps to execute. But
19 some of the things, when it says like spring of 2015,
20 appoint the manufacturing institute -- one, I know who
21 the manufacturing institute is but there are lots of
22 things called manufacturing institute -- NAMs or
23 whatever, even NNMI. People call that for short
24 manufacturing institute. So that was just one quick
25 comment on that.

1 I don't know if you're asking for the
2 Department of Commerce to appoint -- group to lead
3 something. I just wasn't sure about that word and
4 that's a little difficult. We don't appoint private
5 sector, in general to -- industry wants to lead that
6 and push that which of course NAM does a great job
7 doing.

8 MR. PAREEK: I think what you're seeing here
9 is, again, our focus on answering questions around who
10 can do it. So who becomes the central clearinghouse?
11 Who can convene a bunch of corporations together to
12 develop a common message and then actually launch a
13 national campaign? So that is where this --

14 DEPUTY ASSISTANT SECRETARY BROWN: So you want
15 us to recommend that they are your choice.

16 COMMITTEE MEMBER: Can you say "engage"?

17 DEPUTY ASSISTANT SECRETARY BROWN: Yes. I
18 like that better than appoint.

19 MR. SWEATMAN: To a certain extent, we don't
20 know the right mechanism and that is why I suggested
21 some involvement in how to go about it.

22 [Simultaneous speech.]

23 CHAIRMAN LASZIEWICZ: I think that change is
24 noted. I will say, though, that this subcommittee did
25 work -- they had outreach to organizations at --

1 including the manufacturing institute. I would agree
2 that we don't need to be that specific, unless anyone
3 else isn't --

4 VICE CHAIR ISBISTER: Well, I think what we
5 have just discussed is changing appoint to recommend or
6 engage and that we specifically call out that the
7 manufacturing institute that is referenced here is
8 actually NAM's manufacturing institute, because I think
9 that is important.

10 CHAIRMAN LASZIEWICZ: So could you read the
11 language as the way you would suggest it. I see you
12 wrote it there.

13 VICE CHAIR ISBISTER: Yes. I like the word
14 "engage", but it could be recommend the -- recommend
15 that NAMS or the National Association of Manufacturers
16 Manufacturing Institute serve as the catalyst and
17 clearinghouse facilitating among groups.

18 MR. PAREEK: Okay. I second "engage".

19 VICE CHAIR ISBISTER: Engage. Thank you.

20 CHAIRMAN LASZIEWICZ: Any additional comments?

21 MR. ANDERSON: I move the letter.

22 CHAIRMAN LASZIEWICZ: Thank you. We have a
23 motion to approve the letter. Is there a second?

24 VICE CHAIR ISBISTER: As modified.

25 CHAIRMAN LASZIEWICZ: As modified. A motion

1 to approve as modified?

2 MR. ANDERSON: Yes. Yes.

3 CHAIRMAN LASZIEWICZ: And a second?

4 COMMITTEE MEMBER: Second.

5 CHAIRMAN LASZIEWICZ: All in favor say aye.

6 [A chorus of ayes.]

7 CHAIRMAN LASZIEWICZ: Opposed?

8 [No response.]

9 CHAIRMAN LASZIEWICZ: The Workforce
10 Development letter is approved. Thank you.

11 So I apologize, Phil. I am going to still try
12 to squeeze you in here. It all depends how this next
13 subject is going to go.

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1 ECONOMIC SECURITY DRAFT RECOMMENDATIONS

2 Committee Discussion

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4 CHAIRMAN LASZIEWICZ: We had some discussion
5 in preparation for this meeting. There has been a
6 specific request by the Commerce Department for an
7 advisory letter -- now this is a different format than
8 the letters we have approved so far today. This
9 advisory letter relates to a specific set of questions
10 related to economic security or threats to our economy
11 by other entities or nations around the world. The
12 advisory letter is advice or input from our membership
13 as to what the scope may be to some of these economic
14 threats.

15 We have input to the letter which includes
16 asking for modifications to the existing letter that
17 includes a more significant focus on the transparency
18 required in IP, intellectual property protection
19 requests from outside of the United States in nations -
20 - WTO related nations such as China where there is an
21 opportunity to oppose the patents based on conflicting
22 technology. I think this was proposed by Steve --

23 MR. BRAIG: Yes.

24 CHAIRMAN LASZIEWICZ: If I didn't get that
25 right, I would ask you to help me clarify the point but

1 I think we need to add language which I don't expect us
2 to reflect immediately. We're going to have to approve
3 -- if we do approve the letter, it will be pending a
4 specific change. If you could be a little bit more
5 specific, I would appreciate it.

6 MR. BRAIG: Yeah, I mean, this requires
7 probably a little bit more research, Mike, to get it
8 right. But my specific example has been that the
9 patent review process in most developed countries that
10 we trade with is fairly transparent. In China, it is
11 not.

12 So the whole opposition process is completely
13 vague. It is not transparent and I also feel as a non-
14 Chinese entity, you are at a distinct disadvantage.

15 My understanding has been that under the WTO,
16 there are some guidelines on how to deal with IP
17 disputes, and again, this is what would require
18 additional research -- which I don't think China is
19 adhering to.

20 CHAIRMAN LASZIEWICZ: So the proposal is that
21 language would be added or a bullet would be added to
22 the letter that reflects this as a consideration for
23 those investigating potential economic security
24 concerns. So that was one.

25 The second is -- and I think Carol and I both

1 teamed up on this one. We felt the letter lacked
2 advice related to information technology security.

3 Contemporary advanced manufacturing is high
4 risk for terrorist threats or economic threats by those
5 who engage in viruses or other IT activity that could
6 impede or even put in danger workers or employees or
7 infrastructure. We felt that it was necessary to add
8 advice as to some of those IT security threats to the
9 letter.

10 Carol?

11 MS. WILLIAMS: Very much support adding
12 something in the cyber IT, manufacturing IT space --
13 economic security really is tied to our 12 million
14 employees that we have around, but also to our
15 communities and what is happening and understanding
16 that our current manufacturing IT lacks some standards
17 that will allow us to reduce the risks for that
18 intrusion and those attacks that are coming. So
19 building process certifications and process control
20 software standards, I think, are critical as we move
21 forward. So having something to -- if there was an
22 intrusion and it happened, it would have a significant
23 impact to our economy.

24 CHAIRMAN LASZIEWICZ: The next addition that
25 has been recommended is that we need to point out that

1 economies, countries and economies that engage in
2 forced localization where imports are penalized by
3 localization tax or financing requirements could be a
4 substantial threat to our ability to export unless and
5 thus an economic threat to the U.S. manufacturing
6 economy. So it has been suggested -- and I am sorry I
7 don't remember who suggested this point but I would if
8 no one else takes credit for it. I do think it is a
9 critical issue. I am not sure if we have any other
10 comments on forced localization.

11 [No response.]

12 CHAIRMAN LASZKIEWICZ: Okay. So we have the
13 letter. I hope you have read it --

14 COMMITTEE MEMBER: Mike, I have one more point
15 from the subcommittee talk yesterday, which was the
16 investments being made globally in manufacturing and
17 innovation.

18 CHAIRMAN LASZKIEWICZ: I'm sorry I have that
19 written here. I missed it. I don't remember who
20 brought that point up. I'm sorry, Christie.

21 MS. BARRETT: Just to summarize. There were
22 many examples where the United States has originated
23 very high value innovation -- scale outside of the US
24 namely because those foreign economies have invested
25 proactively in the manufacturing and innovation and

1 infrastructure to actually manufacture in their
2 countries.

3 Some examples, electronics, LCD displays,
4 there are numerous -- we have lost out in the ability
5 to compete in those manufacturing sectors. There is a
6 plethora of highly high potential advanced
7 manufacturing technologies that are being looked at
8 right now. It is a potential for the renaissance at
9 the U.S. manufacturing sector.

10 So what I would encourage us to state is let's
11 mitigate the risk of losing those future high-value
12 manufacturing sectors by making the investments today
13 in U.S.-based manufacturing ecosystems such as the IMCP
14 with community investments, they NNMI which is going to
15 enable the commercialization and scale of those
16 technologies because without making those proactive
17 investments, there are foreign economies that are
18 making those proactive investments and we will again
19 lose these opportunities.

20 CHAIRMAN LASZIEWICZ: Thank you. I'm sorry.
21 You did describe that yesterday. I'm sorry I forgot
22 it.

23 Are there additional comments or inputs here?
24 I hope you had a chance -- this was a late-breaking
25 request from the Commerce Department.

1 Yes?

2 SUE: I am Sue [indiscernible]. I am the
3 Chief Economist at the Department of Commerce and we
4 really want to, in response to a Congressional request
5 -- this request on to you.

6 CHAIRMAN LASZIEWICZ: Okay.

7 SUE: We really appreciate the quick response.

8 CHAIRMAN LASZIEWICZ: Thank you. Next time,
9 just a little bit more time might be helpful.

10 [Laughter.]

11 SUE: Yes. And so I guess I would appreciate
12 -- just in the spirit, particular, examples of
13 countries that you feel -- examples of these
14 investments and commercialization that you find useful.

15 Any you have off the top of your head or if you want
16 to communicate separately, that would be great.

17 MS. BARRETT: Maybe offline. I think in the
18 IRD subcommittee --

19 [Simultaneous speech.]

20 CHAIRMAN LASZIEWICZ: Al, who did you bring in
21 to give you the update on where these investments are
22 being made? I sat in on your meeting --

23 [Simultaneous speech.]

24 MS. RUSH: We had an expert from the National
25 Academy of Science.

1 CHAIRMAN LASZIEWICZ: That's who it was.

2 MS. RUSH: We can send you that material.

3 CHAIRMAN LASZIEWICZ: That is an excellent
4 presentation that I think would fit perfectly here.

5 [Simultaneous speech.]

6 MS. PILAT: I'm sorry to interrupt you. I
7 think it may make sense once they letter is conveyed,
8 we can set up a follow-up call to Jill -- with details
9 and specifics.

10 DEPUTY ASSISTANT SECRETARY BROWN: And I was
11 just going to use this as an example before I go to
12 Phil, I think for the next council this is something
13 that hopefully will happen more -- not with this time
14 frame, but with the fact that we are going to be asking
15 you questions about different issues or as topics come
16 up so that we can be soliciting your opinions and some
17 of these will have -- because unfortunately, they are
18 not always dictated by us -- we have the leisure to
19 think about them, but we would like to use you in the
20 future as a sounding board for things like this.

21 So if a hot topic comes out, maybe we will
22 push it out -- if you have time to comment or not. But
23 I think this example will be used in the future if Sue
24 has other questions or things that come up.

25 MS. WILLIAMS: And I would make a suggestion

1 that -- I think it is great, but having a quick phone
2 call which even if we couldn't participate, that our
3 staffs could have listened in to really understand what
4 you were looking for, because you get two lines, you
5 read it and say, okay, we are not going to comment and
6 then you get here and you say, oh, that's what you
7 wanted? Oh, I've got a lot that I want to say.

8 So just 5 minutes or 15 minutes, I think,
9 would have helped a lot.

10 DEPUTY ASSISTANT SECRETARY BROWN: That is a
11 fair comment. Hopefully it will be more time.

12 CHAIRMAN LASZIEWICZ: So, to be clear, the
13 motion that I am asking for is approving an Advisory
14 Letter to the Commerce Department based on the specific
15 question they asked about economic security and where
16 the motion would be to approve a modified letter from
17 the version you are reviewing with inputs specific to
18 the topics we have discussed. Further, I would ask for
19 input to go to Jenna for final insertion into the
20 letter as quick as you can provide it. That would be
21 the request.

22 So I am asking if there is a motion for a --

23 COMMITTEE MEMBER: So moved.

24 VICE CHAIR ISBISTER: So from a process
25 standpoint though, just to be clear, the additions to

1 the letter need to be contained in the conversation
2 that we had here. So it's Christie, Steve, and Carol
3 providing the words that summarize the comments that
4 they made.

5 MS. PILAT: It is IP, IT Security, Forced
6 Localization and Investment. Those are the issues that
7 exist.

8 MS. KINGSCOTT: Could I ask a question? The
9 materials that we were just talking about from the
10 National Academy of Sciences yesterday, I think they
11 fit under one of those buckets in terms of investment.
12 Is that --

13 CHAIRMAN LASZIEWICZ: That would fit under --
14 that is advisory or appendix information we would
15 provide under the bullet that Christie identified.

16 MS. KINGSCOTT: All right. I have significant
17 other information regarding -- investments that are
18 being done in China that has all ready been provided to
19 the USTR.

20 MS. PILAT: Yes. We can convey that to the
21 team. Absolutely. Thanks, Kathy.

22 CHAIRMAN LASZIEWICZ: Thank you. Okay. So,
23 again, do I have a motion to approve the revised
24 letter?

25 COMMITTEE MEMBER: So moved.

1 CHAIRMAN LASZIEWICZ: Do we have a second?

2 COMMITTEE MEMBER: Second.

3 CHAIRMAN LASZIEWICZ: All in favor say aye.

4 [A chorus of ayes.]

5 CHAIRMAN LASZIEWICZ: The motion is approved.

6 Okay. The tough work is done; right?

7 It's an update. Updates are easy. We have
8 just two quick pieces of work. We have Phil and then
9 we have the public comment section and then we will be
10 able to adjourn.

11 Phil?

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1 NATIONAL INSTITUTE OF STANDARDS

2 AND TECHNOLOGY UPDATE

3 Phillip Singerman, Associate Director for
4 Innovation and Industry Services

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6 MR. SINGERMAN: Thank you. I am here
7 representing the National Institute of Standards and
8 Technology, NIST, which is the billion dollars at the
9 center of gravity for manufacturing, technology,
10 research and development within the Department of
11 Commerce and I am also representing the -- Partnership
12 Program which at \$130 million is the largest program
13 focused on the needs of small- and medium-sized
14 manufacturers which as this council knows better than
15 anyone, it represents over 90 percent of all of
16 manufacturing establishments and 75 percent of the
17 manufacturing employees.

18 So I am handing out a background piece that
19 identifies some of the activities that the NIST MEP has
20 carried out in response to or in alignment with the
21 actions and the recommendations of your council. I
22 want to highlight two. The first is Manufacturing Day
23 which was hatched by MEP staff, my colleague Gary
24 [indiscernible] and others three years ago with the
25 Fabricators and Manufacturers Association.

1 It has grown from a MEP program to a
2 Department of Commerce Program to really a national
3 program, and a private sector led initiative of the
4 advocacy and promotion of the council. The letter that
5 you sent out across the country was extraordinarily
6 helpful and contributed to the 1,600 plus
7 establishments that opened their doors for high school
8 students, parents, guidance counselors and teachers.

9 There are some facts and figures in the paper.

10 It was enormously successful as the Secretary
11 mentioned. The President went to a steel manufacturing
12 facility in Indiana and that was the truly singular
13 recognition of the importance of manufacturing in
14 general and this program in particular to the
15 Administration.

16 The second activity I would like to highlight
17 is Exportech, a very explicit recommendation from your
18 committee. Thank you very much. This is a proven
19 program. It is a joint initiative with the USEAC and
20 U.S. export assistance that ITA oversees and in
21 accordance with your recommendation, and in
22 collaboration with our colleagues at ITA, we are
23 planning to expand the program in the coming year -- so
24 more resources, more companies, more activity as you
25 have suggested. So we are in complete alignment with

1 that.

2 I want to end with one observation, the
3 council has benefited from cross-fertilization with
4 other councils. So Jeff Wilcox from Lockheed Martin
5 who is not here today is on the MEP Advisory Board and
6 he has been very influential in advocating for an
7 increased focus on export -- strategic planning process
8 and that is reflected in your recommendation to us.

9 And Christie Wong Barrett has been an active
10 member of the AMP steering committee which also, as
11 some of you may know and all of you will see in a
12 couple of weeks, the recommendation that is coming out
13 of that private-sector-lead initiation, again, aligned
14 with the recommendations of this council as well. So
15 that is, I think, a reflection of the Administration's
16 -- a reflection of the importance that your
17 participation on these kinds of councils is to the
18 Administration. It has been extraordinarily helpful to
19 us, extraordinarily helpful to my colleagues at the
20 Department of Commerce.

21 I would be glad to answer any questions.

22 CHAIRMAN LASZIEWICZ: Well, I would just like
23 to acknowledge the leadership of the Commerce
24 Department with a Manufacturing Day and I think, kind
25 of, the transition of that from a great idea inside

1 Commerce to now an industry-led event is impressive.
2 The events were outstanding. So congratulations.

3 MR. SINGERMAN: Thank you.

4 DEPUTY ASSISTANT SECRETARY BROWN: Even more
5 next year.

6 MR. SINGERMAN: And one more thing. The
7 legislation that the Secretary mentioned on the
8 manufacturing institute -- that responsibility will
9 reside at NIST and I believe Mike Molnar, my colleague
10 from the [indiscernible] office has presented to this
11 group before. So we are very excited about the
12 possibility that this could pass through in the lame-
13 duck session.

14 CHAIRMAN LASZIEWICZ: Very good.

15 MR. SINGERMAN: And give a kind of impetuous
16 to this manufacturing that we all believe in.

17 CHAIRMAN LASZIEWICZ: Okay. So we have -- I'm
18 sorry, Cody.

19 MR. FREISEN: Just real quickly, do you mind
20 commenting on the mechanism by which companies can
21 engage with ExporTech?

22 MR. SINGERMAN: So there are -- it is a program
23 that we carryout, again, in connection with the U.S.
24 Export Assistance service. You can look on -- we will
25 send information we get through our website.

1 This is one approach that the program takes,
2 so states such as Wisconsin have used this and expanded
3 it and put in much of their own resources to develop a
4 broad range of -- it is really very intensive
5 assistance to companies and the companies find it very
6 valuable. We have a very rigorous review process that,
7 again, my colleague Gary [indiscernible] oversees to
8 ensure that we are actually providing quality service
9 to the companies that we serve and this program is
10 validated by that mechanism.

11 VICE CHAIR ISBISTER: And in support of it, at
12 least in Wisconsin, it has been very, very successful
13 and the state has contributed a fair amount of funds
14 and sponsors, scholarships, so to speak, to help offset
15 the cost of the program for SMEs in particular. And
16 the reported impact from these programs has just been
17 exceptional.

18 MS. BARRETT: One comment. Hi, Phil. Nice to
19 see you. Thank you for all of your work and
20 dedication. Pleasantly surprised and did not know
21 about the B to B pilot project and how well that
22 actually dovetails into the two letters of
23 recommendation from the IRD Subcommittee. So I don't
24 know if that was just happenstance timing.

25 MR. SINGERMAN: So I was privileged to attend

1 the subcommittee meeting in the spring which was
2 coincidental with the AMP Committee and Al and Claudine
3 were very articulate in describing what they needed and
4 we adjusted this program which is underway to support
5 that initiative.

6 MS. BARRETT: So to the extent that I think
7 our subcommittee can be helpful as this launches, you
8 have all ready leveraged our -- please continue to do
9 so. It was exciting to see that.

10 [Simultaneous speech.]

11 CHAIRMAN LASZIEWICZ: Okay. I have a
12 compulsory here and then we can close.

13 Is there any public Comment?

14 [No response.]

15 CHAIRMAN LASZIEWICZ: No. Okay. Without any
16 public comment, I would ask Mary to make a few closing
17 remarks and then I would like to do the same.

18 VICE CHAIR ISBISTER: Okay. Well, I think in
19 summary after spending four years as a participant on
20 the Manufacturing Council, I would first like to thank
21 the Department of Commerce for the opportunity to
22 serve. As a business person who likes to help see
23 change or help to drive the change, finding this as an
24 opportunity to execute that was extremely useful and
25 valuable.

1 And also, the fact that you encourage
2 actionable outcomes from these recommendations -- we
3 can all sit around and discuss at infinitum all of the
4 issues and kind of generally suggest a course of
5 action. But really most business people want to see
6 something that can actually be executed. So the
7 encouragement that the Secretary and Jenna, always and
8 Chandra as well that these be truly actionable
9 activities and the guidance that you have provided us
10 to offer things were there was both political will and
11 mechanisms to make happen was invaluable and resulted,
12 I think, in all of us feeling really good about the
13 work that we put forward.

14 But lastly, and this was something that
15 actually Joe Anderson kind of caused me to reflect on
16 last night, the fact that at the end of the day it
17 really felt like a partnership. I think business often
18 times finds Government--with a capital "G"--as an
19 impediment more often than a partner. And this
20 opportunity really helps me see how often Government
21 can be a partner and should be a partner and could be
22 leveraged as a partner and we don't take advantage of
23 it.

24 So this was an opportunity to see how that can
25 work and then hopefully be an advocate back in my

1 region or in our region for making that, because at the
2 end of the day I think we have always said that the
3 best practice comes when there is a public-private
4 partnership. And certainly our experience has been an
5 extreme willingness on at least the Department of
6 Commerce's point to want to be a partner in advancing
7 business. So thank you very much for that.

8 And then lastly and certainly not least, thank
9 you for the opportunity to be with so many very, very
10 smart and tremendously committed business executives
11 because that is truly the reward for this activity. So
12 thank you.

13 CHAIRMAN LASZIEWICZ: Thank you, Mary.

14 My comments will be short and hopefully sweet.

15 It has been an honor to serve on the Manufacturing
16 Council. I am completing my fourth year and it has
17 truly been an honor to provide this service to our
18 Commerce Department. So thank you for the opportunity.

19 It has been an honor to serve as your
20 Chairman. I don't know that I have ever worked with a
21 finer group of people. The commitment as business
22 leaders and professionals, what you do in our industry
23 and more importantly, what you do for our country and
24 your communities is notable and quite frankly, I think
25 a little underappreciated.

1 It has been an absolute honor. Thank you very
2 much for your support. So thank you.

3 MS. PILAT: I will just through my eggs in
4 there to. For those of you who are not reapplying,
5 welcome to the Manufacturing Council Alumni Program.

6 [Laughter.]

7 MS. PILAT: These include requests to host
8 Commerce officials at your facility for tours and
9 roundtables.

10 But in all seriousness, it has been an honor
11 and a pleasure to continue to work with the council.
12 Whether on the council in the future or in other ways,
13 I do hope to continue the partnership. It has been a
14 very effective one for us and a very valuable one for
15 us.

16 I think we will continue to see and I have
17 already seen some of the fruits of your labor. So
18 thank you for your public service. We really do
19 benefit from it and we hope to continue to see the
20 improvements that manufacturing is making and
21 strengthening across the country. So thank you very
22 much.

23 CHAIRMAN LASZIEWICZ: Thank you, Jenna.

24 DEPUTY ASSISTANT SECRETARY BROWN: Can I ask
25 how many people are thinking of reapplying?

1 [Indicating.]

2 DEPUTY ASSISTANT SECRETARY BROWN: Excellent.
3 Excellent. So the work continues. The beat
4 continues.

5 [Laughter.]

6 DEPUTY ASSISTANT SECRETARY BROWN: I would say
7 -- to echo to Jen's point again -- we can all say
8 thanks and what a joy it has been. Again, I have been
9 on the council for many years and now being on this
10 side, I meant in all sincerity that I think this work
11 has been the best, the most exemplary and sets a high
12 bar because I hope that continues and I can say that
13 about the next council coming through, that it echoes
14 the incredible work that has all ready been done.

15 So thank you everyone and it has been
16 fantastic.

17 CHAIRMAN LASZIEWICZ: Thank you. Okay. I
18 think we are adjourned. I can gavel the adjournment.
19 Roy, am I good?

20 [Laughter.]

21 [Simultaneous speech.]

22 MR. SWEATMAN: Before you do, I think a round
23 of applause for Mike and Mary.

24 [Applause.]

25 CHAIRMAN LASZIEWICZ: Oh, you are very kind.

1 Thank you. We are adjourned. Thank you.

2 [Whereupon, at 12:08 p.m., the meeting was
3 adjourned.]

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C E R T I F I C A T E

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3 This is to certify that the foregoing
4 proceedings of a meeting of The Manufacturing Council,
5 held on Wednesday, October 15, 2014, were transcribed
6 as herein appears, and this is the original transcript
7 thereof.
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10 ANTHONY R. DENNIS

11 Court Reporter
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